

# Statement of Accounts

## 2023 - 2024



London Borough of Harrow  
Statement of Accounts  
2023 - 2024

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## 1. Narrative Report

### Message from the Director of Finance and Assurance



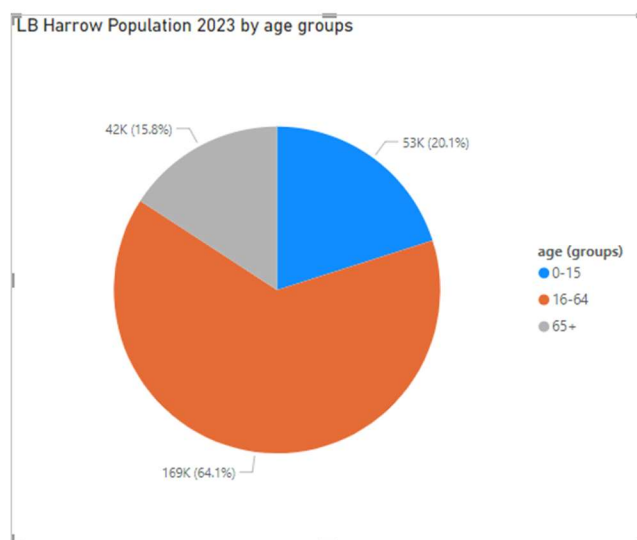
As the Council's statutory Chief Finance Officer, I have pleasure in writing the Narrative Report to Harrow Council's Statement of Accounts for 2023-24. The Narrative Report provides an analysis of Council performance during the year, an explanation of the financial results included in the Statement of Accounts and an overview of the future outlook beyond 2023-24.

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 Achievements and Outlook for the Future
- 1.4 Explanation of the Financial Statements
- 1.5 Statement of Accounts
- 1.6 Receipt of Further Information and Acknowledgements

#### 4.1 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 263,400 (ONS 2023 mid year population estimates: published on 15th July 2024).

In the ten years to 2023, there have been some significant changes in population:

- 6.7% increase in the total population
  - 17.7% increase in the population 65+, higher than the London average of 14.7%
  - 4.5% increase in people aged 16 to 64 years, with 169k people of working age (64%)
  - 4.5% Increase in the younger population aged 0-15
- (all data from ONS mid year estimates 2023).

Harrow covers an area of approximately 50 sq km (just under 20 square miles) and over a quarter of the borough consists of open space, much of which is designated green belt or Metropolitan Open Land. Harrow has a strong entrepreneurial tradition with over 15,700 businesses located in the borough (NOMIS Labour Market Profile 2023, local units data). 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 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. During 2023/24, the membership of the CLT was as follows:

Managing Director

Corporate Director – Place

Corporate Director – People

Corporate Director - Resources

Director of Finance and Assurance (S151 Officer)

Director of Legal & Governance (Monitoring Officer)

Director of Human Resources & Organisational Development

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 was structured as follows:

<b>Managing Director</b>  Finance & Assurance Internal Audit & CAFT Legal & Governance Revenues, Collections & Housing Benefits Procurement	<b>Resources Directorate</b>  Business Support Digital, Data and The Customer Experience ICT Human Resources Corporate Strategy
<b>People Directorate</b>  Adult Services Public Health Children's Services	<b>Place Directorate</b>  Environmental Services Housing General Fund Inclusive Economy, Leisure & Culture Regeneration & Development HRA

