

# Statement of Accounts (DRAFT) 2022 - 2023



London Borough of Harrow  
(Draft) Statement of  
Accounts 2022 - 2023

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## 1. Narrative Report

### Message from the Director of Finance and Assurance



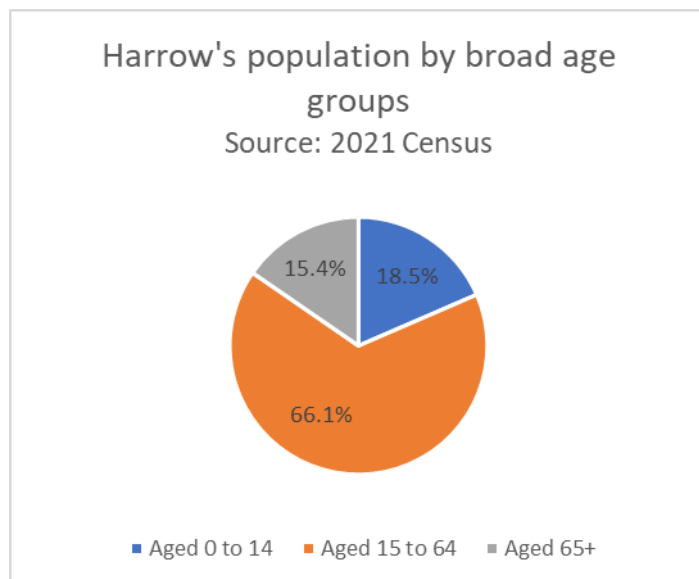
As the Council's statutory Chief Finance Officer, I have pleasure in writing the Narrative Report to Harrow Council's Statement of Accounts for 2022-23. The Narrative Report provides an analysis of Council performance during the year, an explanation of the financial results included in the Statement of Accounts and an overview of the future outlook beyond 2022-23.

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 261,200 (2021 Population estimates: published on 28 June 2022). In the ten years between 2011 and 2021, there has been some significant changes in population:

- 9.3% increase in the population
- 7.8% increase in people aged 15 to 64 years, with 160k people of working age (66.1%)
- Growing younger population aged 0-15 of 18.5% (48,300), which is higher than the London average<sup>1</sup> 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 16,140 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 to and from The 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 Leadership Team (CLT).

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 Leadership Team (CLT) comprises the Council's Senior Management Team:

Chief Executive

Corporate Director - Place

Corporate Director - People's

Corporate Director - Resources

Director of Finance and Assurance

Director of Legal & Governance

The CLT 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:

<p><b>Chief Executive</b></p> <p>Finance &amp; Assurance Internal Audit &amp; CAFT Legal &amp; Governance CEO Revenues, Parking &amp; Benefits Procurement</p>	<p><b>Resources Directorate</b></p> <p>Business Support ICT HR Strategy</p>
<p><b>Peoples' Directorate</b></p> <p>Adult Services Children's Services Public Health</p>	<p><b>Place Directorate</b></p> <p>Environmental Services Housing General Fund Enterprise and Planning Cultural Services Regeneration</p>

## 1.2 Summary of the Financial Performance of the Council

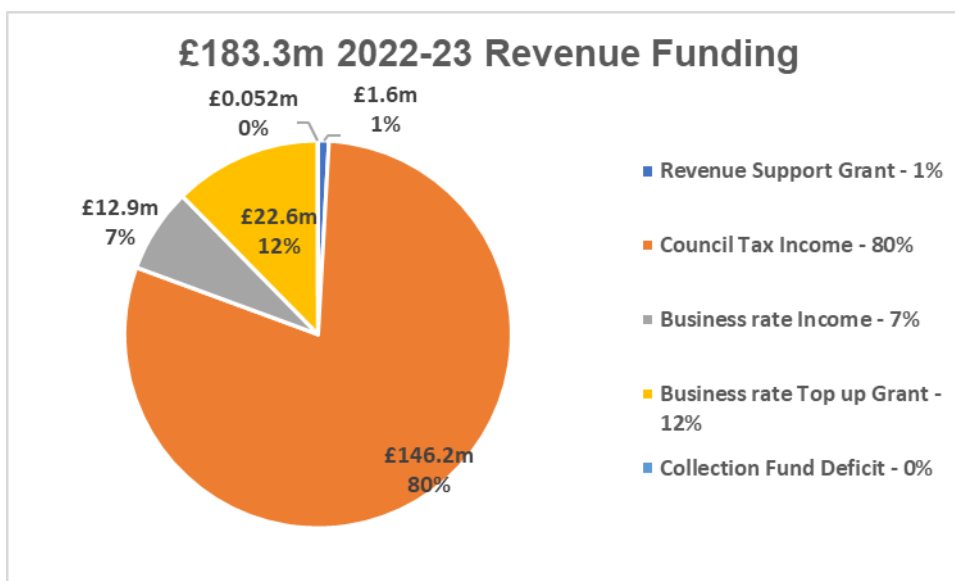
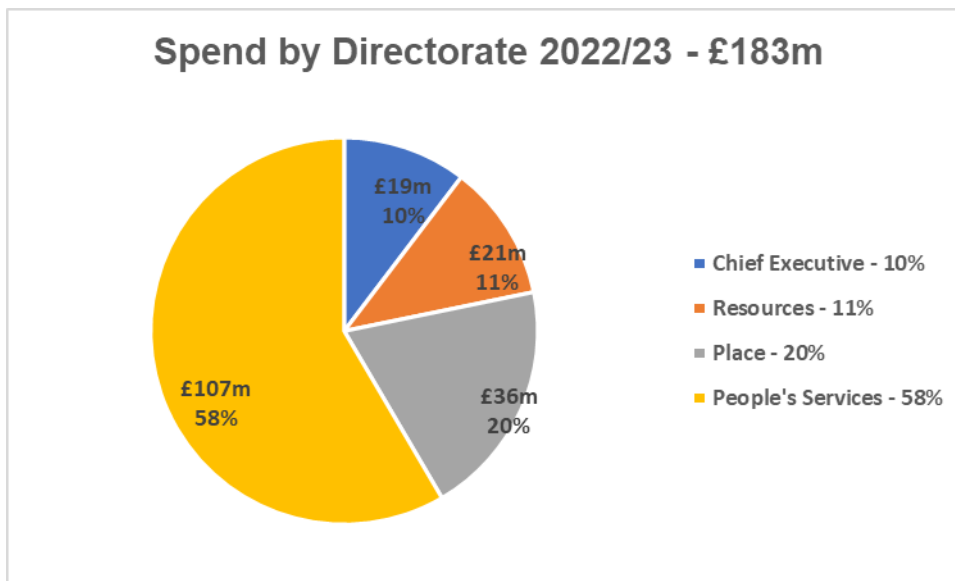
### Revenue Budget

During the year, the Council delivered its services within the approved budget of £183.2m and contained the pressures arising from the challenging financial environment and managed the risks around demand pressures.

The Council has maintained its General Fund Balances at £10m in 2022-23. 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. General Fund Reserves (Capital and Revenue) have reduced from £69.1m to £65.5m in 2022-23 as set out in note 5.7. The final outturn position for the year compared to the revised budget is set out below:

Service Area	2022-23		
	Budget £'000	Actuals £'000	Variance £'000
Chief Executive	19,022	17,136	(1,886)
Resources	20,752	20,934	182
Place	32,308	36,296	3,988
People's Services	106,973	107,090	117
<b>Total Directorates</b>	<b>179,055</b>	<b>181,456</b>	<b>2,401</b>
Corporate Budgets	4,230	7,671	3,441
<b>Total</b>	<b>183,285</b>	<b>189,127</b>	<b>5,842</b>
Transfer to reserves:			
Transfer from reserves		(5,842)	(5,842)
<b>Net Expenditure</b>	<b>183,285</b>	<b>183,285</b>	<b>0</b>
Funded by:			
Revenue Support Grant		(1,648)	(1,648)
Council Tax Income		(146,185)	(146,185)
Business rate Income		(12,881)	(12,881)
Business rate Top up Grant		(22,623)	(22,623)
Collection Fund Deficit		52	52
<b>Total</b>	<b>0</b>	<b>(183,285)</b>	<b>(183,285)</b>
<b>Surplus for the year</b>		<b>0</b>	
<b>General Fund balance at 31 March 2023</b>		<b>10,008</b>	

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



### Capital Programme 2022-23

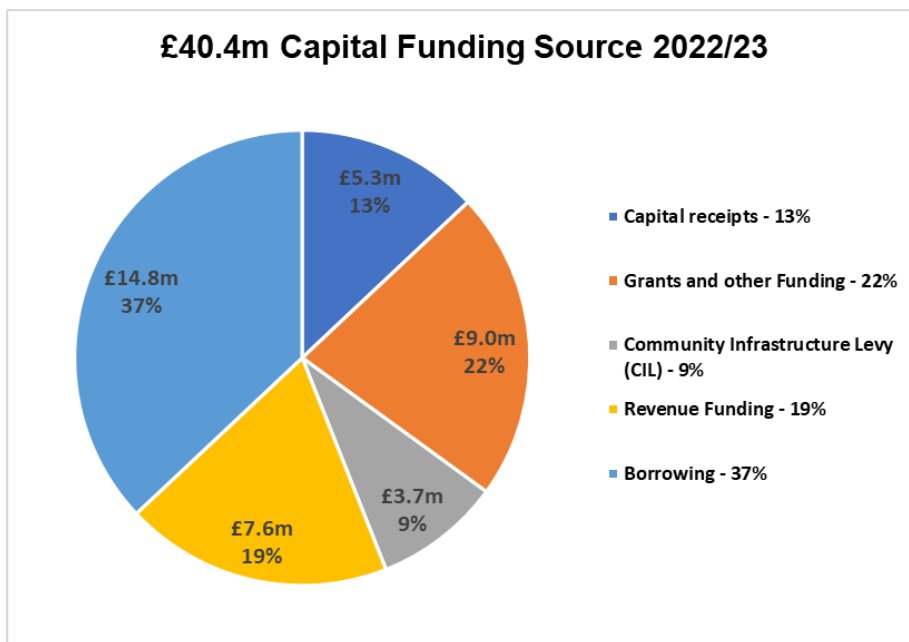
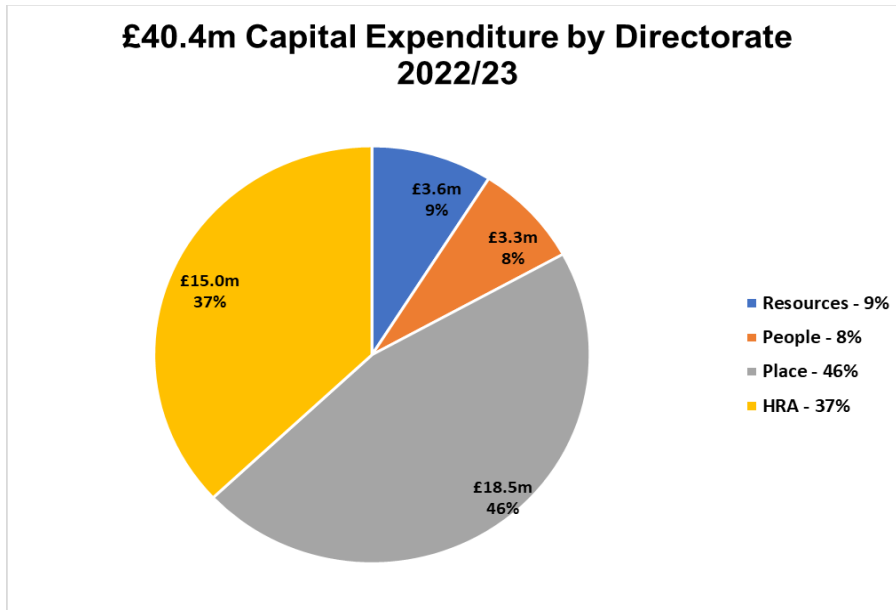
During 2022-23, the Council invested £40.4m on developing or acquiring capital assets. This was mainly funded from £14.8m borrowing and the balance of £25.6m funded from external grants, Community Infrastructure Levy (CIL) contributions, revenue contributions and capital receipts.

Major projects included in the capital programme were:

- Continued investment in new technology to improve Council Services.
- Highways improvement programme and Street Lighting Improvements.
- Improvements to parks.
- Provision of disabled facility grants to private sector tenants.
- Purchase of homes in Harrow for temporary accommodation.
- Progress of the Waxwell Lane development.
- Continuation of the Harrow High Streets Programme.
- Improvements to the Council's housing stock including the Grange Farm development.

- Continuation of the Building Council Homes for Londoners Programme.

The following charts show how the £40.4m was spent by Directorate and also how the Capital Programme was funded:



### Housing Revenue Account (HRA)

The council delivered 362 homes (completed, on site or in development) under the 2016 – 2023 Building Council Homes for Londoners programme and are progressing a further 175 homes with grant funding from the 2021-2026 GLA Affordable Housing Programme.

## Collection Fund

The in-year Council tax collection rate for 2022-23 was 96.63%. This is just under 1% lower than the target of 97.25% expected but considering the lack of recovery work throughout Covid periods and then moving straight into a cost-of-living crisis which impacts on residential household affordability, the result is actually very good.

Business rate collection was 91.94%, about 5% below the target of 97%. The performance was affected by technical issues (around 2% was due to reliefs not being applied) and the impact of the cost-of-living crisis which reduced performance by around 3% due to small businesses, which make up about 2/3rds of business rates payers, simply not paying on time when decreased income was diverted to pay other essentials rather than business rates.

Collection performance for local taxation will remain challenging due to both the time businesses and households will need post cost of living crisis to recover and the impact to the economy in the short-term considering the level of interest rates and the impact this will have on affordability.

The overall position for the Collection Fund is a net surplus of £3.56m (NDR £2.14m surplus; Council Tax £1.42m surplus) of which £1.75m is Harrow's share. This is mostly carried over from the previous year but also due to additional business rate reliefs announced by Central Government for which the local authority was fully compensated via s31 grants.

## 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 Monetary Policy Committee increased base rate 8 times from 0.75% as at 31st March 2022 to 4.25% as at 31st March 2023. Investment returns was 0.81% for 2022/23.

During 2022-23, a loan for £5m matured and was repaid. Total Borrowing at year end was £417m and the average interest rate was 3.45%. The strategy to fund capital expenditure was to use cash balances in-year, in recognition of the unfavourable gap between investment returns and borrowing cost.

## Pensions

The Pension Fund is maintained at a level to meet the Council's long-term liability for pension benefits. In the year to 31 March 2023, the Fund's net assets increased to £909.7m, largely due to the increase in the market value of investments. The Fund's investment performance for the year was 4.6%.

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 £171m as at 31st March 2023. This is £281m less than the net liabilities of £452m twelve months earlier reflecting both investment returns and the reduction in the discount rate applied to the value of future pension liabilities (see note 5.40.5).

The Pension Fund is required to have sufficient funds available to meet its pension liabilities when they fall due. To achieve this, an actuarial valuation of the Fund is carried out every three years. As part of that valuation, the level of employer contributions is fixed for the next three years, and it is the level of those contributions which impacts on the Council's budget and hence on the council tax. The current strategy is to achieve 100% funding over 20 years and to provide stability in employer contribution rates by limiting increases over a period of time. At the last valuation, carried out in March 2022, the fund was assessed as being 96% funded, corresponding to a shortfall of £39m. The Council's contribution rate for the financial year 2023-24 was 16% of pensionable pay plus £6m, which equated to approximately 23% of pensionable pay.



## Harrow's 2022-23 Achievements

### RESIDENTS FIRST

#### Achievements

- Customer Services moved to Greenhill library to operate its face-to-face service to assist residents. More than two thousand people were seen in the opening three weeks;
- One-hour free parking in car parks was introduced with very high take up;
- Free Bulky Waste collections were introduced and proved popular with over 700 in the final month of 2022-23;
- Call answering rates improved over the year;
- 34,000 residents logged into their MyHarrow account to review their annual bill and 43,000 people received their council tax as an e-bill;
- A new residents survey was completed, which will support future policy and delivery decisions;
- Successful first ever Tamil Heritage Month in January 2023. This included a series of exhibitions at Headstone Manor and Museum which attracted 3,000 people to the museum. Children's story time and rhyme time sessions, a traditional Tamil dance and song event for children, and Thai Pongal at Harrow Arts Centre were also held;
- The Conversation Café run by Adult Social Care visited sites across the borough proving very successful and will be rolled out to cover other Council service areas.

#### Challenges

- Achieving improved and consistent customer experience across the organisation
- Freedom of Information response performance is improving at 85% within timescale but is still below the 90% target.
- The financial impact on the Council's leisure centres from the increase in energy costs, and other inflation and there are increased maintenance costs relate to Harrow's ageing leisure centre

#### Forward look

- Using the residents survey insight to support policy and delivery decisions in the Council
- Continued preparation for go live of new systems – Public Protection and Licensing, Planning, Parking, Housing
- New Customer Services Standards have been developed and go to Cabinet in June as part of the wider Customer Experience Strategy
- Securing opportunities for university placements in legal service in conjunction with Brunel University
- Successful delivery of the GLA elections.
- New build completion at Harrow Arts Centre phase 2.
- New Economic Strategy to be agreed by Cabinet in line with the council's new vision
- The new Indoor and Outdoor Sports Facility Strategy will be completed in Q2 2023-24 and shared with residents for feedback

## CLEAN & SAFE

### Achievements

- Work commenced to install over 300 solar panels at the Council's hub building at Forward Drive. The installation is the largest on a council building to date and will generate an amount of electricity that would meet the demand from over 30 average UK houses. It will mean that around 10% of the Forward Drive site's total electricity needs are now met through locally produced renewable energy
- Funding secured for another 225 street lamp Electric Vehicle Charging Points
- New strategy to reduce fly tipping and littering is in place focusing on prevention and targeted enforcement
- Focused activity to repair potholes introduced in early 2023 and will remain a priority
- Successful rollout of an improved Garden Waste service with increased take up of the service
- Supported go live of new digital CCTV solution, moving from old analogue service in Civic Centre
- Repair Café to help residents fix and improve items was held in March with West London Waste Authority and TRAIID

### Challenges

- Highway defects rectified within timescale needs improvement. The service is working with the contractor to improve performance in this area
- The backlog in planning applications remains high and has increased in the last couple of months.
- A further independent survey of cleanliness of streets was undertaken in February 2023 and showed a drop in performance from the previous survey in November but better than the London benchmark in all areas except for Graffiti.
- Work is needed to develop funding solutions for decarbonisation of the Council's fleet and buildings.

### Forward Look

- Borough-wide Public Space Protection Orders (PSPOs) for five distinct localities - being consulted on.
- Continuing to improve our recycling rates - including enhanced communications and engagement over the next 6 months focused on reducing the amount of waste disposed of per household building on #Recycleforharrow.
- We will be consulting with residents and businesses in Harrow over the summer of 2023 on the draft Climate & Nature Strategy, with a view to ascertaining local attitudes to climate change, barriers to, and opportunities for, action in our communities, and mapping existing initiatives.
- Undertake scoping and preliminary surveys of five further maintained school and council sites for solar panel installations later in 23/24.
- Roll out extended reduced cut and introduction of 'cut and take' at selected verge and park sites in order to improve the biodiversity and wildlife value of those sites.

## SUPPORTING THOSE MOST IN NEED

### Achievements

- HAF (Holiday Activity & Food) programme received visit from Children's Minister and Harrow is seen as being a good practice model through work with Young Harrow Foundation
- Partnership action and positive risk management has led to large reduction in numbers of Children on Child Protection Plans, now down by one third.
- We have achieved the highest number of people invited for health checks and the highest number of completed health checks since the programme started.
- New office building for urgent care for Children's, Adults and Housing, and including the MASH<sup>1</sup>, is now up and running
- Voice of the child - a new Participation Offices has developed and expanded the Child in Care Council
- On track to deliver 3 the three new ARMS<sup>2</sup> provisions for September 2023
- School Admissions - all children who applied on time where offered a school place
- Preventing homelessness - While there remains significant affordability and supply challenges with the current private rented sector- Q4 saw increase the percentage of households that have been helped from becoming homeless
- Top quartile performance for Gas Safety checks – with progress made this quarter to gain access to complete works.
- The Harrow Job Fair took place in February at Harrow College. The event attracted over 200 attendees.
- Learn Harrow successfully delivered above the annual target for participation, The enrolment target for 2022-23 was exceeded by 1,115, this reflects the decision to work with a Ukrainian cohort over the summer holidays ahead of the new academic year.
- The Virtual School has done excellent work with Hope Harrow providing parenting support for our CWSW<sup>3</sup> parents.

### Challenges

- A regulatory notice has been issued finding Harrow in breach of the *Home Standard*, due to non-compliance in relation to electrical and water testing. Rapid remedial action is underway, along with engagement with the regulator in monitoring our ongoing health and safety programme.
- All contractors reported an increase in the volume of cases involving of Damp and Mould. Harrow's specialist contractor was overwhelmed with cases (not just from Harrow) leading to a period they were unable to take on new works. Additional resources in place for Q1 are expected to bring completions in line with customer standards as we move into the spring.
- Recent JTAI<sup>4</sup> identified some challenges around multi agency co-ordination and senior management oversight of Early Support Services – an action plan has been developed

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<sup>1</sup> Multi Agency Safeguarding Hub

<sup>2</sup> Additionally Resourced Mainstream School

<sup>3</sup> Children with Social Worker

<sup>4</sup> Joint Targeted Area Inspection

- Managing increased demand across People services and improving customer experience especially in adult social care front door.
- Workforce recruitment and retention challenges persist, especially social workers, educational psychologists, occupational therapists
- Placement sufficiency challenges (including SEND<sup>5</sup>) have led to spiralling placement costs and inconsistent quality
- Achieving the production of EHCPs<sup>6</sup> within the statutory timelines – (putting in place sufficient case workers, will take time to recover)
- Insufficient placement capacity for children and YP with Severe Learning Difficulties

## Forward Look

- **Service redesign** and Target Operating Model re-design across People Services to maximise customer satisfaction, enhance use of resources and to deliver efficiencies
- Our baseline **Tenant & Leaseholders Satisfaction survey** is now complete, with reporting and analysis of results during May. Action planning to respond to areas for improvement will take place over Q1 in consultation with staff and Resident's Board.
- Redesigning **community mental health and floating support services** with new services wef April 2024.
- Redesigning **information and advice** contracts for new services wef April 2024.
- Progressing the **transfer of Adult Social Care Mental Health services** to the Council and development of new operating model. Considering new partnership arrangements with CNWL with effect from July
- Publish **Market Position Statement** for Adult Social Care in May 2023
- Greater **integrated services** with health and other agencies
- Development of the **Combatting Drugs action plan** together with a needs assessment
- Continue improving HBBP (**Harrow Borough Based Partnership**) and lead on delivering integrated projects and workstreams

## Value for Money

It is important that residents feel that the Council offers good value for money, especially with the current challenges around the cost of living. Ensuring that Council spend adds value is vital, so that inefficiencies can be reduced and the experience of residents is enhanced, be that through better use of digital technology or changes to service delivery.

Now, a few years after the Covid-19 pandemic, there is a cost of living crisis that has negatively impacted the Council's finances.

Prior to the Covid-19 pandemic and the cost-of-living 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.

In 2023-24, a Revenue budget of £154m was set along with a 2.99% increase in Council Tax which was approved by the Council in February 2023. The 2.99% increase reflected a 1.99% increase in respect of the traditional council tax increase and 1.0% for the Adult Social Care precept (ASC).

The General Fund Balance as at 31st March 2023 remains just above £10m (£10.008m). The Earmarked and Non-Earmarked Reserves are £65.5m as at 31st March 2023, which compares

<sup>5</sup> Special Educational Needs & Disabilities

<sup>6</sup> Education, Health and Care Plans for children with special educational needs & disabilities

with £69.1m at the 1st April 2022. 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 legacy impact of Covid-19, the impact of Brexit also still remains uncertain as does the impact of Russia's invasion on the Ukraine and the cost of living crisis. Amongst all this uncertainty, the UK's rate of inflation (10.1% March 2023) is the highest it's been in 40 years.

The Secretary of State for the Department of Levelling Up, Housing and Communities recently announced (June 2022) that councils will receive a two-year settlement which will cover the financial years 2023-24 and 2024-25 and whilst this is welcomed (following 4 years of one-year settlements), there remains uncertainty about the impact on Harrow until further details emerge. This continues to create a challenging environment for the 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 MTFS – Medium Term Financial Strategy (2022-23 to 2024-25) was set based on the most accurate information available at the time. Based on this information, the MTFS shows a significant budget gap which the council is in the process of addressing to ensure financial sustainability.

### 1.3 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 2022-23;
- All relevant International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

### 1.4 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 Expenditure and Funding Analysis (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 31<sup>st</sup> March 2023, 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.

### 1.5 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 Sharon.Daniels@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.

**Sharon Daniels CPFA**  
**Interim Director of Finance and Assurance**  
**23 January 2024**

## **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 31<sup>st</sup> March 2023 and its income and expenditure for the year ended 31<sup>st</sup> March 2023.

**Sharon Daniels CPFA**  
**Interim Director of Finance and Assurance**  
**23 January 2024**

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

TO BE INCLUDED ON COMPLETION OF AUDIT



### **3 Audit Opinion & Certificate**

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

TO BE INCLUDED ON COMPLETION OF AUDIT

**For and on behalf of Mazars LLP, Statutory Auditor**

*Chartered Accountants*

## 4 Presentation of Financial Statements

### 4.1 Comprehensive Income and Expenditure Statement

2021-22			2022-23			
Gross Expenditure	Gross Income	Net Expenditure /(Income)		Gross Expenditure	Gross Income	Net Expenditure /(Income)
£000	£000	£000	Notes	£000	£000	£000
136,262	(120,650)	15,612		131,091	(112,147)	18,944
27,804	(18,541)	9,263		39,738	(9,580)	30,158
362,528	(222,023)	140,505		312,763	(236,262)	76,501
130,301	(50,718)	72,020		117,865	(71,807)	46,058
28,141	(33,076)	(4,935)	6.1	33,106	(35,553)	(2,447)
222	(4,165)	(3,943)		14,653	(6,067)	8,587
<b>685,257</b>	<b>(449,172)</b>	<b>228,522</b>		<b>649,216</b>	<b>(471,415)</b>	<b>177,801</b>
10,896	(3,049)	7,847	5.8	24,485	(11,511)	12,975
28,685	(7,282)	21,403	5.9	29,618	(13,810)	15,808
0	(241,579)	(241,579)	5.10		(218,322)	(218,322)
		16,192				(11,738)
		(14,395)				(265,715)
		(95,951)				(312,647)
		(110,346)				(578,362)
		(94,154)				(590,100)

\*2021-22 split (between directorates) of Cost of Services have been restated to reflect the current structure of the council.

## 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
<b>Balance at 31 March 2021 brought forward (Note 4.3)</b>	(10,008)	(6,274)	(84,485)	(14,351)	(6,412)	(37,541)	(159,071)	(256,224)	(415,295)
<b><u>Movement in reserves during 2021-22</u></b>									
<b>Total Comprehensive Expenditure and (Income) (Note 4.1)</b>	30,942	(14,750)	0	0	0	0	16,192	(110,346)	(94,154)
Adjustments between accounting basis & funding basis under regulations (Note 5.6)	(32,775)	15,475	0	1,072	(931)	(14,597)	(31,755)	31,755	0
<b>Net (Increase)/Decrease</b>	(1,833)	725	0	1,072	(931)	(14,597)	(15,563)	(78,591)	(94,154)
Movements in earmarked reserves (Note 5.7)	1,833	(129)	(1,704)	0	0	0	0	0	0
<b>(Increase)/Decrease in 2021-22</b>	(0)	596	(1,704)	1,072	(931)	(14,597)	(15,563)	(78,591)	(94,154)
<b>Balance at 31 March 2022 carried forward (Note 4.3)</b>	<b>(10,008)</b>	<b>(5,678)</b>	<b>(86,189)</b>	<b>(13,279)</b>	<b>(7,343)</b>	<b>(52,138)</b>	<b>(174,634)</b>	<b>(334,815)</b>	<b>(509,449)</b>
<b>Balance at 31 March 2022 brought forward (Note 4.3)</b>	<b>(10,008)</b>	<b>(5,678)</b>	<b>(86,189)</b>	<b>(13,279)</b>	<b>(7,343)</b>	<b>(52,138)</b>	<b>(174,634)</b>	<b>(334,815)</b>	<b>(509,449)</b>
<b><u>Movement in reserves during 2022-23</u></b>									
<b>Total Comprehensive Expenditure and (Income) (Note 4.1)</b>	(15,555)	3,818	0	0	0	0	(11,737)	(578,361)	(590,098)
Adjustments between accounting basis & funding basis under regulations (Note 5.6)	20,555	(2,002)	0	2,298	(702)	(9,520)	10,628	(10,628)	0
<b>Net (Increase)/Decrease</b>	<b>5,000</b>	<b>1,816</b>	<b>0</b>	<b>2,298</b>	<b>(702)</b>	<b>(9,520)</b>	<b>(1,109)</b>	<b>(588,989)</b>	<b>(590,098)</b>
Movements in earmarked reserves (Note 5.7)	(5,000)	(566)	5,566	0	0	0	0	0	0
<b>(Increase)/Decrease in 2022-23</b>	<b>0</b>	<b>1,250</b>	<b>5,566</b>	<b>2,298</b>	<b>(702)</b>	<b>(9,520)</b>	<b>(1,109)</b>	<b>(588,989)</b>	<b>(590,098)</b>
<b>Balance at 31 March 2023 carried forward (Note 4.3)</b>	<b>(10,008)</b>	<b>(4,428)</b>	<b>(80,624)</b>	<b>(10,981)</b>	<b>(8,045)</b>	<b>(61,658)</b>	<b>(175,743)</b>	<b>(923,804)</b>	<b>(1,099,548)</b>

## 4.3 Balance Sheet

31-Mar-22 £000		Notes	31-Mar-23 £000
1,296,339	Property Plant and Equipment	5.11	1,595,246
78,458	Investment Property	5.13	73,400
9,227	Intangible Assets	5.14	9,407
15,370	Long Term Debtors	5.16	15,021
<u>1,399,393</u>	<b>Long Term Assets</b>		<u>1,693,074</u>
3,989	Assets Held For Sale		0
20,117	Short Term Investments	5.15	30,683
169	Inventories	5.17	201
56,624	Short Term Debtors	5.18	46,863
77,992	Cash and Cash Equivalents	5.19	45,999
<u>158,891</u>	<b>Current Assets</b>		<u>123,746</u>
(9,830)	Short Term Borrowing	5.20	(3,323)
(135,207)	Short Term Creditors	5.21	(93,058)
(4,613)	Provisions	5.22	(3,964)
<u>(149,650)</u>	<b>Current Liabilities</b>		<u>(100,345)</u>
(4,900)	Provisions	5.22	(4,400)
(417,325)	Long Term Borrowing	5.15	(417,305)
(467,108)	Other Long Term Liabilities	5.23	(184,403)
(9,853)	Capital Grants Receipts in Advance	5.35.3	(10,818)
<u>(899,186)</u>	<b>Long Term Liabilities</b>		<u>(616,926)</u>
<u>509,449</u>	<b>Net Assets</b>		<u>1,099,549</u>
(174,634)	Usable Reserves	5.24	(175,745)
(334,815)	Unusable Reserves	5.25	(923,804)
<u>(509,449)</u>	<b>Total Reserves</b>		<u>(1,099,549)</u>

## 4.4 Cash Flow Statement

2021-22 £000		Notes	2022-23 £000
-16,192	Net (deficit)/surplus on the provision of services	4.1	11,738
108,355	Adjustments to net deficit on the provision of services for non cash movements	5.26.1	18,162
-43,926	Adjustments for items included in the net deficit on the provision of services that are investing and financing activities	5.26.1	-26,504
<u>48,237</u>	Net cash flow from Operating Activities		<u>3,396</u>
-30,641	Investing Activities	5.26.2	-27,436
-1,072	Financing Activities	5.26.3	-7,953
<u>16,524</u>	Net increase/(decrease) in cash and cash equivalents		<u>-31,993</u>
61,468	Cash and cash equivalents at the beginning of the reporting period	5.19	<u>77,992</u>
<u>77,992</u>	Cash and cash equivalents at the end of the reporting period	5.19	<u>45,999</u>

## 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 2022-23 year and its position as at 31<sup>st</sup> March 2023. 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 2022-23 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.

### 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 (30%), to the Department for Levelling Up, Housing & Communities (33%) and to the Greater London Authority (37%).

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.

## **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

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised. Internally generated assets are capitalised where the project is technically feasible and is intended to be completed. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase.

Intangible assets are initially measured at cost and measured subsequently at amortised cost. The depreciable amount of an intangible asset is amortised on a straight-line allocation over a useful life of 10 years to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Intangible assets are tested for impairment whenever there is an indication that the asset might be impaired with any losses posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the capital adjustment account.

### 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 current value. The difference between current 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 current 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 current 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 current 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 31<sup>st</sup> 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;
- Plant, furniture and equipment – straight-line allocation: 5 years;
- Vehicles – straight-line allocation: 8 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 and Assets held for sale

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the 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.

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and Fair Value less costs to sell. Where there is a subsequent decrease to Fair Value less costs to sell, the loss is posted to the Other Operating Expenditure line in the



CIES. Gains in Fair Value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

### 5.1.18 Infrastructure Assets

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

#### Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the authority and the cost of the item can be measured reliably.

#### Measurement

Highways infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April [1994 England and Scotland] [1996 Wales], which was deemed at that time to be historical cost.

Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

#### Depreciation

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis.

Annual depreciation is the depreciation amount allocated each year.

Useful lives of the various parts of the highways network are assessed by the Chief Highways Engineer using industry standards where applicable as follows:

Part of the highways network	Useful life
Carriageways	20
Footways and cycle tracks	20
Structures (bridges, tunnels and underpasses)	80 to 100 years
Street lighting	25
Traffic management systems	20

#### Disposals and derecognition

When a component of the network is disposed of or decommissioned, the carrying amount of the component 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).

The written-off amounts of disposals are not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement.

The authority has determined in accordance with Regulation [30M England or 24L Wales] of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

#### **5.1.19 Fair Value Measurement**

The Council measures some of its non-financial assets such as surplus assets, assets held for sale 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.

#### **5.1.20 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.

### **5.1.21 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.

### **5.1.22 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.

#### **5.1.23 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.

#### **5.1.24 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.

#### **5.1.25 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.

#### **5.1.26 Group Accounts**

The Council has interests in subsidiary companies. These interests are not material to the accounts therefore groups 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.

### Group Accounts

The Council's interests in subsidiary companies are set out in note 5.44. The Council has assessed that subsidiary company transactions are not material to the financial statements. Group accounts have not therefore been prepared.

### 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>Asset valuations are periodically reviewed to ensure that the Council does not materially misstate its non-current assets and investment properties.</p> <p>However, the valuation of property will inevitably be an estimate and property values can be volatile. Should evidence emerge in 2023/24 that causes the Council to amend these estimates, the estimated fair value of its property and dwellings could change.</p>	<p>A reduction in estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement (CIES).</p> <p>For example, a 10 per cent reduction in the net book value of Council Dwellings (total NBV £490m) would result in a reduction of about £49m</p> <p>Conversely, an increase in value would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the CIES and / or gains being recorded as appropriate in the CIES. Depreciation charges for operational buildings will change in direct proportion to the change in estimated fair value. The net book value of non-current assets subject to potential revaluation is £1.35b.</p>
Pensions Liability	<p>The Pension Fund liability is calculated every three years by the appointed actuary with annual updates in the intervening years.</p> <p>The methodology used follows generally agreed guidelines and is in accordance with IAS 19. The estimates of the net liability to pay pensions depends on several judgements and assumptions.</p> <p>In particular, those relating to the discount rate, the rate at which salaries are projected to increase, change in retirement ages, mortality rates and expected returns on the Fund's assets. The total net pension liability as at 31 March 2023 is £170.9m.</p>	<p>A change in the key assumptions can be illustrated as follows:</p> <ul style="list-style-type: none"> <li>• 0.1% decrease in the discount rate assumption per annum would result in an increase in promised retirement benefits of £18m</li> <li>• 0.1% increase per annum in the Salary Increase Rate would increase the value of the liabilities by approximately £2m</li> <li>• 0.1% increase per annum in pension increases would increase the liability by approximately £17m</li> <li>• A one-year increase in life expectancy would increase the liability by approximately £45m</li> </ul>

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

At the balance sheet date, the following new standards and amendments to existing standards

have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom.

- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:
  - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
  - IAS 37 (Onerous contracts) – clarifies the intention of the standard
  - IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
  - IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

None of the matters covered in the annual improvements are dealt with in detail in the 2022/23 Code. These are minor amendments and are not likely to have a significant effect on the Council's financial statements.

## 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.

2021-22			2022-23		
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
32,073	(16,461)	15,612	17,136	1,808	18,944
5,441	3,823	9,263	20,934	9,224	30,158
105,664	34,841	140,505	107,090	(30,589)	76,501
29,115	42,905	72,020	36,296	9,762	46,058
597	(5,532)	(4,935)	1,250	(3,697)	(2,447)
7,147	(11,090)	(3,943)	7,671	916	8,587
180,036	48,486	228,522	<b>190,377</b>	<b>(12,576)</b>	<b>177,801</b>
(179,439)	(32,891)	(212,330)	<b>(184,173)</b>	<b>(5,366)</b>	<b>(189,539)</b>
597	15,595	16,192	<b>6,204</b>	<b>(17,942)</b>	<b>(11,738)</b>
(16,282)			Opening General Fund and HRA Balance	(15,685)	
			Plus Surplus on General Fund and HRA Balance in Year	1,250	
597					
			Closing General Fund and HRA Balance as at 31 March *	(14,435)	
(15,685)					

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

\* 2021-22 balances restated to reflect the current structure of the council





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

2022-23	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments to Revenue Resources:</b>						
Pension costs transferred to the Pensions Reserve	(30,345)	(930)				31,275
Depreciation	(35,433)	(8,260)				43,693
Impairment	41,363	(1,745)				(39,618)
Premiums and Discounts on Debt Restructure	400	45				(445)
Movements in market value of Investment Properties	(5,058)	0				5,058
Council Tax and NDR transfer to/from the Collection Fund						
Adjustment Account	7,767	0				(7,767)
Holiday pay transfer to/from the Accumulating						
Compensating Absences Adjustment Account	(438)	0				438
Transfer to Dedicated Schools Grant Reserve	0	0				0
Revenue expenditure funded from capital	(1,253)	0				1,253
Non Current assets written out on disposal	(4,185)	(1,480)				5,665
<b>Total Adjustments to Revenue Resources</b>	<b>(27,181)</b>	<b>(12,371)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>39,551</b>
<b>Adjustments between Revenue and Capital Resources:</b>						
Minimum Revenue Provision	24,021	10				(24,030)
Capital expenditure funded from revenue balances	3,734	543				(4,277)
Capital grants and contributions	15,675	2,871			(9,520)	(9,026)
Transfer of sale proceeds credited to the CIES	4,306	3,652	(7,958)			0
Administrative cost of non-current asset disposals	0	0				0
Payment to the Housing Capital Receipts Pool	0	(4,954)	4,954			0
Transfer of HRA resources to the Major Repairs Reserve	0	8,247		(8,247)		(0)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>47,736</b>	<b>10,369</b>	<b>(3,004)</b>	<b>(8,247)</b>	<b>(9,520)</b>	<b>(37,333)</b>
<b>Adjustments to Capital Resources:</b>						
Use of the Major Repairs Reserve to fund capital expenditure				7,545		(7,545)
Use of the Capital Receipts Reserve to fund capital expenditure			5,301			(5,301)
Use of Capital Grants Unapplied Account to fund capital expenditure						0
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>0</b>	<b>5,301</b>	<b>7,545</b>	<b>0</b>	<b>(12,846)</b>