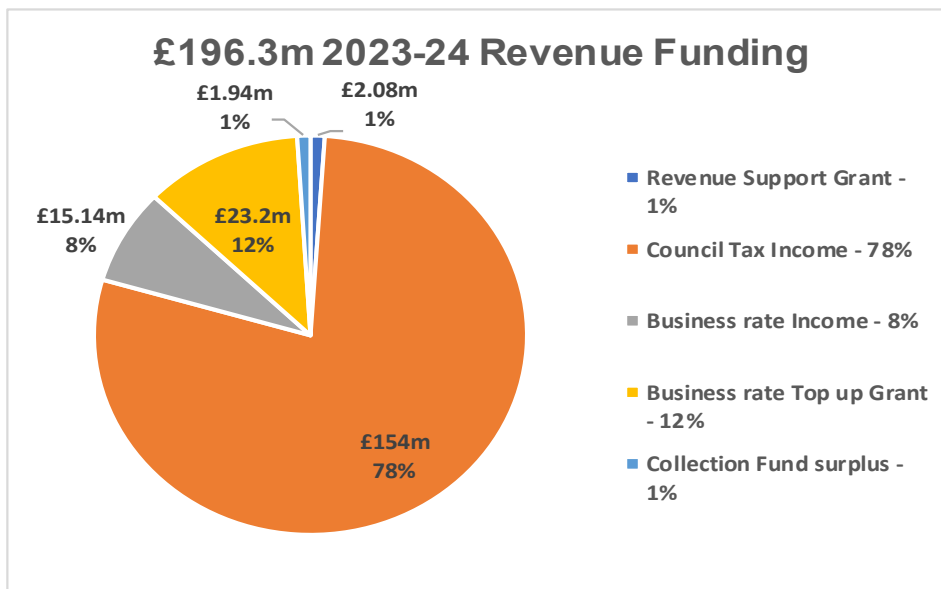
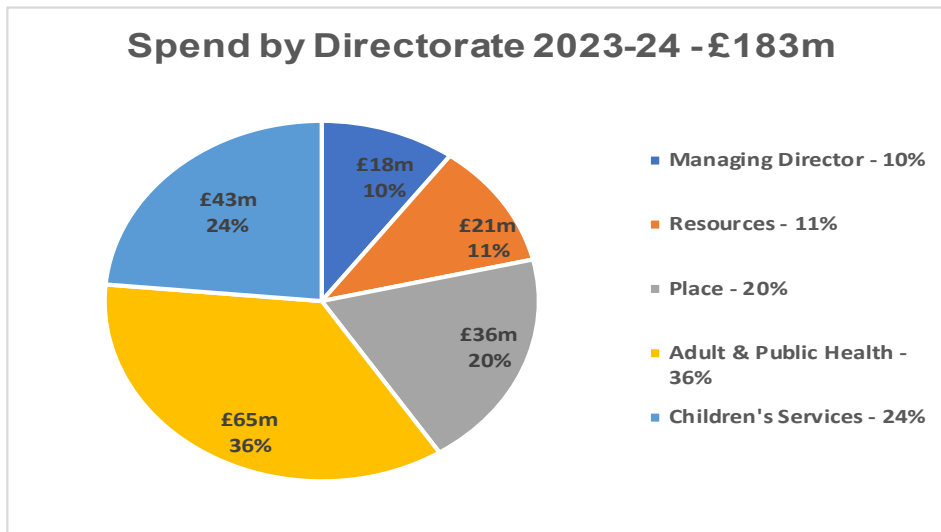
## 2 Summary of the Financial Performance of the Council Revenue Budget

During the year, the Council delivered its services within the approved budget of £196.354m 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 2023-24. 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) has increased from £65.5m to £69.6m in 2023-24 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	Budget £'000	2023-24 Actuals £'000	Variance £'000
Managing Director	20,079	18,421	(1,658)
Resources	20,383	20,560	177
Place	36,113	35,852	(261)
Adults & Public Health	61,815	65,128	3,313
People's Services	45,031	43,063	(1,968)
<b>Total Directorates</b>	<b>183,421</b>	<b>183,024</b>	<b>(397)</b>
Corporate Budgets	12,933	11,987	(946)
<b>Total</b>	<b>196,354</b>	<b>195,011</b>	<b>(1,343)</b>
Transfer to reserves:		1,343	1,343
Transfer from reserves			
<b>Net Expenditure</b>	<b>196,354</b>	<b>196,354</b>	<b>0</b>
Funded by:			
Revenue Support Grant		(2,081)	(2,081)
Council Tax Income		(153,998)	(153,998)
Business rate Income		(15,141)	(15,141)
Business rate Top up Grant		(23,195)	(23,195)
Collection Fund Deficit		(1,939)	(1,939)
<b>Total</b>		<b>(196,354)</b>	<b>(196,354)</b>
<b>Surplus for the year</b>		<b>0</b>	
<b>General Fund Balance at 31 March 2024</b>		<b>10,008</b>	