2021-22	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
<b>Adjustments to Revenue Resources:</b>						
Pension costs transferred to the Pensions Reserve	(29,051)	(949)	0	0	0	30,000
Depreciation	(36,783)	(7,944)	0	0	0	44,726
Revaluation movements	(19,352)	3	0	0	0	19,348
Premiums and Discounts on Debt Restructure	400	45	0	0	0	(445)
Movements in market value of Investment Properties	1,921	0	0	0	0	(1,921)
Council Tax and NDR transfer to/from the Collection Fund Adjustment Account	6,278	0	0	0	0	(6,278)
Holiday pay transfer to/from the Accumulating Compensating Absences Adjustment Account	252	0	0	0	0	(252)
Transfer to Dedicated Schools Grant Reserve	(277)	0	0	0	0	277
Revenue expenditure funded from capital	(1,738)	0	0	0	0	1,738
Non Current assets written out on disposal	(2,084)	(2,180)	0	0	0	4,264
<b>Total Adjustments to Revenue Resources</b>	<b>(80,433)</b>	<b>(11,024)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>91,456</b>
<b>Adjustments between Revenue and Capital Resources:</b>						
Minimum Revenue Provision	20,974	10	0	0	0	(20,984)
Capital expenditure funded from revenue balances	2,025	129	0	0	0	(2,154)
Capital grants and contributions	22,477	14,121	0	0	(22,021)	(14,577)
Transfer of sale proceeds credited to the CIES	2,181	5,147	(7,328)	0	0	0
Administrative cost of non-current asset disposals	0	(63)	63	0	0	0
Payment to the Housing Capital Receipts Pool	0	(775)	775	0	0	0
Transfer of HRA resources to the Major Repairs Reserve	0	7,931	0	(7,931)	0	0
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>47,657</b>	<b>26,500</b>	<b>(6,490)</b>	<b>(7,931)</b>	<b>(22,021)</b>	<b>(37,715)</b>
<b>Adjustments to Capital Resources:</b>						
Use of the Major Repairs Reserve to fund capital expenditure	0	0	0	7,000	0	(7,000)
Use of the Capital Receipts Reserve to fund capital expenditure	0	0	7,562	0	0	(7,562)
Use of Capital Grants Unapplied Account to fund capital expenditure	0	0	0	0	7,424	(7,424)
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>0</b>	<b>7,562</b>	<b>7,000</b>	<b>7,424</b>	<b>(21,986)</b>
<b>Total Adjustments</b>	<b>(32,776)</b>	<b>15,476</b>	<b>1,072</b>	<b>(931)</b>	<b>(14,597)</b>	<b>31,755</b>

## 5.7 Earmarked reserves

	Balance at 31-Mar-21	Transfers Out 2021-22	Transfers In 2021-22	Balance at 31-Mar-22	Transfers Out 2022-23	Transfers In 2022-23	Balance at 31-Mar-23
	£000	£000	£000	£000	£000	£000	£000
<b>Earmarked Reserves:</b>							
Business Risk Reserve	(5,350)	3,683	(301)	(1,968)	3,624	(2,109)	(453)
Adults Social Care	(1,969)	0	(1,800)	(3,769)	2,099	(130)	(1,800)
Childrens Social Care	0	834	(3,942)	(3,108)	662	(175)	(2,621)
Budget Planning Reserve	(16,689)	2,600	(8,401)	(22,490)	11,149	(7,001)	(18,342)
Capacity Building Reserve	(2,000)	148	(1,321)	(3,173)	2,645	0	(528)
Collection Fund Reserve	(8,925)	8,925	(4,635)	(4,635)	4,635	(2,247)	(2,247)
PFI Sinking Funds	(4,123)	300	(72)	(3,895)	5,125	(5,125)	(3,895)
Projects in Progress	(2,041)	2,041	(1,331)	(1,331)	1,331	(1,380)	(1,380)
Revenue Grant Reserve	(8,813)	3,786	(1,605)	(6,632)	4,091	(2,612)	(5,153)
Public Health	(2,372)	0	(302)	(2,674)	2,677	(2,851)	(2,848)
CIL - Harrow	(6,731)	2,057	(2,435)	(7,109)	3,886	(7,831)	(11,054)
Waste Strategy	0	0	0	0	0	(1,595)	(1,595)
DSG Deficit Reduction	0	0	0	0	0	(1,384)	(1,384)
Corporate MTFS Implementation Fund	0	0	0	0	0	(3,000)	(3,000)
People Services MTFS Implementation Fund	0	0	0	0	0	(2,099)	(2,099)
Other Earmarked Reserves	(7,892)	2,418	(2,827)	(8,301)	15,934	(14,755)	(7,122)
<b>Total Earmarked Reserves</b>	<b>(66,905)</b>	<b>26,792</b>	<b>(28,972)</b>	<b>(69,085)</b>	<b>57,858</b>	<b>(54,294)</b>	<b>(65,521)</b>
Locally Managed School Balances	(15,874)	347	0	(15,527)	1,435	0	(14,092)
HRA Earmarked Reserves	(1,706)	129	0	(1,577)	1,089	(525)	(1,013)
<b>Total</b>	<b>(84,485)</b>	<b>27,268</b>	<b>(28,972)</b>	<b>(86,189)</b>	<b>60,382</b>	<b>(54,819)</b>	<b>(80,626)</b>

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

**Adults and Childrens Social Care Reserves:** Funding earmarked for future social care pressures.

**Collection Fund Reserve:** Cash set aside to fund future year collection fund deficits.

**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.

**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.

**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**

2021-22 £000		2022-23 £000
	<b>Levies</b>	
187	London Boroughs Grants Committee	0
298	London Pension Fund Authority	298
9,219	West London Waste Authority (WLWA)	9,544
212	Lee Valley Regional Park Authority	213
205	Environment Agency	209
10,121	Sub Total Levies	10,264
775	Payments to the Government Housing Capital Receipts Pool	4,954
(3,049)	Losses/(gains) on the disposal of non current assets	(2,243)
7,847	<b>Total</b>	12,975

**5.9 Financing and investment income and expenditure**

2021-22 £000		2022-23 £000
18,166	Interest payable and similar charges	23,663
10,519	Net interest on the net defined benefit liability	5,955
(1,217)	Interest receivable and similar income	(8,525)
(6,064)	Income in relation to investment properties & changes in their fair value	(5,285)
21,403	<b>Total</b>	15,808

**5.10 Taxation and non-specific grant income**

2021-22 £000		2022-23 £000
(142,366)	Council tax income	(146,950)
(10,891)	Business Rates Retention	(13,665)
(23,802)	Business Rates Top-Up Grant	(22,623)
(7,184)	COVID Emergency Funding	0
(3,185)	New Home Bonus Grant	(3,022)
(7,245)	Section 31 Grants	(7,831)
(10,308)	Other General Grants	(5,681)
(36,598)	Capital grants and contributions (Note 5.35.2)	(18,550)
(241,579)	<b>Total</b>	(218,322)

## 5.11 Property, plant and equipment

2022-23	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	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
<b>Cost or Valuation</b>								
At 1 April 2022	483,728	614,085	70,334	7,564	60,763	21,993	1,258,467	52,726
Reversal of accumulated depreciation on revaluation	(7,609)	(10,309)	0	0	0	0	(17,918)	0
Additions		0			39,279	0	39,279	281
Revaluation increases/(decreases) recognised in the Revaluation Reserve	14,762	233,618	0	(433)	0	17,767	265,714	11,657
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services		39,618	0		0		39,618	13,237
Derecognition - Disposals	(1,479)		(817)				(2,296)	0
Reclassification - Intangible assets (5.15)							0	0
Reclassification - Infrastructure (5.14)					(1,656)		(1,656)	0
Reclassifications/ Transfer - Other	8,173	(1,289)	2,280	267	(19,306)	10,256	381	(1,374)
<b>At 31 March 2023</b>	<b>497,575</b>	<b>875,723</b>	<b>71,797</b>	<b>7,398</b>	<b>79,080</b>	<b>50,016</b>	<b>1,581,589</b>	<b>76,527</b>
<b>Accumulated Depreciation</b>								
At 1 April 2022	(7,609)	(23,572)	(40,450)	0	0	(193)	(71,824)	(4,195)
Reversal of accumulated depreciation on revaluation	7,609	10,309	0	0	0	0	17,918	0
Depreciation charges for 2022-23	(7,890)	(9,356)	(9,728)	0	0	(4,184)	(31,158)	(751)
Derecognition - Depreciation on Disposal	0		619				619	0
Reclassifications/ Transfer - Other	0						0	0
<b>At 31 March 2023</b>	<b>(7,890)</b>	<b>(22,619)</b>	<b>(49,559)</b>	<b>0</b>	<b>0</b>	<b>(4,377)</b>	<b>(84,445)</b>	<b>(4,946)</b>
<b>Net Book Value</b>								
<b>At 31 March 2023</b>	<b>489,685</b>	<b>853,104</b>	<b>22,238</b>	<b>7,398</b>	<b>79,080</b>	<b>45,639</b>	<b>1,497,144</b>	<b>71,581</b>
<b>At 31 March 2022</b>	<b>476,119</b>	<b>590,513</b>	<b>29,884</b>	<b>7,564</b>	<b>60,763</b>	<b>21,800</b>	<b>1,186,643</b>	<b>48,531</b>

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

2021-22	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	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
<b>Cost or Valuation</b>								
At 1 April 2021	472,799	588,289	61,628	1	78,448	17,357	1,218,522	48,403
Reinstatement of historic cost **	0	0	0	4,972	0	0	4,972	0
Reversal of accumulated depreciation on revaluation	(6,989)	(7,502)	0	0	0	0	(14,491)	0
Additions	0	0	0	0	66,660	0	66,660	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(1,258)	(25,676)	0	0	0	0	(26,934)	2,916
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services		16,986	0	0	0	0	16,986	0
Derecognition - Disposals	(2,179)	0	0	0		(1,464)	(3,643)	0
Derecognition - Other*	0	0	(1,081)	0	0	0	(1,081)	
Reclassification - Assets held for sale (5.14)	0	0		0	(3,989)	0	(3,989)	0
Reclassifications/ Transfer - Other	21,355	41,988	9,787	2,591	(80,356)	6,100	1,465	1,407
<b>At 31 March 2022</b>	<b>483,728</b>	<b>614,085</b>	<b>70,334</b>	<b>7,564</b>	<b>60,763</b>	<b>21,993</b>	<b>1,258,467</b>	<b>52,726</b>
<b>Accumulated Depreciation</b>								
At 1 April 2021	(6,989)	(12,049)	(34,921)	0	0	(182)	(54,141)	(3,470)
Reversal of accumulated depreciation on revaluation	6,989	7,502	0	0	0	0	14,491	0
Depreciation charges for 2021-22	(7,609)	(19,025)	(6,610)	0	0	0	(33,244)	(725)
Derecognition - Depreciation on Disposal	0	0	0	0	0	(11)	(11)	0
Derecognition - Other	0	0	1,081	0	0	0	1,081	0
<b>At 31 March 2022</b>	<b>(7,609)</b>	<b>(23,572)</b>	<b>(40,450)</b>	<b>0</b>	<b>0</b>	<b>(193)</b>	<b>(71,824)</b>	<b>(4,195)</b>
<b>Net Book Value</b>								
<b>At 31 March 2022</b>	<b>476,119</b>	<b>590,513</b>	<b>29,884</b>	<b>7,564</b>	<b>60,763</b>	<b>21,800</b>	<b>1,186,643</b>	<b>48,531</b>
<b>At 31 March 2021</b>	<b>465,810</b>	<b>576,240</b>	<b>26,707</b>	<b>1</b>	<b>78,448</b>	<b>17,175</b>	<b>1,164,381</b>	<b>44,933</b>

### 5.11.1 Highways Infrastructure Assets

#### Highways Infrastructure Assets Movements on balances

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets [Local Government Circular 09/2022 Statutory Override Accounting for Infrastructure Assets for England and Wales Local Authorities] this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

<b>Highways Infrastructure Assets</b>	<b>2022-23</b>	<b>2021-22</b>
	£000	£000
Net book value (modified historical cost) at 1 April	109,696	119,462
Additions	-	1,656
Depreciation	<u>(11,596)</u>	<u>(11,422)</u>
Net Book Value at 31 March	<u><b>98,100</b></u>	<u><b>109,696</b></u>

### 5.11.2 Property, Plant and Equipment

	<b>2022-23</b>	<b>2021-22</b>
	£000	£000
Infrastructure Assets	98,100	109,696
Other PPE assets	1,497,145	1,186,643
	<u><b>1,595,245</b></u>	<u><b>1,296,339</b></u>

### 5.11.3 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;
- Plant, furniture and equipment – 5-10 years;
- Vehicles – 8 years;
- Infrastructure assets – 10-80 years; and
- Freehold land – not depreciated.

### 5.11.4 Revaluations

The Council's rolling programme that ensures all Property, Plant and Equipment (PPE) included in the Balance Sheet at current value is revalued at least every five years and reviewed at year-end to ensure that the carrying amount is not materially different from current value. Valuations of non-HRA property assets are normally carried out internally at 1<sup>st</sup> April each year except for surplus and investment properties, assets held for sale and properties with greater than £400k of capital expenditure spent on them in-year which are valued at 31<sup>st</sup> March each year.

Specialist and out of borough investment properties have been valued by Crosthwaites, Fleurets, Gerald Eve and Knight Frank. The majority of the other valuations have been carried out by Wilks Head & Eve LLP with the remaining carried out by the in-house valuer. All of the valuation work done for the 2022-23 statement of accounts has been overseen by the council's in-house RICS registered valuer. 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 current 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.

Rolling revaluation programme:

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant and Equipment £000	Community Assets £000	Infra-structure Assets £000	Asset Under Construction £000	Surplus Assets £000	Total £000	Investment Property £000
Valued at historical cost			22,238	7,398	98,100	79,080		206,816	
Valued at fair value:									
As at 31st March 2023	489,685	664,203					45,639	1,199,527	73,400
As at 31st March 2022	0	125,118	0		0	0		125,118	0
As at 31st March 2021	0	24,647	0		0	0		24,647	0
As at 31st March 2020	0	26,294	0		0	0		26,294	0
As at 31st March 2019	0	12,842	0		0	0		12,842	0
Total Cost or Valuation as at 31st March 2023	<b>489,685</b>	<b>853,104</b>	<b>22,238</b>	<b>7,398</b>	<b>98,100</b>	<b>79,080</b>	<b>45,639</b>	<b>1,595,244</b>	<b>73,400</b>

This table excludes community assets valued at £1K

The HRA portfolio is valued in line with the 5 year rolling programme as at 1<sup>st</sup> April 2022. The Land Registry Index is used to calculate the movement in property values between 1<sup>st</sup> April 2022 and 31<sup>st</sup> March 2023. The movement in HRA asset values has been analysed in note 6.2.3.

### 5.11.5 Valuation of Surplus Assets

Surplus assets are valued using inputs to valuation techniques categorised within the fair value hierarchy at either level 2 or level 3:

2021-22 £000		2022-23 £000
0	Surplus assets valued using level 2 inputs	
21,800	Surplus assets valued using level 3 inputs	45,639
<u>21,800</u>	Balance at end of the year	<u>45,639</u>

Reconciliation of movements in surplus assets valued using inputs to valuation techniques categorised within the fair value hierarchy at level 3 during the year:

2021-22 £000		2022-23 £000
15,700	Balance of surplus assets valued using level 3 inputs at 1st April	21,800
0	Disposal of assets during the year	
0	Increase in valuations during the year	17,767
	Depreciation prior to reclassification	(4,184)
6,100	Reclassification from surplus assets to other land & buildings	10,256
<u>21,800</u>	Balance of surplus assets valued using level 3 inputs at 31st March	<u>45,639</u>

### 5.11.6 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 an 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 19<sup>th</sup> 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

2021-22		2022-23
£000		£000
77,155	Balance at start of the year	78,457
2	Additions	0
(620)	Disposals	0
1,920	Net gains/(losses) from fair value adjustments	(5,057)
<u>78,457</u>	Balance at end of the year	<u>73,400</u>
2021-22		2022-23
£000		£000
73,115	Investment properties valued using level 2 inputs	73,400
5,342	Investment properties valued using level 3 inputs	0
<u>78,457</u>	Balance at end of the year	<u>73,400</u>

Reference is made of the Investment Property rental income at note 5.38.2 – The Council as Lessor (Operating Leases).

## 5.14 Assets held for sale

The Council has held some assets for sale this year:

2021-22		2022-23
£000		£000
0	Net carrying amount at 1st April	3,989
0	Assets newly classified as held for sale:	0
3,989	* Property Plant & Equipment	0
0	Property Plant & Equipment sold	(3,989)
0	Net gains/(losses) from fair value adjustments	0
<u>3,989</u>	Net carrying amount at 31st March	<u>0</u>

## 5.15 Intangible assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, plant and equipment. The intangible assets include both purchased licenses and internally generated software.

Intangible assets have a useful life of 10 years.

2021-22 AUC	2021-22 Intangible s		2022-23 AUC	2022-23 Intangibles
£000	£000		£000	£000
6,102	0	Net carrying amount at 1st April	0	9,227
3,125	0	Additions	0	1,103
-	0	Depreciation	0	(923)
(9,227)	9,227	Reclassification	0	0
<u>0</u>	<u>9,227</u>	Net carrying amount at 31st March	<u>0</u>	<u>9,407</u>

## 5.16 Financial instruments

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

	Long-term		Current	
	31-Mar-23	31-Mar-22	31-Mar-23	31-Mar-22
	£000	£000	£000	£000
<b>Investments</b>				
Short term investments	0	0	30,683	20,117
Cash and cash equivalents	0	0	45,999	77,992
<b>Total investments</b>	<b>0</b>	<b>0</b>	<b>76,682</b>	<b>98,109</b>
<b>Debtors</b>				
Long term debtors	15,021	15,370	0	0
Financial assets carried at amortised cost	0	0	17,185	31,182
<b>Total Debtors</b>	<b>15,021</b>	<b>15,370</b>	<b>17,185</b>	<b>31,182</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	(417,305)	(417,325)	(3,323)	(9,830)
<b>Total borrowings</b>	<b>(417,305)</b>	<b>(417,325)</b>	<b>(3,323)</b>	<b>(9,830)</b>
<b>Other Liabilities</b>				
PFI and finance lease liabilities	(13,504)	(14,836)	(1,440)	(1,422)
<b>Total other liabilities</b>	<b>(13,504)</b>	<b>(14,836)</b>	<b>(1,440)</b>	<b>(1,422)</b>
<b>Creditors</b>				
Financial liabilities carried at amortised cost	0	0	(31,380)	(81,755)
<b>Total creditors</b>	<b>0</b>	<b>0</b>	<b>(31,380)</b>	<b>(81,755)</b>

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 exclude £29.7m (£25.4m in 2021-22). The creditors balance excludes £60.2m (£52.0m in 2021-22).

## 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 Measured at amortised cost	Total		Financial Liabilities Measured at amortised cost	Financial Assets Measured at amortised cost	Total
2021-22 £000	2021-22 £000	2021-22 £000		2022-23 £000	2022-23 £000	2022-23 £000
16,215	0	16,215	Interest Expenses	16,892	0	16,892
0	1,939	1,939	Impairment Losses	0	889	889
16,215	1,939	18,154	<b>Interest payable and similar charges</b>	16,892	889	17,781
0	(1,217)	(1,217)	Interest income	0	(1,860)	(1,860)
0	(1,217)	(1,217)	<b>Interest and investment income</b>	0	(1,860)	(1,860)
16,215	722	16,937	<b>Net gain/(loss) for the year</b>	16,892	(971)	15,921

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	Fair Value	Difference		Carrying Amount	Fair Value	Difference
2021-22 £000	2021-22 £000	2021-22 £000		2022-23 £000	2022-23 £000	2022-23 £000
20,117	20,117	0	Investments	30,683	30,683	0
15,370	28,252	12,882	Loans and receivables	15,021	28,246	13,225
78,013	78,013	0	Cash and Cash Equivalents	45,999	45,999	0
(427,156)	(630,293)	(203,137)	Borrowing	(417,305)	(403,361)	13,944

## 5.17 Long term debtors

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31-Mar-22		31-Mar-23
£000		£000
15,250	West London Waste Authority	14,907
120	Other Loans	113
<u>15,370</u>	<b>Total</b>	<u>15,020</u>

### 5.18 Short term debtors

31-Mar-22		31-Mar-23
£000		£000
26,608	Business Rates & Council Tax *	17,644
55,996	Trade debtors	53,829
3,201	Other debtors	5,368
<u>(29,181)</u>	Less: Provision for expected credit losses	<u>(29,978)</u>
<u>56,624</u>	<b>Total</b>	<u>46,863</u>

The provision for expected credit losses is made up as follows:

31-Mar-22		31-Mar-23
£000		£000
<u>(12,152)</u>	Business Rates & Council Tax	<u>(12,342)</u>
<u>(10,983)</u>	Trade debtors: Housing benefits	<u>(10,745)</u>
<u>(2,277)</u>	Trade debtors: Housing	<u>(2,428)</u>
<u>(3,311)</u>	Trade debtors: Adults services	<u>(3,845)</u>
<u>(458)</u>	Other trade debtors	<u>(617)</u>
<u>(29,181)</u>		<u>(29,978)</u>

### 5.19 Cash and cash equivalents

31-Mar-22		31-Mar-23
£000		£000
96	Cash held by the Authority	100
10	Bank current accounts	(2,844)
77,886	Short-term deposits with Banks and Building Societies	48,743
<u>77,992</u>	<b>Total Cash and Cash Equivalents</b>	<u>45,999</u>

### 5.20 Short term borrowing

31-Mar-22		31-Mar-23
£000		£000
<u>(7,791)</u>	Public Works Loan Board	<u>(2,787)</u>
<u>(548)</u>	Other Financial Institutions	<u>(536)</u>
<u>(1,384)</u>	Pension Fund	0
<u>(107)</u>	Other Loans	0
<u>(9,830)</u>	<b>Total</b>	<u>(3,323)</u>

\*21-22 figures restated to reflect Pension Fund & other loan Balances as a creditor

**5.21 Short term creditors**

31-Mar-22 £000		31-Mar-22 £000
(10,269)	Business Rates & Council Tax	(12,661)
(103,018)	Trade Creditors	(65,769)
(21,920)	Other Creditors	(14,627)
<u>(135,207)</u>	<b>Total</b>	<u>(93,058)</u>

\*21-22 figures restated to reflect Pension Fund & other loan Balances as a creditor

**5.22 Provisions**

	Insurance £000	Business Rate Appeals £000	Other Provisions £000	Total £000
<b>Short Term</b>				
<b>Balance at 1 April</b>	(1,100)	(600)	(2,913)	(4,613)
Additional provisions made	(6,400)	0	(1,044)	(7,444)
Transferred to/(from) Long Term	357	0	0	357
Amounts used	6,043	0	1,243	7,286
Unused amounts reversed	0	450	0	450
<b>Balance at 31 March</b>	<u>(1,100)</u>	<u>(150)</u>	<u>(2,714)</u>	<u>(3,964)</u>
<b>Long Term</b>				
<b>Balance at 1 April</b>	(4,900)	0	0	(4,900)
Transferred to/(from) Short Term	(357)	0	0	(357)
Unused amounts reversed	857	0	0	857
<b>Balance at 31 March</b>	<u>(4,400)</u>	<u>0</u>	<u>0</u>	<u>(4,400)</u>

**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 £1.25m 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.

**5.23 Other long term liabilities**

31-Mar-22 £000		31-Mar-23 £000
(2,135)	Finance Lease Liability (Note 5.38.1)	(1,628)
(12,701)	PFI Lease Liability ( Note 5.39)	(11,876)
(452,272)	IAS19 Pension Liability ( Note 5.40.5)	(170,899)
<u>(467,108)</u>	<b>Total</b>	<u>(184,403)</u>

## 5.24 Usable reserves

31-Mar-22 £000		Note	31-Mar-23 £000
(10,008)	General Fund	4.2	(10,008)
(86,189)	Earmarked Reserves	5.7	(80,627)
(5,677)	Housing Revenue Account	6.2	(4,426)
(7,343)	Major Repairs Reserve	6.2.4	(8,045)
(13,279)	Capital Receipts Reserve	5.24.1	(10,981)
(52,138)	Capital Grants and Contributions Unapplied	5.24.2	(61,658)
<b>(174,634)</b>	<b>Total Usable Reserves</b>		<b>(175,745)</b>

### 5.24.1 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 2021-22 £000	HRA 2021-22 £000	Total 2021-22 £000		General Fund 2022-23 £000	HRA 2022-23 £001	Total 2022-23 £002
-2,394	-11,957	-14,351	Balance unapplied at 1 April	-4,574	-8,705	-13,279
-2,180	0	-2,180	Receipts in year - Others	-4,365	-50	-4,415
0	-5,147	-5,147	Receipts in year - Right to Buy		-9,545	-9,545
0	63	63	Disposal Costs	59		59
0	775	775	Pooling payment to the DLUHC		4,954	4,954
0	4,079	4,079	Applied during the year - others	3,541	1,126	4,667
0	3,482	3,482	Applied during the year - Right to Buy		6,578	6,578
<b>-4,574</b>	<b>-8,705</b>	<b>-13,279</b>	<b>Balance unapplied at 31 March</b>	<b>-5,339</b>	<b>-5,642</b>	<b>-10,981</b>

### 5.24.2 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 2021-22 £000	HRA 2021-22 £000	Total 2021-22 £000		General Fund 2022-23 £000	HRA 2022-23 £000	Total 2022-23 £000
(31,682)	(5,859)	(37,541)	Balance unapplied at 1 April	(48,413)	(3,725)	(52,138)
(18,906)	(5,290)	(24,196)	Receipts in year	(11,730)	(1,050)	(12,780)
2,175	7,424	9,599	Applied during the year	3,260	0	3,260
<b>(48,413)</b>	<b>(3,725)</b>	<b>(52,138)</b>	<b>Balance unapplied at 31 March</b>	<b>(56,883)</b>	<b>(4,775)</b>	<b>(61,658)</b>

**5.25 Unusable reserves**

31-Mar-22		Notes	31-Mar-23
£000			£000
(221,131)	Revaluation Reserve	5.25.1	(483,692)
(593,532)	Capital Adjustment Account	5.25.2	(630,814)
10,683	Financial Instruments Adjustment Account	5.25.3	10,239
452,271	Pensions Reserve	5.25.4	170,899
6,014	Collection Fund Adjustment Account	5.25.5	(1,754)
6,881	Accumulating Compensated Absences Adjustment Account	5.25.6	7,319
4,007	Dedicated Schools Grant Reserve *		4,007
(8)	Deferred Capital Receipts Reserve	5.25.7	(8)
<b>(334,815)</b>	<b>Total Unusable Reserves</b>		<b>(923,804)</b>

**\*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 year's grant payments.

**5.25.1 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 1<sup>st</sup> 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.

2021-22				2022-23		
General Fund	HRA	Total		General Fund	HRA	Total
£000	£000	£000		£000	£000	£000
(121,009)	(91,985)	(212,994)	<b>Balance at 1 April</b>	(130,817)	(90,314)	(221,131)
(34,302)	0	(34,302)	Upward revaluation of property, plant & equipment	(335,797)	(18,538)	(354,334)
10,903	0	10,903	Less: reversal of past impairments charged to Provision of Services	57,645	91	57,736
(23,399)	0	(23,399)	Upward revaluation of assets charged to the revaluation reserve	(278,151)	(18,447)	(296,598)
5,088	111	5,199	Impairment of property, plant & equipment	45,504	3,497	49,001
(3,650)	(4)	(3,653)	Less: impairments charged to Provision of Services	(16,282)	(1,836)	-18,118
1,438	107	1,545	Recognition of assets not previously on Balance Sheet	0	0	0
7,745	1,258	9,003	Impairments charged to the revaluation reserve	29,222	1,661	30,883
(136,663)	(90,727)	(227,390)	(Surplus) / Deficit on revaluation of non-current assets not posted to (Surplus) / Deficit on the Provision of Services	(379,746)	(107,100)	(486,846)
5,069	294	5,363	Difference between fair value depreciation and historical cost depreciation	2,833	276	3,109
777	119	896	Accumulated gains on assets sold or scrapped	0	45	45
5,846	413	6,259	Amount written off to the Capital Adjustment Account	2,833	321	3,154
<b>(130,817)</b>	<b>(90,314)</b>	<b>(221,131)</b>	<b>Balance at 31 March</b>	<b>(376,913)</b>	<b>(106,779)</b>	<b>(483,692)</b>

### 5.25.2 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 1<sup>st</sup> April 2007, the date that the Revaluation Reserve was created to hold such gains.

2021-22				2022-23		
General Fund	HRA	Total		General Fund	HRA	Total
£0	£0	£0		£0	£0	£0
(321,711)	(274,017)	(595,728)	<b>Balance at 1 April</b>	(295,100)	(298,432)	(593,532)
36,783	7,944	44,727	Reversal of depreciation charged to the CIES	35,433	8,260	43,693
19,345	3	19,348	Asset Impairment/ (Reversal of Impairment)	(41,363)	1,745	(39,618)
2,084	2,180	4,264	Non Current assets written out on Disposal	4,185	1,479	5,664
1,738	0	1,738	Revenue expenditure funded from capital under statute	1,253	0	1,253
(5,846)	(412)	(6,258)	Amounts written off from the revaluation reserve	(2,833)	(321)	(3,154)
0	(7,561)	(7,561)	Use of the Capital Receipts Reserve	(3,541)	(1,761)	(5,302)
0	(7,000)	(7,000)	Use of the Major Repairs Reserve		(7,545)	(7,545)
(2,573)	(19,430)	(22,003)	Capital grants credited to CIES	(7,203)	(1,819)	(9,022)
(20,974)	(10)	(20,984)	Minimum Revenue Provision	(24,021)	(10)	(24,031)
(2,025)	(129)	(2,154)	Revenue Contribution to Capital Outlay	(3,734)	(543)	(4,277)
(1,921)	0	(1,921)	Movements in the market value of Investment Properties debited/credited to CIES	5,057	0	5,057
<u>(295,100)</u>	<u>(298,432)</u>	<u>(593,532)</u>	<b>Balance at 31 March</b>	<u>(331,867)</u>	<u>(298,947)</u>	<u>(630,814)</u>



### 5.25.3 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.

2021-22 £000		2022-23 £000
11,128	<b>Balance at 1 April</b>	10,683
	Premiums and Discounts incurred in previous years to be charged against the General Fund and HRA in accordance with statutory requirements:	
(400)	General Fund	(400)
(45)	HRA	(45)
10,683	<b>Balance at 31 March</b>	10,238

### 5.25.4 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.

Refer to note 5.40 for more details.

2021-22 £000		2022-23 £000
518,223	<b>Balance at 1 April</b>	452,271
(95,952)	Remeasurement of the net defined benefit liability	(312,647)
	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	
53,624	Employer's pensions contributions and direct payments to pensioners payable in the year	57,970
(23,624)		(26,695)
452,271	<b>Balance at 31 March</b>	170,899

### 5.25.5 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.

2021-22 £000		2022-23 £000
12,291	<b>Balance at 1 April</b>	<b>6,014</b>
(6,277)	Amount by which council tax and NNDR income credited to CIES is different from income calculated for the year in accordance with Statute	<b>(7,767)</b>
6,014	<b>Balance at 31 March</b>	<b>1,753</b>

### 5.25.6 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.

2021-22 £000		2022-23 £000
7,133	<b>Balance at 1 April</b>	<b>6,881</b>
(7,133)	Settlement or cancellation of accrual made at the end of the preceding year	<b>(6,881)</b>
6,881	Amounts accrued at the end of the current year	<b>7,319</b>
6,881	<b>Balance at 31 March</b>	<b>7,319</b>

## 5.26 Notes to the Cash Flow Statement

### 5.26.1 Operating activities

2021-22 £000		2022-23 £000
	<b>The cash flows for operating activities include the following items:</b>	
18,166	Interest payable & similar charges	<b>23,663</b>
(1,217)	Interest and Investment income	<b>(8,525)</b>
(6,064)	Other investment income	<b>(5,285)</b>
	<b>The surplus or deficit on the provision of services has been adjusted for the following noncash movements:</b>	
30,001	Adjustment for pension funding	<b>31,275</b>
(1,294)	Increase/Decrease(-) in Provision	<b>(1,149)</b>
64,075	Impairment and Depreciation	<b>4,075</b>
(252)	Accumulated Absence	<b>438</b>
4,264	Carrying amount of non-current assets disposed/ w ritten off	<b>5,665</b>
(203)	Other non cash items charged to CIES	<b>424</b>
(1,920)	Movement in the value of investment properties	<b>5,058</b>
11,115	Billing authority collection fund adjustments	<b>4,440</b>
	<b>Items on an accrual basis</b>	
(5,946)	Increase/Decrease in Debtors	<b>11,809</b>
8,515	Increase/Decrease in Creditors	<b>(43,873)</b>
108,355	<b>Adjustments for non cash movements</b>	<b>18,162</b>
(7,328)	Proceeds from the sale of non-current assets	<b>(7,958)</b>
(36,598)	Capital grants credited to surplus or deficit on the provision of services	<b>(18,546)</b>
(43,926)	<b>Adjustments for investment and financing activities</b>	<b>(26,504)</b>

**5.26.2 Investing activities**

2021-22 £000		2022-23 £000
(69,107)	Purchase of property, plant and equipment, investment property and intangible assets	(42,759)
33,309	Capital grants received in year	17,581
7,328	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	7,958
(2,501)	Purchase(-)/ Proceeds from short-term and long-term investments	(10,566)
330	Other long term loans granted	350
0	Other long term loans repaid	0
<u>(30,641)</u>	<b>Net cash flows from investing activities</b>	<u>(27,436)</u>

**5.26.3 Financing activities**

2021-22 £000		2022-23 £000
(1,314)	Cash receipts/ (payments) for the increase/ (reduction) of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(1,421)
242	Cash receipts/ (repayments) of short-term and long-term borrowing	(6,532)
<u>(1,072)</u>	<b>Net cash flows from financing activities</b>	<u>(7,953)</u>

**5.27 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.

2021-22 £000	Expenditure/Income	Notes	2022-23 £000
<b>Expenditure</b>			
225,624	Employee benefits expenditure		260,748
104,316	Housing benefits		91,972
238,547	Other service expenses		293,161
65,889	Depreciation and impairment		14,238
82,899	Other expenditure	5.8 - 5.9	38,247
<u>717,275</u>	<b>Total expenditure</b>		<u>698,365</u>
<b>Income</b>			
(133,847)	Fees, charges and other service income		(120,673)
(315,326)	Revenue grants included within cost of services	5.35.1	(360,461)
(251,910)	Other income	5.8 - 5.10	(228,969)
<u>(701,083)</u>	<b>Total income</b>		<u>(710,104)</u>
<u>16,192</u>	<b>(Surplus)/Deficit on Provision of Services</b>		<u>(11,738)</u>

2021-22 Support services balances have been merged with other service expenses to reflect current mapping

### 5.28 Road charging schemes under the Transport Act 2000

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

2021-22		2022-23
£000		£000
(7,430)	Penalty Charge Notices	(7,920)
(970)	On street meters	(1,006)
(858)	Residents Permits	(776)
<u>(9,258)</u>	Total income	<u>(9,702)</u>
2,616	Enforcement contract/costs	2,966
550	Other expenditure	698
<u>3,166</u>	Total expenditure	<u>3,664</u>
<u>(6,092)</u>	Total (surplus) for the year ending 31 March 2021	<u>(6,039)</u>
	<u>Utilisation of Surplus</u>	
6,092	Concessionary fares	6,039
<u>6,092</u>		<u>6,039</u>

### 5.29 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.

2021-22		2022-23
£000		£000
(8,188)	Funding provided to the pooled budget	(8,386)
(17,129)	· Harrow Contribution	(18,096)
<u>(25,317)</u>	· NHS Harrow CCG Contribution	<u>(26,481)</u>
	Revenue Expenditure met from the pooled budget:	
13,267	· Harrow Council	13,845
10,328	· NHS Harrow CCG	10,914
<u>23,595</u>		<u>24,759</u>
	Capital Expenditure met from the pooled budget:	
1,722	· Harrow Council - Disabled Facilities Grants	1,722
<u>1,722</u>		<u>1,722</u>
<u>0</u>	Surplus for the year	<u>0</u>

### 5.30 Members' Allowances

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

2021-22		2022-23
£000		£000
921	Allowances	874
<u>921</u>	Total	<u>874</u>

### 5.31 Remuneration

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

#### 5.31.1 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	Number in band
	2022-23	2021-22
£50,000 - £54,999	180	158
£55,000 - £59,999	129	98
£60,000 - £64,999	66	78
£65,000 - £69,999	57	34
£70,000 - £74,999	35	30
£75,000 - £79,999	19	25
£80,000 - £84,999	27	21
£85,000 - £89,999	11	7
£90,000 - £94,999	7	5
£95,000 - £99,999	7	5
£100,000 - £104,999	4	2
£105,000 - £109,999	5	5
£110,000 - £114,999	4	1
£115,000 - £119,999	1	1
£120,000 - £124,999	4	4
£125,000 - £129,999	1	3
£130,000 - £134,999	2	0
£135,000 - £139,999	1	0
£140,000 - £144,999	1	0
£155,000 - £159,999	1	0
£190,000 - £194,999	1	0
	<b>563</b>	<b>477</b>

### 5.31.2 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		Total Remuneration including employers pension contributions	
		£	£	£	£	£	£
		2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
Patrick Flaherty (Chief Executive)	1	108,509	0	26,986	0	135,495	0
Sean Harriss (Chief Executive)	2*	57,639	228,801	0	0	57,639	228,801
Charlie Stewart (Acting Chief Executive & Corporate Director - Resources)	3	79,999	162,555	15,046	40,427	95,046	202,982
Dipti Patel (Corporate Director - Place)		150,501	79,586	37,430	19,171	187,931	98,757
Paul Hewitt (Corporate Director - People Services)	4*	94,562	153,036	0	0	94,562	153,036
		<b>671,343</b>	<b>753,445</b>	<b>150,484</b>	<b>128,533</b>	<b>821,827</b>	<b>881,978</b>

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		Total Remuneration including employers pension contributions	
		£	£	£	£	£	£
		2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
Corporate Director - People Services 22/23	5	89,370	0	22,226	0	111,596	0
Director of Adult Social Services	6	11,265	135,176	2,802	33,618	14,066	168,794
Director of Adult Social Services Interim Replacement	7	109,662	0	27,273	0	136,935	0
Corporate Director of Resources	8	136,848	0	19,004		155,852	0
Director of Finance and Assurance		140,652	138,726	34,980	34,501	175,632	173,227
Director Legal and Governance		156,068	157,234	38,814	37,781	194,882	195,015
Director Legal and Governance	9	11,475		2,854		14,329	0
Director of Children Services	10	133,934		33,309		167,243	0
Interim Director of Children Services		101,682		25,124		126,807	0
		<b>890,954</b>	<b>431,136</b>	<b>206,386</b>	<b>105,900</b>	<b>1,097,341</b>	<b>537,036</b>

Note 1 The Chief Executive commenced on 05 September 2022.

Note 2 The Corporate Director left the Council on 30th June 2022. The Corporate Director was not a member of the pension scheme.

Note 3 The Corporate Director left the Council on 14th August 2022.

Note 4 The Corporate Director left the Council on 9th October 2022.

Note 5 The Corporate Director commenced on 15 August 2022.

Note 6 The Corporate Director left the Council on 30 April 2022.

Note 7 The Director acted in the role from 01 May 2022 to 31 December 2022. The salary is for the entire year.

Note 8 The Corporate Director commenced on 15 August 2022. The salary is for the entire year. The officer ended the pension scheme from November 2022.

Note 9 The Director commenced on 01 March 2023. The salary is for the entire year.

Note 10 The Director was interim Director of Peoples directorate from 01 June 2022 to 30 August 2022. The Director commenced on 31 August 2022.

\* Senior Officer was not a member of the pension scheme.