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



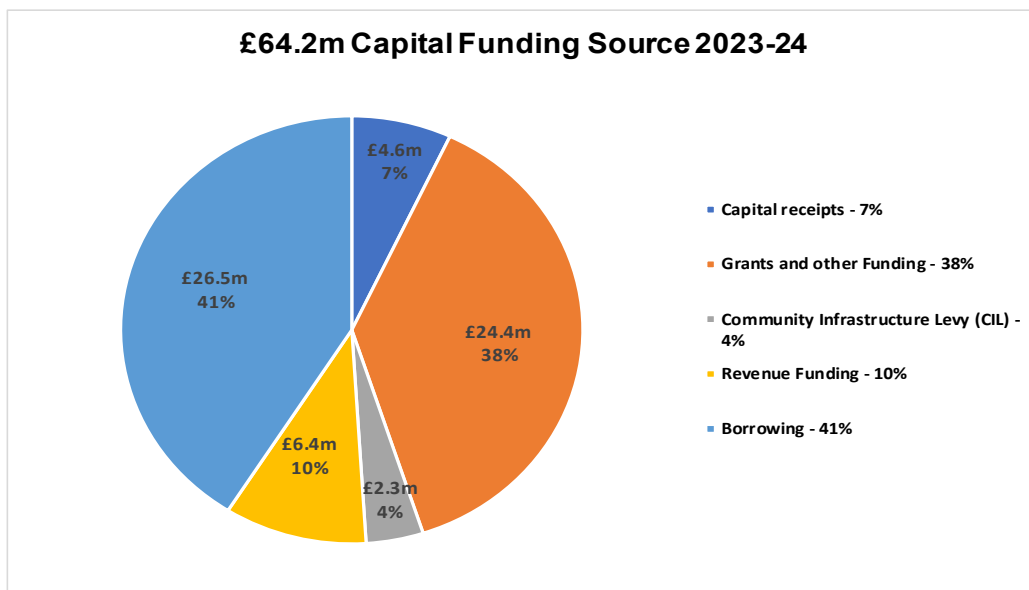
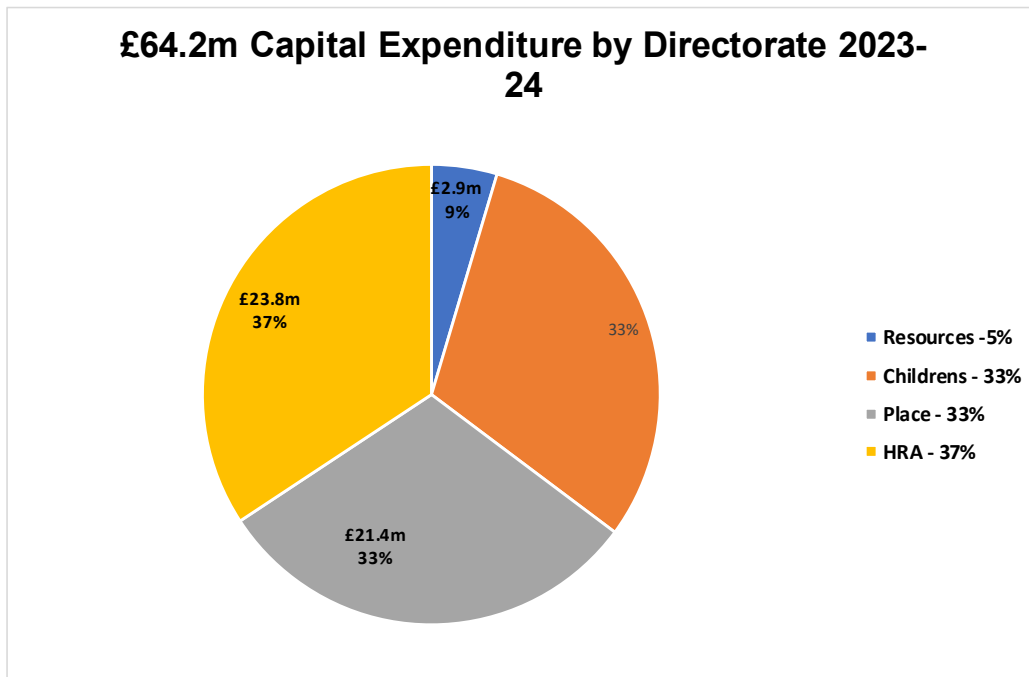
### Capital Programme 2023-24