**5.32 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	
	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
							£000	£000
£0 - £20,000	5	24	1	3	6	27	16	165
£20,001 - £40,000	1	4	2	2	3	6	103	171
£40,001 - £60,000	0	3	0	0	0	3	0	144
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£160,001 - £180,000	0	1	0	0	0	1	0	165
Total	6	32	3	5	9	37	119	645

‘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**

2021-22		2022-23
£000		£000
645	Exit payments not provided for in 2022-23	119
0	Employment provision (within note 5.22)	0
<u>645</u>	<b>Included in cost of services</b>	<u>119</u>

**5.33 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:

2021-22		2022-23
£000		£000
153	Fees payable to external auditors in respect of:	
27	External audit services carried out by the appointed auditor for the year	116
	Certification of grant claims and returns for the year	28
<u>180</u>	Total	<u>144</u>

### 5.34 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 are as follows:

2021-22 £000		Central Expenditure £000	Expenditure £000	Total £000
239,668	Final DSG for 2022-23 before academy recoupment			<b>249,877</b>
<b>(102,266)</b>	Academy and high needs figure recouped for 2022-23			<b>(106,644)</b>
<u>137,402</u>	Total DSG after academy recoupment for 2022-23			<u><b>143,233</b></u>
0	Plus: Brought forward from 2021-22			<b>0</b>
0	Less: Carry forward to 2023-24 agreed in advance			<b>0</b>
137,402	Agreed budgeted distribution in 2022-23	62,444	80,790	<b>143,233</b>
<b>(343)</b>	In-year adjustments	141		141
<u>137,059</u>	Final budget distribution for 2022-23	<b>62,585</b>	<b>80,790</b>	<b>143,375</b>
<b>(56,306)</b>	Less: Actual central expenditure	<b>(60,698)</b>		<b>(60,698)</b>
<b>(81,582)</b>	Less: Actual ISB deployed to schools		<b>(80,710)</b>	<b>(80,710)</b>
<u><b>(829)</b></u>	<b>In year carry forward to 2023-24</b>	<u><b>1,887</b></u>	<u><b>80</b></u>	<u><b>1,967</b></u>
0	Plus: Carry forward to 2023-24 agreed in advance			<b>0</b>
0	Carry forward to 2023-24			<b>1,967</b>
<b>(258)</b>	DSG unusable reserve at the end of 2021-22			<b>(1,087)</b>
<b>(829)</b>	Addition to DSG unusable reserve at the end of 2022-23			<b>0</b>
<u><b>(1,087)</b></u>	Total of DSG unusable reserve at the end of 2022-23			<u><b>0</b></u>
<u><b>(1,087)</b></u>	Net DSG position at the end of 2022-23			<u><b>880</b></u>

### 5.35 Grants income

#### 5.35.1 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:

2021-22 £000 Grant	Awarding Body	2022-23 £000
<b>(137,543)</b>	Dedicated Schools Grant	<b>(146,824)</b>
<b>(3,807)</b>	Pupil Premium	<b>(4,213)</b>
<b>(2,232)</b>	Universal Infant Free School Meals	<b>(2,222)</b>
<b>(2,509)</b>	Private finance initiative	<b>(2,059)</b>
<b>(11,310)</b>	Public Health	<b>(11,627)</b>
<b>(12,652)</b>	COVID-19 Grants	<b>0</b>
<b>(78,440)</b>	Rent Allowance	<b>(71,543)</b>
<b>(26,807)</b>	HRA Rent Rebate	<b>(20,696)</b>
<b>(2,616)</b>	New Burdens	<b>(1,256)</b>
<b>(4,337)</b>	Workforce Capacity Grant	<b>(4,458)</b>
<b>(3,105)</b>	EFA 6th Form Funding	<b>(3,200)</b>
<b>(6,468)</b>	Improved Better Care Fund	<b>(6,664)</b>
<b>(23,500)</b>	Other Grants	<b>(26,059)</b>
<u><b>(315,326)</b></u>	<b>Total Revenue Grants included in the Comprehensive Income and Expenditure Account</b>	<u><b>(300,821)</b></u>



### 5.35.2 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:

2021-22 £000	Grant	Awarding Body	2022-23 £000
(17,774)	LA Capital Maint & Basic Need Grant	Department for Education	(7,009)
0	High Needs Provisison	Department for Education	(4,139)
(1,903)	HRA Grange Farm Phases 1 & 2	Greater London Authority	0
(4,404)	HRA RTB Buy Back Grant	Greater London Authority	0
(6,725)	HRA New Build Programme	Greater London Authority	(1,400)
(1,384)	Section 20/106/38/278 income		(2,083)
(4,409)	Other		(3,918)
<b>(36,599)</b>	<b>Total Capital Grants included in Comprehensive Income and Expenditure Account</b>		<b>(18,548)</b>

### 5.35.3 Capital grants receipts in advance

2021-22 £000	Grant - Capital	Awarding Body	2022-23 £000
(3,750)	Borough Intervention Agreement	Greater London Authority	-3,750
(1,348)	Decarbonisation Scheme Funding	Department for Business, Energy & Industrial Strategy	-63
0	Housing Infrastructure Funding	Greater London Authority	0
(737)	Section 38/278 Receipts		-911
(4,017)	Other Capital Grants		-6,094
<b>-9,853</b>			<b>-10,818</b>

### 5.36 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.

Material transactions between the Council and its subsidiaries are disclosed in note 5.44.

#### 5.36.1 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 5.29.

**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 2 local organisations due to Members being trustees on their governing bodies. In 2022-23 the Council made the following payments to the organisations:

<b>Organisation</b>	<b>Amount £000</b>
Seva Care Group	784
Community Connex Ltd	1,307

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

**5.36.2 London Borough of Harrow Pension Fund**

The Council is the Administering Authority for the Pension Fund.

## Related Parties Pension Fund

2021-22 £000		2022-23 £000
23,651	Employers Pension Contributions to the Fund	<b>25,048</b>
<b>(1,078)</b>	Administration expenses paid by the Fund	<b>(900)</b>
1,384	Cash Due to the Fund	<b>(58)</b>

## 5.37 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.

2021-22 £000		2022-23 £000
<b>573,154</b>	Opening Capital Financing Requirement	<b>588,100</b>
	<i>Capital Investment</i>	
<b>72,906</b>	Property, Plant and Equipment	
<b>2</b>	Investment Property	<b>40,383</b>
<b>1,738</b>	Revenue Expenditure Funded from Capital under Statute	<b>1,253</b>
	<i>Sources of finance</i>	
<b>(7,561)</b>	Capital receipts	<b>(5,301)</b>
<b>(22,001)</b>	Government grants and other contributions	<b>(9,520)</b>
	Deferred capital receipts	<b>0</b>
	Sums set aside from revenue:	
<b>(2,154)</b>	· Direct revenue contributions	<b>(4,277)</b>
<b>(20,984)</b>	· Minimum Revenue Provision	<b>(24,030)</b>
<b>(7,000)</b>	· Major Repairs Reserve	<b>(7,545)</b>
<b>588,100</b>	<i>Closing Capital Financing Requirement</i>	<b>579,063</b>
	<i>Explanation of movements in year</i>	
<b>35,930</b>	Increase in unsupported borrowing	<b>14,993</b>
<b>(20,984)</b>	Minimum Revenue provision	<b>(24,030)</b>
<b>14,946</b>	<i>Increase in Capital Financing Requirement</i>	<b>(9,037)</b>

## 5.38 Leases

### 5.38.1 The Council as Lessee

#### Finance Leases

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 £1.9m (£2.5m in 2021-22). Outstanding lease liabilities are £2.1m (£2.7 m in 2021-22) and minimum lease payments of £2.7m (£3.6m in 2021-22) will be made over the next 1 to 6 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-22 £000		31-Mar-23 £000
3,096	Not later than one year	1,114
1,117	Later than one year and not later than five years	778
2,026	Later than five years	1,964
<u>6,239</u>		<u>3,856</u>
<u>3,236</u>	Min. lease payments charged to revenue in 22-23	<u>3,161</u>

### 5.38.2 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 in prior years 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 2022-23.

#### 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 £5.0m in 2022-23 (£4.3m in 2021-22).

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

31-Mar-22 £000	<b>Land and Buildings</b>	31-Mar-23 £000
4,423	Not later than one year	2,300
13,637	Later than one year and not later than five years	9,341
11,401	Later than five years	9,321
<u>29,461</u>		<u>20,962</u>

### 5.39 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

2021-22		2022-23
£000		£000
(9,577)	Balance outstanding at start of year	(9,063)
1,394	Lease repayments during the year	1,397
(880)	Finance charge	(832)
<u>(9,063)</u>	Balance outstanding at year end	<u>(8,498)</u>

### NRCs

2021-22		2022-23
£000		£000
(4,695)	Balance outstanding at start of year	(4,463)
621	Lease repayments during the year	630
(389)	Finance charge	(370)
<u>(4,463)</u>	Balance outstanding at year end	<u>(4,203)</u>

#### 5.39.1 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
<b>Schools</b>					
Payable in 2023-24	1,568	780	484	11	2,845
Payable within 2 to 5 years	6,935	2,706	2,214	(67)	11,787
Payable within 6 to 10 years	8,085	1,853	5,011	783	15,732
Payable within 11 to 12 years	870	72	789	188	1,920
Total	<u>17,458</u>	<u>5,411</u>	<u>8,498</u>	<u>916</u>	<u>32,283</u>

#### 5.39.2 Neighbourhood Resource Centres (NRC)

Three Centres have been provided under the Local Improvement Finance Trust (LIFT) initiative on Council sites under license 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
<b>NRC</b>					
Payable in 2023-24	305	349	255	286	1,195
Payable within 2 to 5 years	1,417	1,160	1,185	1,324	5,086
Payable within 6 to 10 years	1,804	825	2,198	2,280	7,106
Payable within 11 to 12 years	734	48	565	544	1,891
Total	<u>4,260</u>	<u>2,382</u>	<u>4,204</u>	<u>4,434</u>	<u>15,279</u>

## 5.40 Defined benefit pension schemes

### 5.40.1 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.

### 5.40.2 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 gains of £301m have been recognised in the Movement in Reserves Statement up to and including 2022-23 (losses of £12m in 2021-22).

Expected employer contributions for 2023-24 are £21.5m, excluding any contributions in respect of unfunded benefits.

2021-22 £000		2022-23 £000
	Cost of Services:	
44,217	• current service cost	45,504
96	• past service and settlement costs	11
(4,408)	• (Gain)/loss on settlements	0
	Financing and Investment Income and Expenditure	
27,839	• interest cost	36,648
(17,320)	• interest income on scheme assets	(24,193)
3,200	• Effect of business combinations & disposals	0
53,625	Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services	57,970
	Other Post Employment Benefit Charged to the CIES	
	Remeasurements in net liability due to	
483	• changes in demographic assumptions	(8,063)
(70,848)	• changes in financial assumptions	(447,569)
(32,049)	• return on plan assets	65,423
6,462	• changes in other experience	77,562
(95,952)		(312,647)
(42,327)	Total Post Employment Benefit Charged to the CIES	(254,677)
23,624	Actual amount charged to the General Fund balance in the year	26,695

### 5.40.3 Reconciliation of present value of the scheme liabilities

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

2021-22 £000		2022-23 £000
(1,389,177)	Opening balance at 1 April	(1,352,056)
(44,217)	Current service cost	(45,504)
(27,839)	Interest cost	(36,648)
(5,704)	Contributions by scheme participants	(6,249)
	Remeasurement (gains)/losses arising from changes in:	
(483)	Demographic Assumptions	8,063
70,848	Financial Assumptions	447,569
5,370	Other Experience	(77,562)
35,963	Benefits paid	36,629
2,498	Unfunded Benefits paid	2,578
4,408	Effect of settlements	0
(96)	Past service costs	(11)
(3,627)	Effect of business combinations & disposals	0
<u>(1,352,056)</u>	Closing balance at 31 March	<u>(1,023,191)</u>

### 5.40.4 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 £40.1m (2021-22: £49.4m).

2021-22 £000		2022-23 £000
870,954	Opening balance at 1 April	899,785
17,320	Interest income on plan assets	24,193
32,049	Remeasurement gain/(loss)	(65,423)
0	Effects of settlements	0
23,624	Employer contributions	26,695
5,704	Contributions by scheme participants	6,249
(35,963)	Benefits paid	(36,629)
(11,832)	Other experience	0
(2,498)	Unfunded benefits paid	(2,578)
427	Effect of business combinations & disposals	0
<u>899,785</u>	Closing balance at 31 March	<u>852,292</u>

### 5.40.5 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.

	2022-23 £000	2021-22 £000	2020-21 £000	2019-20 £000	2018-19 £000
Present value of liabilities	(1,023,191)	(1,352,056)	(1,389,177)	(1,104,073)	(1,212,805)
Fair value of assets	852,292	899,785	870,954	696,953	807,216
Net deficit in the scheme	(170,899)	(452,271)	(518,223)	(407,120)	(405,589)

### 5.40.6 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 31<sup>st</sup> March 2023.

The principal assumptions used by the actuary have been:

2021-22		2022-23
	<b>Long-term expected rate of return on assets in the scheme:</b>	
5.7%	Equity investments	4.6%
	Mortality assumptions:	
	<b>Longevity at 65 for current pensioners:</b>	
22.0	Men	21.9
24.4	Women	24.5
	<b>Longevity at 65 for future pensioners:</b>	
23.3	Men	22.8
26.7	Women	26.2
	<b>Financial assumptions:</b>	
3.9%	Rate of increase in salaries	4.0%
3.2%	Rate of increase in pensions (CPI)	3.0%
2.7%	Rate for discounting scheme liabilities	4.8%
	<b>Take-up of option to convert annual pension into retirement lump sum:</b>	
50.0%	- Pre April 2008 Service	50.0%
75.0%	- Post April 2008 Service	75.0%

### 5.40.7 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-22		31-Mar-23
14.0%	Debt Securities - Corporate Bonds	14.0%
1.0%	Private Equity	1.0%
7.0%	Real Estate: UK Property	7.0%
	Investment Funds and Unit Trusts:	
53.0%	Equities	51.0%
22.0%	Other	25.0%
3.0%	Cash and Equivalents	2.0%
100%		100%

### 5.40.8 History of experience gains and losses

	2022-23	2021-22	2020-21	2019-20	2018-19
	%	%	%	%	%
Differences between the expected and actual return on assets	-7.68	3.56	19.14	-17.05	4.09
Experience gains and (losses) on liabilities	7.58	-0.40	-0.83	-3.93	0.07



**5.40.9 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	2	15,704
0.5% increase in rate of increase in salaries	0	1,334
0.5% increase in the rate of increase in pensions	1	14,596
1 year increase in member life expectancy	4	40,928

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 above did not change from those used in the previous period.

**5.41 Teachers' Pension Scheme**

The Teachers' Pension Agency (TPA) provides retirement benefits for teachers on behalf of the Department for Education.

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 2022-23 the Council made £9.61m (£8.71m in 2021-22) of employer contributions to the TPA. The current contribution rate is 23.68% (23.68% in 2021-22).

**5.42 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 Department for Levelling Up Housing and Communities' 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. 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-23	Historical experience of default	Historical experience adjusted for market conditions at 31-Mar-23	Estimated maximum exposure to default and uncollectability 31-Mar-23
	£000	%	%	£000
UK Banks	77,743	0.00	0.00	0
UK Money Market Funds	1,651	0.00	0.00	0
Customers	15,901	1.24	29.26	6,579
Total	<u>95,295</u>			<u>6,579</u>

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-22 £000	Aged debtors	Amount at 31-Mar-23 £000
15,677	Less than three months	12,647
1,672	Three to six months	1,317
773	Six months to one year	1,404
2,232	More than one year	533
<u>20,354</u>	<b>Total Debtors</b>	<u>15,901</u>

## 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 (PWL) 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-22 £000		31-Mar-23 £000
	Source of Loan:	
(343,461)	Public Works Loan Board	(343,461)
(73,800)	Market Loans	(73,800)
(64)	Other financial institutions	(44)
<u>(417,325)</u>	<b>Total</b>	<u>(417,305)</u>
	Analysis of loans by maturity:	
(21)	1-2 years (1.4.2024 - 31.3.2025)	(44)
(43)	3-5 years (1.4.2025 - 31.3.2028)	(5,000)
(20,000)	6-10 years (1.4.2028 - 31.3.2033)	(25,000)
(397,261)	More than 10 years (1.4.2033 onwards)	(387,261)
<u>(417,325)</u>	<b>Total</b>	<u>(417,305)</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. 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 £103m (£117m in 2021-22). With the base rate currently fixed at 4.25%. A positive movement of 1% in rates received on average investment balances could generate additional investment income of £1.03m.

#### **5.43 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 at 31 March 2023 was £215k (£211k at 31 March 2022).

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 at 31 March 2023 was £10.4m (£11.4m at 31 March 2022).

#### **5.44 Interests in subsidiary companies**

The Council controls the following subsidiary companies:

Concilium Group Ltd is 100% owned by the Council and acts as a holding company.

Concilium Assets LLP is owned 95% by Harrow and 5% by Concilium Group Ltd. The LLP paid £580k to the Council in 2022-23 (£406k in 2021-22) mostly for the lease of residential properties.

Sancroft Community Care Ltd and Concilium Business Services Ltd are 100% owned by Concilium Group Ltd. The Council paid £2,149k to Sancroft Community Care Ltd in 2022-23 (£1,906k in 2021-22) for provision of residential care services.

#### **5.45 Events after the reporting period**

The Statement of Accounts was authorised for issue by the Director of Finance on XX September 2024. Events taking place after this date are not reflected in the financial statements or notes.



**Statement of Movement on the HRA Balance**

2021-22 £000	Note	2022-23 £000
<b>(6,274)</b>	<b>Balance on HRA at end of the previous year</b>	<b>(5,678)</b>
<b>(14,750)</b>	(Surplus)/deficit for the year on the HRA Income & Expenditure Statement	<b>3,818</b>
15,475	Adjustment between accounting basis and funding basis under regulations	<b>(2,021)</b>
725	Net increase or decrease before transfers from reserves	<b>1,797</b>
<b>(129)</b>	Transfer to reserves	<b>(545)</b>
596	<b>(Increase)/decrease in year on the HRA</b>	<b>1,252</b>
<b>(5,678)</b>	<b>Balance on HRA at end of the current year</b>	<b>(4,426)</b>

**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 0.98% of lettable properties were vacant (0.65% in 2021-22). The average de-pooled rents were £122.95 per week (£117.43 in 2021-22). There was an average rent increase of 4.7% over the previous year. The average increase, after taking into account service charges, was 4.67%.

**6.2.2 Non-dwelling Rents**

This includes garages. At the year-end 65.7% of garages were vacant (63.0% in 2021-22).

**6.2.3 HRA Fixed Assets**

	Land £000	Dw ellings £000	Assets under construction £000	Shops £000	Garages £000	Community Halls £000	Total £000
Net book value as at 1 April 2022	235,041	241,079	29,474	5,540	5,175	7,947	<b>524,256</b>
Revaluations and additions	9,956	12,981	6,808	<b>(1,016)</b>	354	364	<b>29,447</b>
Disposals	<b>(648)</b>	<b>(832)</b>	0	0	0	0	<b>(1,480)</b>
Gross book value as at 31 March 2022	<b>244,349</b>	<b>253,228</b>	<b>36,282</b>	<b>4,524</b>	<b>5,529</b>	<b>8,311</b>	<b>552,223</b>
Depreciation for year	0	<b>(7,890)</b>	0	<b>(40)</b>	<b>(199)</b>	<b>(117)</b>	<b>(8,246)</b>
Net book value as at 31 March 2023	<b>244,349</b>	<b>245,338</b>	<b>36,282</b>	<b>4,484</b>	<b>5,330</b>	<b>8,194</b>	<b>543,977</b>

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 1<sup>st</sup> April 2022 would have been £1,702m (£1,608m at 1<sup>st</sup> April 2021), therefore recognising the economic cost to the Government of providing Council housing at less than open market value of £1,226m (2021-22 £1,142m).

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-22 £000	Transfer to Reserve £000	Capital Expenditure £000	Debt Repayment £000	Balance 31-Mar-23 £000
Analysis of the Movement	(7,343)	(8,247)	7,126	419	(8,045)

#### 6.2.5 Capital Expenditure and Funding Statement

2021-22 £000		2022-23 £000
	<b>HRA Capital Expenditure</b>	
6,402	Dwellings & garages	8,310
24,127	New build	6,679
<u>30,529</u>	<b>Total</b>	<u>14,989</u>
	<b>Financed by:</b>	
6,274	Major Repairs Reserve	7,126
7,185	Capital receipts - Right to Buy, Affordable Housing & other	3,161
16,255	Contributions & Grants	419
129	Revenue Funding	543
686	Borrowing	3,740
<u>30,529</u>	<b>Total</b>	<u>14,989</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 5.24.1.

#### 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 5.40.

## 6.2.8 Housing Revenue Account Statistics

2021-22 Total	Housing Stock	Houses	Flats	Bungalows	2022-23 Total
107	4 or more bedrooms	102	2	2	106
1,350	3 bedrooms	1,243	104	1	1,348
1,414	2 bedrooms	544	842	26	1,412
1,912	1 bedroom	4	1,773	134	1,911
<u>4,783</u>	LBH managed stock as at 31 March	<u>1,893</u>	<u>2,721</u>	<u>163</u>	<u>4,777</u>
743	Garages				743
1,147	Leaseholders				1,147
	<b>Summary of change in stock</b>				
4,744	Stock as at 1 April				4,783
	<b>Add/ (Less)</b>				
(22)	Sales				(16)
0	Demolitions				
61	New builds & Acquisitions				10
0	Transfer from General Fund				
<u>4,783</u>	<b>Total HRA stock at 31 March</b>				<u>4,777</u>
	<b>Measures of performance &amp; information for disclosure notes to HRA</b>				
£56.55	Average weekly costs per dwelling of management and maintenance				£53.41
1.492m	Rent arrears (current and former tenants)				1.687m
96.45%	Rent collection rate (BVPI 66a)				96.68%
2.00%	Current tenant arrears as percentage of rent roll (whether dwellings occupied or not)				2.33%
0.65%	Rent loss through voids				1.33%
£55k	Write offs in year				£0k
£780k	Provision for bad debts				£973k

## 6.2.9 Statement of Movement on the HRA Balance

2021-22 £000		2022-23 £000
	<b>Adjustment between accounting basis and funding basis under regulations</b>	
45	Difference between amortisation of premiums & discounts determined in accordance with the Code and those determined in accordance with statute	45
	<b>Difference between any other item of income &amp; expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements</b>	
2,904	Gain (Loss) on sale of HRA fixed assets	2,172
<u>2,949</u>		<u>2,217</u>
	<b>Transfer to / (from) earmarked reserves</b>	
	<b>HRA share of contributions to/(from) Pensions Reserve :</b>	
(949)	Net charges made for retirement benefits in accordance with IAS19	(930)
	<b>Sums directed by the Secretary of State to be credited to the HRA that are not expenditure in accordance with the Code</b>	
	<b>Transfer to / (from) the Capital Adjustment Account</b>	
3	Impairment	(1,745)
129	Capital expenditure funded from revenue balances	543
10	Minimum revenue provision	10
14,121	Capital grants and contributions	2,871
(7,944)	Depreciation transfer	(8,260)
7,931	Transfer to the Major Repairs Reserve	8,247
	<b>Transfers to/(from) other reserves</b>	
(775)	Pooling payments to DLUHC financed through capital reserves	(4,954)
0	Other	(20)
<u>12,526</u>		<u>(4,238)</u>
<u>15,475</u>		<u>(2,021)</u>



## 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 taxpayers and distribution to Local Authorities (London Borough of Harrow and the GLA).

### 7.1 Statement of Income and Expenditure

2021-22		2022-23	
£000		Business Rates & Crossrail £000	Council Tax £000
			Total £000
	<b>Income</b>		
(174,269)	Income from Council Tax		(183,104)
(35,545)	Income Collectable from Business Ratepayers	(44,500)	(44,500)
(734)	Income Collectable from Business Ratepayers - BRS	(833)	(833)
(210,548)	<b>Total Income</b>	(45,333)	(228,437)
	<b>Expenditure</b>		
	<b>Apportionment of Previous year surplus / deficit</b>		
(9,098)	Central Government	(6,481)	(6,481)
(8,072)	Harrow Council	(5,892)	(6,145)
(10,141)	Greater London Authority	(7,266)	(7,323)
	<b>Precepts, demands and shares</b>		
16,880	Central Government	14,089	14,089
155,051	Local Demand (Harrow)	12,809	146,185
51,433	Greater London Authority	16,624	35,122
	<b>Impairment of debts / appeals</b>		
1,951	Write offs of uncollectable amounts		0
(2,556)	Increase in bad debt provisions	218	836
(900)	Increase / (decrease) in provision for appeals	(1,500)	(1,500)
245	Costs of Collection	237	237
194,793	<b>Total Expenditure</b>	22,838	181,833
(15,755)	Movement on Fund balance: (Surplus) / Deficit for the year	(22,495)	(1,271)
35,961	(Surplus) / Deficit brought forward *	20,352	(145)
20,206	<b>(Surplus) / Deficit carried forward</b>	(2,143)	(3,560)

\* The large brought forward deficits on the Collection Fund are a consequence of the COVID-19 pandemic, most notably the retail sector suffering losses due to mandated closures.

## 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:

Band D Ratio	2021-22 Property Numbers	Council Tax £	Valuation Bands	Band D Ratio	2022-23 Property Numbers	Council Tax £
6/9	392	1,308.24	A = Not exceeding £40,000	6/9	471	1,361.40
7/9	1,994	1,526.28	B = £40,001 - £52,000	7/9	2,043	1,588.29
8/9	14,665	1,744.32	C = £52,001 - £68,000	8/9	15,097	1,815.20
1	25,041	1,962.36	D = £68,001 - £88,000	1	25,482	2,042.09
11/9	24,099	2,398.44	E = £88,001 - £120,000	11/9	24,348	2,495.89
13/9	10,926	2,834.52	F = £120,001 - £160,000	13/9	11,131	2,949.69
15/9	9,602	3,270.60	G = £160,001 - £320,000	15/9	9,575	3,403.49
2	2,452	3,924.72	H = £320,001 +	2	2,450	4,084.18
	89,171		<b>Total</b>		90,597	
	(1,784)		Adjustment for non-collection		(1,812)	
	87,387		<b>Council tax base</b>		88,785	

### 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 2022-23, split between relevant preceptors at the following percentages: the Council (30%), the GLA (37%) and the Department for Levelling Up, Housing & Communities (33%).

The total non-domestic rateable value for the London Borough of Harrow at the year-end was £133.8m (£134.5m in 2021-22). The national non-domestic rate multiplier for 2022-23 remained the same at 51.2p (51.2p in 2021-22) with a lower multiplier for small businesses also remaining the same at 49.9p (49.9p in 2021-22).

### 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

Throughout 2022/23 Members and staff working for London Borough of Harrow strived to achieve the Council's vision, priorities and outcomes, initially as outlined in the Harrow Borough Plan 2030 and then through the new vision and priorities which culminated in the Council's new Corporate Plan agreed in February 2023. 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* London Borough of Harrow 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 Borough Plan 2030 and the Corporate 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.

A new Administration was elected in May 2022 and following a review of the Council's priorities a new Corporate Plan was agreed by Council in February 2023.

### 8.3 Effectiveness of Key Elements of the Governance Framework

Since 2005/06 the Council has undertaken an annual 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). In the early years this approach helped us to identify a number of significant governance gaps, however in more recent years the majority of significant gaps have been identified by Internal Audit work and/or senior management input, with the framework only helping to identify minor governance gaps, many of which are ongoing. Essentially the framework provides a very granular approach to the review of governance and is useful in confirming that the basic building blocks of governance are in place.

The 2022/23 annual review process reviewed the basic building blocks of governance via a London Borough of Harrow Statement of Accounts 2022-23

Council-wide evidence based self-assessment against the CIPFA Framework along with a Management Assurance exercise to obtain assurance on key elements from senior managers within Directorates.

The effectiveness of key elements during 2022/23 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. The Council's Constitution and Code of Conduct has been reviewed and updated by the Monitoring Officer. 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. The Council values are incorporated into the staff induction programme as well as the performance appraisal process. Through the Big Conversation in February/March 2023 (an engagement programme aimed at developing a new Workforce Strategy in the Council), it was suggested that the Council values should be reviewed over the next year.

During 2022/23 each of the directorates maintained an electronic Register of Interests for staff. There are plans in place to improve the Register of Interest / Gifts & Hospitality declaration process. This will include keeping a central record. Communications and awareness training to remind officers of the process has started. Training has also taken place with managers about the importance of staff registering interests and declaring any outside work paid or unpaid. Web forms have been devised and a central register will be kept. The code of conduct for officers is in the process of being updated.

Inductions were put on hold at the start of 2022/23 following the departure of the Chief Executive. They were restarted in the second half of 2022/23 when a decision was made to combine the staff and manager inductions.

The Corporate Induction covered:

- Welcome from Leader and Managing Director (Head of Paid Service) (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)

New Employee Appraisal and Development Forms, processes and guidance were introduced at the beginning of 2023. All management grade officers were tasked with completing appraisals. The overall completion rate at the end of the 2022/23 financial year was 90%.

### **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 (CFO) is responsible for identifying any proposal, decision or course of action that will involve incurring unlawful expenditure.

No reports on likely contraventions of any enactment or rule of law were made by the Monitoring Officer during 2022/23 and the CFO's clearance of Cabinet decision reports ensured that any proposals, decisions or courses of action that potentially involved incurring unlawful expenditure were identified.

### **8.3.3 Acting in the Public Interest**

During 2022/23 the Council can demonstrate a commitment to openness and acting in the public interest. This has been achieved via the implementation of a governance structure which includes codes of conduct, a Standards Committee (GARMS), 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.

- In May 2022 the Constitution was reviewed and updated apart from Part 5, Rules and Protocols.
- Further minor updates were undertaken in November and December 2022
- The Rules and Protocols are currently being reviewed and are scheduled to be presented to the Council in November 2023 and February 2024.

All versions can be found on the Council's website.

There were 1,628 complaints received in 2022/23. The most frequent services to receive complaints were Waste/Recycling and Housing. There were 95 complaints sent to the Local Government & Social Care Ombudsman although they only felt the need to investigate 23 of which they upheld 77% (17) in the resident's favour. Once advised by the LGSCO, the Council complied with their advice in all cases.

### **8.3.4 Communication and Consultation**

The Communications Team are responsible for communicating the actions of the Council through a number of channels, including press releases and media management, marketing campaigns and brand management, internal communications, London Borough of Harrow publications and social media.

Details of consultations can be found on the Council website through a newly launched consultation portal 'TalkHarrow'. During 2022/23, 26 consultations with residents were undertaken covering a range of topics including the Council budget for 2023/24, various parking schemes, tennis courts, licensing, tall buildings and discretionary freedom passes.

### **8.3.5 The Corporate Plan**

A new Corporate Plan was developed during 2022/23 to reflect the vision and priorities of the new administration of the Council following the local elections in May 2022. The Plan was approved by Council in February 2023.

The Council vision is: Restoring Pride in Harrow.  
The three Council priorities are:

- A council that puts residents first
- A borough that is clean and safe
- A place where those in need are supported.

### **8.3.6 Putting the Vision into Practice**

The Corporate Plan provides a three-year overview strategy providing a clear vision and comprehensive delivery plan for how the Council will deliver the agreed vision and priorities, how each priority will be measured, and progress monitored. A set of Flagship Actions – a set of specific measurable priority actions for the year ahead – have been agreed which will be refreshed each year.

### **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), the Chief Financial Officer, the Head of Procurement, the Head of Internal Audit (for risk management implications) and also by the relevant Corporate Director before they are presented to the decision makers (Council, Cabinet, Committees).

A process for recording Officer Decisions forms part of the Constitution this is in the process of being 'rolled out' across the Council.

### **8.3.8 Measuring Performance and External Assurance**

Corporate performance reporting was reintroduced in 2022-23 having been on hold during the pandemic. The reintroduction of the corporate performance framework coincided with a change in administration and was carried out in parallel with the development of a new Corporate Plan, arranged by Priorities and including Flagship Actions. A corporate scorecard was developed to track the implementation of the plan, which was formally adopted at Council in February 2023. The Corporate Scorecard, like the plan, covers the period 2023-26, and was approved at Cabinet in June 2023. While the Corporate Plan and Scorecard were being developed, Performance Boards were reintroduced starting at Q4 2021-22 (they met in the summer of 2022) and they have been held quarterly since. The Performance Boards are at Directorate level, chaired by the Leader of the Council and attended by Portfolio Holders and senior officers. They cover performance, finance, workforce, risk, customer and complaints and consider a summary of progress and challenges from the respective Corporate Director. Service level scorecards are presented and scrutinised, resulting in recorded and tracked actions. The service level scorecards contain all of the indicators that are included in the Corporate Scorecard. From Q1 2023-24, progress against the Corporate Scorecard will also be reported up to Cabinet quarterly.

Performance monitoring had continued at service level e.g. social care, education, housing, environment, throughout the pandemic to ensure that service standards and quality were maintained, and there was no change to this in 2022-23. Significant improvement was, however, made during 2022-23 in tracking performance in corporate areas such as Workforce, Customer Services, IT and Procurement.

There is an emphasis in resident and customer-facing data and the resident survey has been reintroduced, alongside service user surveys in key areas such as Housing and Adult Social Care. Improvements to performance monitoring during 2022-23 have also included identifying in-year indicators and targets to improve monitoring where we had previously had only annual data and targets. Benchmarking against regional and statistical neighbours has been updated and has influenced target setting. New local indicators have been developed for a more targeted approach in critical service areas e.g. repeat missed bins, percentage of social care providers rated good or above.

Capital and revenue financial performance were reported at a minimum quarterly to the Corporate Strategic Board, Cabinet and all Members throughout the pandemic. During 2022/23 performance was reported monthly to CLT and Cabinet with the Treasury Management mid-year Review 2022/23 being reported to Cabinet in December 2022 and the Annual Report and Outturn 2022/23 due to be reported to Cabinet in July 2023.

The 2022/23 Management Assurance exercise has confirmed that performance continued to be monitored by Directorates for approximately 70% of services with reports made both externally where appropriate and internally to Directorate Management and Portfolio Holders.

In terms of external assurance reviews undertaken during 2022/23 these included a peer review with an action plan in place; the annual review of Legal Services by LEXCEL confirming compliance; Payment Card Industry Data Security compliance; an OFSTED Joint Targeted Area Inspection for Children's Services and a BSI inspection of Building Control.

### **8.3.9 External Audit**

During 2022/23 the authority provided timely support, information and responses to the Council's external auditors, Mazars. The suggested timeline for the publication of the final 2021/22 accounts was 30 November 2022. This suggested timeline was not met as the external auditors did not complete their audit and sign-off the accounts. It is now expected this will be completed in October 2023 at which time the final accounts will be published on the Council's website.

### **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. The roles and responsibilities of other managers and staff are defined and documented in Role Profiles attached to each post.

### **8.3.11 Capacity & Capability**

Throughout 2021/22 there was a lack of strategic leadership capacity caused by the significant demands on the senior leadership team and a heavy reliance on interims in senior posts that continued throughout 2022/23. A new Chief Executive was appointed in September 2022 following the departure of the previous encumbrant in June 2022. The Corporate Director of People acted as Interim Chief Executive and as Head of Paid Service from June until September 2022 at which point he left the Council and was replaced by a new Corporate Director People. The new Chief Executive has since resigned, leaving the Council at the end of May 2023, he was replaced by the interim Director of Corporate Resources and Transformation who has been appointed internally to the post of Head of Paid Service (Managing Director), with effect from 1 June 2023 for an initial six months to November 2023

with an option to extend for a further three years (which has since been agreed by Council on 30 November 2023).

### **8.3.12 Financial Management**

The Council's financial management arrangements during 2022/23 conformed with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015)*. The Council's net revenue budget in 2022/23 was £183.3m. The outturn position for 2022/23 is an overspend of £5.842m which has been funded from the Budget Planning Reserve. At the start of the financial year there was a planned draw down from reserves of £14.711m built in to support the 2022-23 budget. The final overspend of £5.842m means that the balance of £8.869m (£14.711m less £5.842m overspend) is not required to be drawn down from reserves in 2022-23, and will remain on the balance sheet and support the Council's financial sustainability moving forwards.

The Council maintained its General Fund Balances at £10m in 2022/23. 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. Council reserves, excluding General Fund balances, are £54m of which £42.3m are earmarked, £14.7m are non-earmarked and there is a negative balance of £2.6m against the High Needs Block.

### **8.3.13 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. During 2022/23 the Monitoring Officer retired from the Council. The deputy Monitoring Officer is covering this role as Monitoring Officer as an interim arrangement ensuring effective arrangements were in place to discharge these duties.

### **8.3.14 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 and/or the Managing Director following a change of role title on 1 June 2023) throughout 2022/23.

### **8.3.15 Development Needs**

On election Members are given induction training this takes place on mass after the local elections and individual after by-elections if required. Ad hoc training is undertaken throughout the year that is non-mandatory.

Following the local government elections in May 2022, new Members received a range of induction training including a welcome evening held for all elected members on 10 May to cover an overview of the Council's functions, code of conduct, agile working, personal safety, and IT & Data Protection. From May – July 2022 a series of training sessions some mandatory some non-mandatory were held for members covering for example the Council's finances, code of conduct, safeguarding.



A Workforce Strategy has been compiled and was launched in the latter part of 2023.

### **8.3.16 Managing Risks**

The framework for identifying and managing risks 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 2022/23 for Q1 in May 2022, for Q2 in August 2022, for Q3 in November 2022 and for Q4 in April 2023. Each update was presented to the Corporate Leadership Team (CLT) for review and challenge and Q1, Q2, Q3 and Q4 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 risk management implications section of the report template for Cabinet and other Committee decision reports requires risks to decisions to be identified along with mitigations and red, amber, green (RAG) assurance ratings to be included. This is supported by guidance for report authors and a requirement for this section of the reports to be reviewed and signed-off by the Head of Internal Audit who is operationally responsible for the Corporate Risk Management function.

The Management Assurance exercise for 2022/23 confirmed that Directorate Risk Registers were in place for each Directorate and were being updated quarterly throughout 2022/23.

### **8.3.17 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. The refreshed Local Government Fighting Fraud & Corruption Locally Strategy (FFCL) was published online on 26 March 2020 and during 2020-21 the intention was for Harrow's strategy to be reviewed and updated to reflect any changes and best practice that the new FFCL Strategy recommended. However, this was not achieved and was rolled forward to 2021/22 along with an assessment against the checklist contained within the strategy outlining best practice for dealing with fraud and corruption in local authorities. Work undertaken on the significant governance gap identified in 2021/22 (outline in section 5 below) further delayed the Strategy being updated, however it has now been updated and consulted upon. The updated strategy will be presented to the GARMS Committee in due course.

### **8.3.18 Scrutiny**

The scrutiny function comprises an Overview and Scrutiny Committee (O&S), a Performance and Finance Scrutiny Sub-Committee (P&F), a Health and Social Care (H&SC) Scrutiny 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 2022/23 O&S met seven times, P&F three times and H&SC three times.

### 8.3.19 Internal Audit

The Internal Audit Service is required to comply with the Public Sector Internal Audit Standards (PSIAS) and to be reviewed externally against these standards every five years and internally on a regular basis. An external peer review in June 2017 confirmed that the service 'generally complies' with the PSIAS and the 2019 internal review against these standards confirmed this assessment. A further review due to be undertaken during 2022/23 was delayed due to the retirement of the Head of Internal Audit, this is expected to be completed by November 2023.

Internal audit work during 2022/23 was performed in conformance with the PSIAS.

### 8.3.20 Audit Committee

The Governance, Audit, Risk Management and Standards Committee (GARMS) is a key component of Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

The purpose of the committee is to provide independent assurance to the Members on the adequacy of London Borough of Harrow's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place. It also acts as the Standards Committee.

The GARMS Committee met four times during 2022/23 with the meeting due to take place in April 2022 being cancelled due to the local elections.

### 8.3.21 Joint Working/Council Trading Companies

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 London Borough of Harrow specifically, has coped with less resources.

Throughout 2022/23 the Council's trading structure consisted of five separate legal entities as shown in the table below:

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

Harrow Strategic Development Partnership LLP	Limited Liability Partnership	March 2021
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These entities have been set up to provide a financial or other benefit to the council whilst enabling it to undertake specific commercial activities. London Borough of Harrow therefore either directly or indirectly holds a 100% controlling interest in each of the 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.

Concilium Business Services Ltd is a wholly owned subsidiary of Concilium Group Ltd. Until February 2019 its principal source of revenue came from the property management of 100 homes, managed on behalf of London Borough of Harrow. Concilium Business Services Limited was dissolved at the end of 2022/23 and the remaining properties have been transferred to Concilium Group Ltd.

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.

Harrow Strategic Development Partnership LLP (HSDP LLP) is a Limited Liability Partnership owned 50% by Harrow and 50% by Wates Construction Limited. HSDP LLP was set up to facilitate the development of Council assets at Poets Corner, Peel Road and Byron Quarter phase 1 as per the Council's Regeneration Programme. The Council's investment in the LLP will primarily be the transfer of the land once individual schemes are ready to commence.

The Council also runs a shared legal service (HBPL) for which it is the lead authority however this is not a separate legal entity, staff are employed by Harrow.

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), Concilium Business Services and Sancroft Community Care Ltd were 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 were reviewed in 2020/21 and again it was confirmed that reasonable governance arrangements are in place.

In January 2019 the Committee on Standards in Public Life published its report on local government ethical standards and made a number of best practice recommendations. **Best practice recommendation 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.

The paragraphs above outline the separate bodies set up by the Council and their relationship with the Council however the annual review of governance has highlighted that these bodies are not yet publishing their board agenda, minutes and annual reports.

#### 8.4. Level of Assurance

The analysis of assurances from the annual review of governance 2022/23 indicates that **a reasonable level of governance is in place across the Council**. A number of the minor governance gaps from 2021/22 have been resolved in relation to performance monitoring both corporately and in service areas. A formal action plan will be produced to track progress on the minor governance gaps identified.

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 2022/23 is: **Good with some improvements required in discrete areas**. Review of the operation of Council's core financial systems, Housing Benefits, Treasury Management, Housing Rents, Business Rates, Capital Expenditure, Corporate Accounts Receivable, Corporate Accounts Payable, Payroll and Council Tax during 2022/23 demonstrated a sound level of control in place with five receiving a green assurance rating and four an amber/green assurance. There were two red/amber assurance reports relating to schools issued during the year. The red assurance review followed-up in 2022/23 attained a red/amber assurance rating. All recommendations made to improve controls were agreed by management.

#### 5. Previous Significant Governance Issues

In August 2021 the Council were alerted to a significant governance gap by a third party in the Place directorate. This gap involved allegations of fraud and corruption that are subject to an ongoing Police criminal investigation and as such no detailed information can be provided.

The then Chief Executive commissioned an independently led review, to ensure appropriate challenge and rigour, to establish what happened and what lessons should be learned which was supported internally by work undertaken by the Internal Audit Service, the Corporate Anti-Fraud Team, Human Resources and the Council's Legal Team.

A detailed Internal Audit review was undertaken of the system involved and all recommendations made were agreed by Management. A follow-up of the implementation of these actions was undertaken in December 2022 to assess progress and to re-assess the risks. Follow up has established that a red/amber assurance rating has been reached, a slight improvement from the red assurance rating originally given. It was established that 14 of the recommendations have been fully implemented and evidence was obtained to support this, 36 are part implemented and 4 are planned. The majority of the recommendations will be implemented as part of the new processes currently being mapped out in conjunction with IT as well as part of the Symology and D365 integration. A further follow-up is due to be undertaken in 2023/24.

Internal Audit and the Corporate Anti-Fraud team also undertook extensive work to support the Police criminal investigation during 2022/23.

The independently led review concluded that 'Whilst direct responsibility for any fraud must rest with anyone found guilty of perpetrating it and whilst it is not possible to prevent fraud from happening entirely, the Council does recognise the importance of putting in place a range of controls designed to mitigate against that risk and make it less likely to happen. Those steps are essentially in place in terms of corporate frameworks.' Five recommendations were made

to further strengthen these.

## **6. Significant Governance Issue**

The above gap identified in the 2021/22 AGS remained a significant gap throughout 2021/22 although the fraud itself was stopped. Action taken during 2022/23 to address all the recommendations made in the internal report was inadequate and thus the governance gap remains albeit it is no longer significant as during 2022/23 only reactive works took place and the planned capital works was on hold.

## **7. Conclusion**

The annual review of governance 2022/23 confirmed that overall appropriate governance arrangements were in place in the majority of areas of the Council.

## **8. Declaration**

The Leader of the Council and the Managing Director will sign the final 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, the Monitoring Officer, Corporate Directors and independent assurance provided by the Head of Internal Audit.

Cllr Paul Osborn  
Leader  
Date:

Alex Dewsnap  
Managing Director  
Date:

## **9.Pension Fund Financial Statements**

Pension Fund Certificate

Harrow Council

Pension Fund Accounts 2022-23

I certify that the Financial Statements set out in Section 9 present fairly the financial position of the Pension Fund as at 31<sup>st</sup> March 2023 and its income and expenditure for the year.

**Sharon Daniels CPFA**  
**Interim Director of Finance and Assurance**  
**23 January 2024**

# Harrow Pension Fund Account as at 31 March 2023

2021-22 £'000		Notes	2022-23 £'000
	<b>Dealings with members, employers and others directly involved in the fund</b>		
(36,058)	Contributions	7	(37,238)
(3,066)	Transfers in from other pension funds	8	(3,877)
(33)	Other income		(121)
<b>(39,157)</b>			<b>(41,236)</b>
36,974	Benefits	9	40,269
6,141	Payments to and on account of leavers	10	3,610
<b>43,115</b>			<b>43,878</b>
<b>3,958</b>	<b>Net (additions)/withdrawals from dealings with members</b>		<b>2,643</b>
5,331	Management expenses	11	4,550
<b>9,289</b>	<b>Net (additions)/withdrawals including fund management expenses</b>		<b>7,193</b>
	<b>Return on investments</b>		
(7,030)	Investment income	12	(8,355)
(52,286)	(Profit)/losses on disposal of investments and changes in the market value of investments	14A	64,351
<b>(59,316)</b>	<b>Net return on investments</b>		<b>55,996</b>
(50,027)	<b>Net (increase)/decrease in the net assets available for benefits during the year</b>		63,189
(967,984)	<b>Opening net assets of the scheme</b>		<b>(1,018,011)</b>
<b>(1,018,011)</b>	<b>Closing net assets of the scheme</b>		<b>(954,822)</b>

# Net Assets Statement as at 31 March 2023

31 March 2022		Notes	31 March 2023
£'000			£'000
	<b>Investment assets</b>		
996,706	Investments	14	920,835
1,191	Derivative contracts	14	14,517
17,004	Cash with investment managers	14	11,433
<b>1,014,901</b>			<b>946,785</b>
7,288	Cash deposits	14	7,672
<b>1,022,189</b>			<b>954,457</b>
	<b>Investment liabilities</b>		
(5,232)	Derivative contracts	14	(770)
<b>1,016,957</b>			<b>953,687</b>
2,154	Current assets	21	1,445
140	Long Term Debtors	21A	176
<b>1,019,251</b>			<b>955,308</b>
(1,240)	Current liabilities	22	(486)
<b>1,018,011</b>	<b>Net assets of fund available to fund benefits at the period end</b>		<b>954,822</b>

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.

**Sharon Daniels**  
Interim Director of Finance and Assurance  
Date – TBC



# Notes to the Harrow Pension Fund Accounts for the year ended 31 March 2023

## 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.

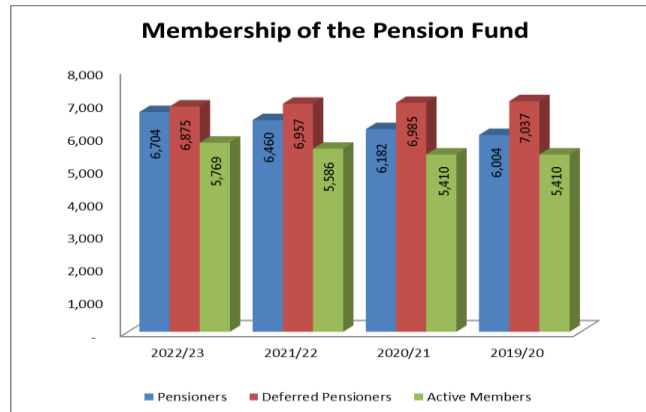
### b) Membership

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 44 employer organisations within the Harrow Pension Fund including the Council itself, as detailed below.



Employer	Status	PENSIONERS	DEFERREDS	ACTIVES	Total	%
Harrow Council	Scheduled Body	6187	5633	3666	15,486	80.64
Nower Hill	Scheduled Body	40	144	189	373	1.83
Stanmore College	Scheduled Body	109	154	100	363	1.80
Heathland and Whitefriars	Scheduled Body	27	86	203	316	1.54
Hatch End High	Scheduled Body	39	135	69	243	1.26
Rooks Heath	Scheduled Body	29	99	129	257	1.33
Park High	Scheduled Body	19	82	113	214	1.11
Canons High	Scheduled Body	18	78	124	220	1.14
Bentley Wood	Scheduled Body	13	89	88	190	0.98
Harrow High	Scheduled Body	20	61	78	159	0.82
St Dominics 6th form college	Scheduled Body	50	33	48	131	0.68
Aylward Primary School	Scheduled Body	11	30	79	120	0.62
Pinner High School	Scheduled Body	3	11	101	115	0.59
Priestmead School	Scheduled Body	6	12	88	106	0.55
Salvatorian Academy	Scheduled Body	24	50	17	91	0.47
St Georges Primary	Scheduled Body	7	5	75	87	0.45
St John Fisher	Scheduled Body	5	7	63	75	0.39
St Josephs Primary	Scheduled Body	5	6	64	75	0.39
Welldon Park School	Scheduled Body	5	5	59	69	0.36
Earlsmead Academy	Scheduled Body	7	11	41	59	0.30
Alexandra Academy	Scheduled Body	8	18	31	57	0.29
Sacred Heart High School	Scheduled Body	6	8	32	46	0.24
Avanti House Secondary School	Scheduled Body	0	4	46	50	0.26
St Bernadettes	Scheduled Body	10	6	32	48	0.25
St Jerome	Scheduled Body	1	2	39	42	0.22
Krishna Avanti Academy	Scheduled Body	0	16	27	43	0.22
Jubilee Academy	Scheduled Body	0	16	19	35	0.18
Avanti House Primary School	Scheduled Body	1	12	22	35	0.18
Avanti School Trust	Scheduled Body	0	1	9	10	0.05
Hujjat Primary School	Scheduled Body	0	1	16	17	0.09
NLCS	Community Admission Body	45	48	42	135	0.70
Evergreen	Admitted Body	0	0	19	19	0.10
ISS Catering	Admitted Body	3	2	10	15	0.08
SOS Ltd	Admitted Body	0	2	4	6	0.03
Brayborne Facilities Services	Admitted Body	0	0	5	5	0.03
SOS Longfield	Admitted Body	0	3	2	5	0.03
Wates (Linbrook)	Admitted Body	3	0	3	6	0.03
Evergreen Harrow High	Admitted Body	1	0	4	5	0.03
PSC Ltd	Admitted Body	0	0	4	4	0.02
PSC Roxeth	Admitted Body	0	0	3	3	0.02
PSC Vaughan	Admitted Body	0	0	2	2	0.01
Govindas	Admitted Body	0	3	2	5	0.03
Evergreen Aylward	Admitted Body	2	0	1	3	0.02
Evergreen LBH	Admitted Body	0	2	1	3	0.02
		6,704	6,875	5,769	19,348	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 2022 and showed that the Fund was 96% 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 17.2% to 35.4% of pensionable pay.

**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.

	<b>Service pre 1 April 2008</b>	<b>Service post 31 March 2008</b>
<b>Pension</b>	Each year worked is worth 1/80 x final pensionable salary	Each year worked is worth 1/60 x final pensionable salary
<b>Lump Sum</b>	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 updated 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. For more details, refer to the ‘Brief Guide to the Local Government Pension Scheme’ attached as Appendix 5.

## **NOTE 2: BASIS OF PREPARATION**

The Statement of Accounts summarises the Fund's transactions for the 2022-23 financial year and its position as at 31 March 2023. 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 2022-23' 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 2022-23.

## 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). Derivatives are used by the Fund to reduce its exposure to the risk of fluctuations in currency values in its global equity portfolio. They are valued on the basis of the change in the relative values of sterling and the currency being hedged between the point at which the derivatives were purchased and the balance sheet date.

#### **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 with the exception of current liabilities. 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. Current Liabilities are shown at amortised cost - given the short-term nature of these liabilities there are unlikely to be any gains or losses arising from these before settlement.

#### **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 Utmost (Previously Equitable Life) 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.

**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 employer contribution 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 2023 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
<b>Actuarial present value of promised retirement benefits (Note 20)</b>	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance:  ° 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £15.7m ° 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £1.3m ° 0.1% increase in Pension benefits would increase the liability by approximately £14.6m
<b>Private equity (Note 16C)</b>	Private equity investments are valued at fair value in accordance with <i>International Private Equity and Venture Capital Valuation Guidelines</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 £4.05m in the financial statements. There is a risk that this investment may be under or overstated in the accounts.
<b>Fair value – basis of valuation (Note 16)</b>	In March 2020, the outbreak of Covid-19 had a significant impact on global financial markets. This fall in asset prices/values was more than offset by the subsequent recovery during 2020 and 2021. However, there has been a fall back in 2022 to date, due in part to geopolitical events (the Russian invasion of Ukraine and its impact on commodity prices) and their knock-on effect on inflation. As at the valuation date, it is considered that less weight can be attached to previous market evidence to inform opinions of value on level 3 investments. Consequently, less certainty and a higher degree of caution should be attached to level 3 valuations. At the current time, it is still not possible to predict accurately the long term impact of Covid-19 on property investments in some locations and sectors of the economy.	Any reduction in investment values will result in a reduction in the Fund's net asset position.
<b>Pooled Property Fund</b>	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. For 2020/21, following the impact of Covid-19 on global markets, our fund managers advised that valuations were reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book, meaning that less weight could be applied to previous market evidence to inform opinions of value. Consequently, less certainty – and a higher degree of caution – was attached to valuations of pooled property fund assets than would normally be the case. They have not applied the same caveat to the valuations reported as at 31 March 2023.	The total property pooled investments in the financial accounts are £59.9m. There is a risk that these investments may be understated or overstated in the accounts.



**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 2022-23 for which the accounts have been adjusted.

The valuation of the Pension Fund's investment assets will fluctuate from time to time as a result of economic factors and market movements. Since March 2023, global investment markets have been volatile for a number of reasons. As a result, the value of the Fund's investment assets had been volatile too. However, the Fund's actuary advises that the impact of the increase in Gilt yields in the same period is likely to have reduced the Fund's liabilities significantly. Furthermore, the Fund is an "open" pension scheme, which means it has a long time horizon before many of its liabilities will fall due for payment

Therefore the change in asset valuations is treated as a non-adjusting post balance sheet event.

**NOTE 7: CONTRIBUTIONS RECEIVABLE****By category**

2021-22		2022-23
£'000		£'000
<b>(7,659)</b>	<b>Employees' contributions</b>	<b>(8,209)</b>
	<b>Employers' contributions:</b>	
(19,646)	Normal contributions	(20,827)
(8,564)	Deficit recovery contributions	(8,173)
(189)	Pension strain contributions	(29)
<b>(28,399)</b>	<b>Total employers' contributions</b>	<b>(29,029)</b>
<b>(36,058)</b>	<b>Total contributions receivable</b>	<b>(37,238)</b>

**By type of employer**

2021-22		2022-23
£'000		£'000
(27,028)	Administering Authority	(28,187)
(7,765)	Scheduled bodies	(8,190)
(746)	Community admission body	(708)
(519)	Transferee admission bodies	(152)
<b>(36,058)</b>		<b>(37,238)</b>

**NOTE 8: TRANSFERS IN FROM OTHER PENSION FUNDS**

2021-22		2022-23
£'000		£'000
(2,499)	Group transfers	0
(567)	Individual transfers	(3,877)
<b>(3,066)</b>		<b>(3,877)</b>

**NOTE 9: BENEFITS PAYABLE****By category**

2021-22		2022-23
£'000		£'000
31,640	Pensions	33,465
4,672	Commutation and lump sum retirement benefits	5,631
662	Lump sum death benefits	1,173
<b>36,974</b>		<b>40,269</b>

**By type of employer**

2021-22		2022-23
£'000		£'000
34,367	Administering Authority	36,755
2,214	Scheduled bodies	2,966
250	Community admission body	274
143	Transferee admission bodies	274
<b>36,974</b>		<b>40,269</b>

**NOTE 10: PAYMENTS TO AND ON ACCOUNT OF LEAVER**

2021-22		2022-23
£'000		£'000
54	Refunds to members leaving service	59
2,350	Group transfers	0
3,737	Individual transfers	3,551
<b>6,141</b>		<b>3,610</b>

**NOTE 11: MANAGEMENT EXPENSES**

2021-22		2022-23
£'000		£'000
888	Administrative costs	703
3,828	Investment management expenses	3,166
615	Oversight and governance costs	681
<b>5,331</b>		<b>4,550</b>

**NOTE 11A: INVESTMENT MANAGEMENT EXPENSES**

2022-23	Total	Management Fees	Other Fees
		£'000	£'000
Pooled Investments - Equities	1,403	1,226	177
Pooled Investments - Alternatives	899	866	33
Pooled Investments - Other	791	772	20
Derivatives	62	62	0
Custodian	10	10	0
	<b>3,166</b>	<b>2,936</b>	<b>230</b>

The Fund does not pay any of its investment managers through performance fee arrangements.

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2021-22	Total	Management Fees	Other Fees
		£'000	£'000
Pooled Investments - Equities	1,773	1,735	38
Pooled Investments - Alternatives	948	937	11
Pooled Investments - Other	1,034	963	71
Derivatives	63	63	0
Custodian	10	10	0
	<b>3,828</b>	<b>3,708</b>	<b>120</b>

## NOTE 12: INVESTMENT INCOME

2021-22		2022-23
£'000		£'000
(2,975)	Pooled Investments - Equities	(4,898)
(1,712)	Pooled Investments - Property	(1,790)
(2,343)	Pooled investments - Other	(1,667)
<b>(7,030)</b>		<b>(8,355)</b>

## NOTE 13: EXTERNAL AUDIT COSTS

2021-22		2022-23
£'000		£'000
(16)	Payable in respect of external audit	(17)
<b>(16)</b>		<b>(17)</b>

## NOTE 14: INVESTMENTS

Market value		Market value
31 March 2022		31 March 2023
£'000		£'000
	<b>Investment assets (Pooled)</b>	
541,760	Pooled equities investments	484,745
135,362	Pooled bonds investments	134,377
197,553	Pooled alternative investments	165,151
45,180	Pooled infrastructure	72,462
71,330	Pooled property investments	59,898
<b>991,185</b>		<b>916,633</b>
	<b>Investment assets (Other)</b>	
150	Equity in London CIV	150
5,371	Private equity	4,052
1,191	Derivative contracts: forward currency	14,517
17,004	Cash with investment managers	11,433
<b>1,014,901</b>		<b>946,785</b>
7,288	<b>Cash deposits</b>	7,672
<b>1,022,189</b>	<b>Total investment assets</b>	<b>954,457</b>
	<b>Investment liabilities</b>	
(5,232)	Derivative contracts: forward currency	(770)
<b>(5,232)</b>	<b>Total investment liabilities</b>	<b>(770)</b>
<b>1,016,957</b>	<b>All investments</b>	<b>953,687</b>

## NOTE 14A: RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

	Market value 31 March 2022	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 2023
	£'000	£'000	£'000	£'000	£'000
<b>Investment assets</b>					
Pooled equities investments	541,760	71,246	(118,219)	(10,042)	484,745
Pooled bonds investments	135,362	26,547	(98)	(27,434)	134,377
Pooled alternative investments	197,553	0	(21,954)	(10,448)	165,151
Pooled property investments	71,330	0	(565)	(10,867)	59,898
Pooled infrastructure	45,180	21,553	(2,771)	8,500	72,462
Equity in London CIV	150	0	0	0	150
Private equity	5,371	0	(50)	(1,269)	4,052
Derivative contracts	(4,041)	30,578	0	(12,790)	13,747
	<b>992,665</b>	<b>149,924</b>	<b>(143,657)</b>	<b>(64,351)</b>	<b>934,582</b>
Cash with investment managers	17,004				11,433
Cash deposits	7,288				7,672
	<b>24,292</b>				<b>19,105</b>
<b>Net investment assets</b>	<b>1,016,957</b>				<b>953,687</b>

	Market value 31 March 2022	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 2022
	£'000	£'000	£'000	£'000	£'000
<b>Investment assets</b>					
Pooled equities investments	525,161	235,605	(267,409)	48,403	541,760
Pooled bonds investments	122,361	101,876	(80,730)	(8,145)	135,362
Pooled alternative investments	201,053	101,512	(112,309)	7,297	197,553
Pooled property investments	61,561	0	(448)	10,217	71,330
Pooled infrastructure	16,099	25,582	0	3,499	45,180
Equity in London CIV	150	0	0	0	150
Private equity	6,989	0	(273)	(1,345)	5,371
Derivative contracts	8,136	3,571	(8,108)	(7,640)	(4,041)
	<b>941,510</b>	<b>468,146</b>	<b>(469,277)</b>	<b>52,286</b>	<b>992,665</b>
Cash with investment managers	20,675				17,004
Cash deposits	4,399				7,288
	<b>25,074</b>				<b>24,292</b>
<b>Net investment assets</b>	<b>966,584</b>				<b>1,016,957</b>

**NOTE 14B: INVESTMENTS ANALYSED BY FUND MANAGER**

Market value 31 March 2022	Percentage of Fund	Manager	Investment assets	Market value 31 March 2023	Percentage of Fund
£'000	%			£'000	%
<b>Investments managed by London CIV</b>					
127,495	13	LCIV	Developed world equities-active	110,100	12
103,777	10	LCIV	Alternative credit fund	98,277	10
73,314	7	LCIV	Sustainable equities	67,704	7
45,180	4	LCIV	Infrastructure funds	72,462	8
46,816	5	LCIV	Global bond fund	43,613	5
269,113	26	BlackRock	Global equities - passive	233,414	24
42,083	4	BlackRock	Bonds - index-linked active	44,225	5
0	0	LCIV	Emerging markets equities-active	73,527	8
707,778	70		Total LCIV	743,322	78
71,330	7	LaSalle	Pooled property	59,898	6
11,027	1	BlackRock	Cash with investment managers	11,406	1
46,463	5	BlackRock	Bonds - fixed interest	46,539	5
7,288	1	Cash Deposits	Cash with Banks	7,672	
71,838	7	GMO		0	0
93,776	9	Insight	Diversified growth fund	66,874	7
5,977	1	JP Morgan	Cash with investment managers	27	
150	0	LCIV	UK equities-passive	150	0
5,371	1	Pantheon	Private equity	4,052	1
(4,041)	(0)	Record	Forward currency contracts	13,747	1
309,178	30		Total - Managers	210,365	22
<b>1,016,957</b>	<b>100</b>		<b>Total Investments</b>	<b>953,687</b>	<b>100</b>

**NOTE 14C: INVESTMENTS MORE THAN 5% of the net assets of the Fund:**

Market value 31 March 2022	% of total fund	Investment assets	Market value 31 March 2023	% of total fund
£'000			£'000	
269,113	26	Blackrock Equity Beta Portfolio	233,414	24
46,463	5	BlackRock Institutional Bond Fund - Corp Bond 10 yrs	46,539	5
		Blackrock Aquila life ovr 5yr UK idx lkd	44,225	5
71,838	7	GMO Emerging Domestic Opportunities Equity Fund		
93,776	9	Insight Broad Opportunities Fund	66,874	7
71,330	7	LaSalle Investors UK Real Estate Fund of Funds	59,898	6
127,495	13	LCIV Global Equity Focus Fund	110,100	12
103,777	10	LCIV Alternative Credit Fund	98,277	10
73,314	7	LCIV Sustainable Equity Fund	67,704	7
46,816	5	LCIV Global bond fund	43,613	5
		LCIV Infrastructure Funds	72,462	8
		LCIV Emerging Markets	73,527	8
<b>903,922</b>	<b>89</b>	<b>Total over 5% holdings</b>	<b>916,633</b>	<b>97</b>

## **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 2023 £36.8m (11.35%) compared to £25.9m (7.25%) as at 31 March 2022.

## **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	CHF	4,387	GBP	(3,882)	5	
One to six months	GBP	3,773	AUD	(6,838)	64	
One to six months	GBP	11,103	CAD	(18,380)	117	
One to six months	GBP	4,663	CHF	(5,151)	101	
One to six months	GBP	270	EUR	(304)	3	
Over six months	GBP	27,237	EUR	(30,434)	393	
One to six months	GBP	28,169	HKD	(268,132)	500	
Over six months	GBP	11,564	JPY	(1,811,700)	416	
One to six months	GBP	3,438	NOK	(42,157)	177	
One to six months	GBP	30	NZD	(58)	1	
One to six months	GBP	850	SEK	(10,688)	16	
One to six months	GBP	1,247	SGD	(2,035)	8	
Over six months	GBP	225,332	USD	(263,215)	12,717	
Up to one month	NZD	11	GBP	(6)	0	
Up to one month	SEK	9,647	GBP	(752)	1	
Up to one month	AUD	3,419	GBP	(1,855)		(3)
Up to one month	CAD	9,190	GBP	(5,497)		(3)
One to six months	CHF	764	GBP	(691)		(14)
Up to one month	EUR	9,942	GBP	(8,753)		(13)
One to six months	EUR	912	GBP	(810)		(8)
One to six months	GBP	3,913	CHF	(4,387)		(5)
One to six months	GBP	6	NZD	(11)		(0)
One to six months	GBP	754	SEK	(9,647)		(1)
Up to one month	HKD	134,066	GBP	(13,838)		(19)
Up to one month	JPY	591,200	GBP	(3,607)		(12)
One to six months	JPY	38,100	GBP	(243)		(10)
Up to one month	NOK	17,212	GBP	(1,338)		(8)
One to six months	NOK	7,733	GBP	(635)		(37)
One to six months	NZD	47	GBP	(25)		(1)
One to six months	SEK	1,041	GBP	(82)		(1)
Up to one month	SGD	954	GBP	(582)		(1)
One to six months	SGD	127	GBP	(79)		(2)
Up to one month	USD	85,011	GBP	(68,861)		(96)
One to six months	USD	8,182	GBP	(7,154)		(538)
<b>Open forward currency contracts at 31 March 2023</b>					<b>14,517</b>	<b>(770)</b>
<b>Net forward currency contracts at 31 March 2023</b>						<b>13,747</b>
<b>Prior year comparative</b>						
<b>Open forward currency contracts at 31 March 2022</b>					<b>1,191</b>	<b>(5,232)</b>
<b>Net forward currency contracts at 31 March 2022</b>						<b>(4,041)</b>

**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 Investments - Alternative Credit / Bonds	Level 2	Fixed income securities are priced based on evaluated prices provided by Independent pricing services	Fixed income securities are priced based on evaluated prices provided by Independent pricing services	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	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
Pooled investments - Infrastructure	Level 3	Valued by Fund Managers	Manager valuation statements are prepared in accordance with ECVA guidelines	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
Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation (2012)	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 2023 using data provided by PIRC.

	Assessed valuation range (+/-)	Valuation at 31 March 2023	Value on increase	Value on decrease
		£000	£000	£000
Private Equity	5.75%	4,052	4,285	3,820
Pooled investments - Infrastructure	5.31%	72,462	76,309	68,614
Pooled investments - property funds	7.04%	59,898	64,114	55,682
		136,412	144,708	128,116

	Assessed valuation range (+/-)	Valuation at 31 March 2022	Value on increase	Value on decrease
		£000	£000	£000
Private Equity	6.52%	5,371	5,722	5,021
Pooled investments - Infrastructure	7.03%	45,180	48,357	42,004
Pooled investments - property funds	4.10%	71,330	74,255	68,406
		121,881	128,334	115,431

## 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.

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2023	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial assets at fair value through profit and loss</b>				
Pooled equities investments	484,745			484,745
Pooled bonds investments	90,764	43,613		134,377
Pooled alternative investments	66,874	98,277		165,151
Pooled property investments			59,898	59,898
Pooled infrastructure			72,462	72,462
Private equity			4,052	4,052
Derivative contracts: forward currency		13,747		13,747
Cash Deposits / Other	19,105	150		19,255
<b>Total</b>	<b>661,488</b>	<b>155,787</b>	<b>136,412</b>	<b>953,687</b>

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial assets at fair value through profit and loss</b>				
Pooled equities investments	541,760			541,760
Pooled bonds investments	88,546	46,816		135,362
Pooled alternative investments	93,776	103,777		197,553
Pooled property investments			71,330	71,330
Pooled infrastructure			45,180	45,180
Private equity			5,371	5,371
Derivative contracts: forward currency		(4,041)		(4,041)
Cash Deposits / Other	24,292	150		24,442
<b>Total</b>	<b>748,374</b>	<b>146,702</b>	<b>121,881</b>	<b>1,016,957</b>

**NOTE 16B: TRANSFERS BETWEEN LEVELS 1 AND 2**

None

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

Period 2022/23	Market Value 31 March 2022	Transfers into level 3	Transfers out of level 3	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Gains/ (losses)	Market Value 31 March 2023
	£000	£000	£000	£000	£000	£000	£000
Private Equity	5,371	0	0	0	(50)	(1,269)	4,052
Pooled - Infrastructure	45,180	0	0	21,553	(2,771)	8,500	72,462
Pooled - property	71,330	0	0	0	(565)	(10,867)	59,898
	121,881	0	0	21,553	(3,386)	(3,636)	136,412

Period 2021/22	Market Value 31 March 2021	Transfers into level 3	Transfers out of level 3	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Gains/ (losses)	Market Value 31 March 2022
	£000	£000	£000	£000	£000	£000	£000
Private Equity	6,989	0	0	0	(273)	(1,345)	5,371
Pooled - Infrastructure	16,099	0	0	25,582	0	3,499	45,180
Pooled - property	61,561	0	0	0	(448)	10,217	71,330
	84,649	0	0	25,582	(721)	12,371	121,881

**NOTE 17: 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.

Fair value through profit and loss	31 March 2022				31 March 2023		
	Assets at amortised cost	Liabilities at amortised cost			Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
£'000	£'000	£'000		£'000	£'000	£'000	
				<b>Financial assets</b>			
541,760	0	0		Pooled equities investments	484,745	0	0
135,362	0	0		Pooled bonds investments	134,377	0	0
197,553	0	0		Pooled alternative investments	165,151	0	0
45,180	0	0		Pooled Infrastructure	72,462	0	0
71,330	0	0		Pooled property investments	59,898	0	0
150	0	0		Equity in London CIV	150	0	0
5,371	0	0		Private equity	4,052	0	0
1,191	0	0		Derivative contracts	14,517	0	0
0	25,676	0		Cash	0	19,163	0
0	910	0		Debtors	0	1,563	0
<b>997,897</b>	<b>26,586</b>	<b>0</b>			<b>935,352</b>	<b>20,726</b>	<b>0</b>
				<b>Financial liabilities</b>			
(5,232)	0	0		Derivative contracts	(770)	0	0
0	0	(1,240)		Creditors	0	0	(486)
<b>(5,232)</b>	<b>0</b>	<b>(1,240)</b>			<b>(770)</b>	<b>0</b>	<b>(486)</b>
<b>992,665</b>	<b>26,586</b>	<b>(1,240)</b>			<b>934,582</b>	<b>20,726</b>	<b>(486)</b>
	<b>1,018,011</b>		<b>Grand Total</b>			<b>954,822</b>	

**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 a regular 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 (+/-) %
Equities	12.32
Bonds	9.34
Alternatives	5.31
Pooled Property	7.04
Private Equity	5.75

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 2023	Percentage change	Value on increase	Value on decrease
	£'000	%	£'000	£'000
<b>Investment portfolio assets:</b>				
Pooled equities investments	498,492	12.32	559,899	437,085
Pooled bond investments	134,377	9.34	146,933	121,821
Pooled alternative investments	165,151	5.31	173,920	156,382
Pooled property investments	59,898	7.04	64,114	55,682
Private Equity	4,052	5.75	4,285	3,819
Pooled Infrastructure	72,462	5.31	76,309	68,615
Equity - London CIV	150	0.00	150	150
<b>Total</b>	<b>934,582</b>		<b>1,025,610</b>	<b>843,554</b>

Asset type	Value as at 31 March 2022	Percentage change	Value on increase	Value on decrease
	£'000	%	£'000	£'000
<b>Investment portfolio assets:</b>				
Pooled equities investments	537,719	14.10	613,538	461,901
Pooled bond investments	135,362	7.90	146,056	124,669
Pooled alternative investments	197,553	7.00	211,382	183,724
Pooled property investments	71,330	4.10	74,255	68,406
Private Equity	5,371	6.50	5,721	5,022
Pooled Infrastructure	45,180	7.00	48,343	42,018
Equity - London CIV	150	0.00	150	150
<b>Total</b>	<b>992,665</b>		<b>1,099,445</b>	<b>885,890</b>

### 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 2023 and 31 March 2022 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 2023	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£'000		£'000	£'000
Cash and cash equivalents	19,105	0	19,105	19,105
Fixed interest securities	46,539	465	47,004	46,074
Global bond fund	43,613	436	44,049	43,177
<b>Total change in assets available</b>	<b>109,257</b>	<b>901</b>	<b>110,158</b>	<b>108,356</b>

Assets exposed to interest rate risk	Carrying amount as at 31 March 2022	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£'000		£'000	£'000
Cash and cash equivalents	24,292	0	24,292	24,292
Fixed interest securities	46,463	465	46,928	45,998
Global bond fund	46,816	468	47,284	46,348
<b>Total change in assets available</b>	<b>117,571</b>	<b>933</b>	<b>118,504</b>	<b>116,638</b>

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 7.54%

A 7.54% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available as follows.

The Fund is now invested in the LCIV Global Bond. The underlying manager hedges currency exposure within its mandate.

Currency Exposure - asset type	Asset Value as at 31 March 2023	Change to net assets	
		Value on increase	Value on decrease
		+7.54%	-7.54%
	£'000	£'000	£'000
Overseas Pooled Equities	455,904	490,279	421,529

Currency Exposure - asset type	Asset Value as at 31 March 2022	Change to net assets	
		Value on increase	Value on decrease
		+7.2%	-7.20%
	£'000	£'000	£'000
Overseas Pooled Equities	516,310	553,484	479,136

### 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 2023 was £19.1m (31 March 2022: £24.3m). This was held with the following institutions.

Summary	Rating	Balances at 31 March 2022	Balances at 31 March 2023
		£'000	£'000
<b>Bank accounts</b>			
NatWest PLC	A+ (Fitch)	7,288	7,672
JP Morgan	Aa1 (Moody's)	5,977	27
BlackRock	AAAmf (Fitch)	11,027	11,406
		<b>24,292</b>	<b>19,105</b>

### 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 into cash. As at 31 March 2023 the value of illiquid assets was £136.4m. This represented 14.30% of the total Fund assets (31 March 2022: £121.9m).

### 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 2022. The next valuation takes place as at 31 March 2025.

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 (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 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 2022 actuarial valuation, the Fund was assessed as 96% funded (94% at the March 2019 valuation). This corresponded to a deficit of £39m (2019 valuation: £52m).

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	2019 %	2022 %
Price inflation (CPI)	2.3	2.7
Salary increases	3.0	3.7
Pension increases	2.3	2.7
Funded basis discount rate	4.3	4.4

## Demographic assumptions

The life expectancy assumptions are based on the Fund's Hymans Robertson's Vita Curves in line with the CMI 2021 model, an allowance for smoothing of recent mortality experience and a long term rate of 1.5% p.a.

The average future life expectancy at age 65 based on the Actuary's Fund-specific mortality review is as follows:

	Male	Female
Current pensioners	22.2	24.8
Future pensioners (assumed to be aged 45)	23.1	26.4

## 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 2022		31 March 2023
£m		£m
(1,502)	Present value of promised retirement benefits	(1,120)
1,017	Fair value of scheme assets	852
<b>(485)</b>	<b>Net Liability</b>	<b>(268)</b>

As noted above, the liabilities are calculated on an IAS 19 basis and therefore will differ from the results of the 2022 triennial funding valuation because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

### IAS19 Assumptions used

	2021-22	2022-23
	% pa	% pa
Inflation/pensions increase rate assumption	3.2	3.0
Salary increase rate	4.2	4.0
Discount rate	2.7	4.8

## NOTE 21: CURRENT ASSETS

31 March 2022		31 March 2023
£'000		£'000
	<b>Short Term Debtors:</b>	
768	Contributions due - employers	951
2	Sundry debtors	436
1,384	Cash owed to Fund	58
<b>2,154</b>		<b>1,445</b>

**NOTE 21A: LONG TERM DEBTORS**

31 March 2022		31 March 2023
£'000		£'000
140	Lifetime Tax Allowances	176
140		176

**NOTE 22: CURRENT LIABILITIES**

31 March 2022		31 March 2023
£'000		£'000
(191)	Sundry creditors	(220)
(752)	Transfer values	0
(297)	Benefits payable	(266)
<b>(1,240)</b>		<b>(486)</b>

**NOTE 23: ADDITIONAL VOLUNTARY CONTRIBUTIONS**

Market value 31 March 2022		Market value 31 March 2023
£'000		£'000
2,681	Prudential Assurance	2,515
577	Clerical Medical	418
237	Utmost (Previously Equitable Life)	224
<b>3,495</b>		<b>3,157</b>

**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 monthly, and settlement of any outstanding balance is adjusted when the Council pays its contributions to the fund.

31 March 2022		31 March 2023
£'000		£'000
(21,187)	Employer's Pension Contributions to the Fund	(21,889)
1,078	Administration expenses paid to the Council	900
1,384	Cash held by the Council	58

## 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 & Assurance (S151 Officer) and the Pension Fund Manager.

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

31 March 2022		31 March 2023
£'000		£'000
112	Short-term benefits	111

## NOTE 26: CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments at 31 March 2023 totalled £58.7m (31 March 2022: £77.8m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held by Pantheon Ventures and commitments in the LCIV Infrastructure Fund and LCIV Renewable 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 2022/23

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 2023. 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 (this will also minimise the costs to be borne by Council Taxpayers).
- 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 Taxpayer 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 have a sufficiently high likelihood of achieving the funding target over 20 years. 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 at least a 70% likelihood that the Fund will achieve the funding target 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 2022. This valuation revealed that the Fund’s assets, which at 31 March 2022 were valued at £1,018 million, were sufficient to meet 96% of the liabilities (i.e., the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2022 valuation was £39 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers’ contributions for the period 1 April 2023 to 31 March 2026 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 2022 valuation report and FSS.

### 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 2022 valuation were as follows:

Financial assumptions	31 March 2022
Discount rate	4.4%
Salary increase assumption	3.7%
Benefit increase assumption (CPI)	2.7%

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 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	22.2 years	24.8 years
Future Pensioners*	23.1 years	26.4 years

\*Aged 45 at the 2022 valuation.

Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund and on the Fund's website.

### Experience over the period since 31 March 2022

Markets have been disrupted by the ongoing war in Ukraine, a change in fiscal policy in the UK as well as global inflationary pressures. The combined impact has subdued the investment returns achieved by the Fund's assets. In addition, high levels of inflation have resulted in a higher-than-expected LGPS benefit increase of 10.1% in April 2023. However, interest rates have also increased over the period, which has increased the investment returns the Fund anticipates it will earn in the future which reduces the liabilities. The overall impact has been a material increase in funding level since the previous formal valuation as at 31 March 2022.

The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time.



Steven Law FFA

9 May 2023

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 lessee.

**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 non-current 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 (30%), Central Government (33%) and the Greater London Authority (37%).

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