During 2023-24, the Council invested £64.2m on developing or acquiring capital assets. This was mainly funded from £26.5m borrowing and the balance 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;
- Purchase of land for a SEN school
- 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 £64.2m was spent by Directorate and also how the Capital Programme was funded:



### Housing Revenue Account (HRA)

The Council continued to deliver new social and affordable homes during 2023/24. In 2023/24 financial year a further 89 properties were delivered bringing the total to 218 affordable homes completed under the 2016 – 2023 Building Council Homes for Londoners programme and progressing a further 146 with grant funding and internal resources.

### Collection Fund

The in-year Council tax collection rate for 2023-24 was 96.69%. This is just slightly lower than the target of 97.00% expected but considering the challenges brought by the cost of living crisis and the additional recovery of arrears accrued over the Covid period, the result is actually very good and put Harrow in the top collection quartile nationally.

Business rate collection was 92.74%, around 4% below the target of 97%. The performance was affected by the impact of the cost-of-living crisis and also 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 to recover from the cost of living crisis 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 deficit of £-1.662m (NDR- £3.720m deficit; Council Tax £2.2058m surplus) of which £0.790m is Harrow's share of net surplus. The surplus on Council Tax is due to robust collections and the NNDR deficit is the result of additional business rate reliefs announced by Central Government. We have been compensated for the latter via S31 grants, in the General Fund.

### **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 3 times from 4.25% as at 31st March 2023 to 5.25% as at 31st March 2024. Investment returns were 4.41% for 2023/24.

During 2023-24, there were no loan maturities or early repayment. 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 2024, the value of the Fund's net assets increased to £1,055.8m, largely due to the increase in the market value of investments. The Fund's investment performance for the year was 11.6%, while the Fund's liabilities increased to £1,139m.

The financial statements include the relevant pension costs and provisions required to reflect the pension accounting arrangements under the International Accounting Standards (IAS19). This shows the proportion of the Pension Fund's assets and liabilities which relate to the Council as an employer. For balance sheet purposes, the Council's estimated liabilities for retirement benefits exceeded the assets in the relevant funds by £110m as at 31st March 2024. This is £68m less than the net liabilities of £178m twelve months earlier, reflecting investment returns and the increase 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.



### 1.3 Achievements and Outlook for the Future

This section sets out the Council's achievements and challenges in 2023/24 against its three priorities.

- A council that puts Residents First
- A borough that is clean and safe
- A place where those in need are supported

#### RESIDENTS FIRST

#### Achievements

- The Careline team have exceeded the requirements for the Quality Standards Framework to reach the highest award following the annual audit and professional accreditation from the Telecare Services Association.
- With the analogue network due to close later this year, the Careline team have replaced the equipment of all but 28 service users with digital devices.
- Wait times in Access Harrow for Adult Social Care have improved following advisors increasing their knowledge and experience of the Three Conversations methodology. The Access Harrow team have also worked with colleagues in Adult Social to improve the safeguarding referral process to improve response times.
- Annual Billing was a digital success in March with over 93,000 MyHarrow account logins for the month.
- With over 65,000 web forms being submitted in March, the annual total of web forms completed was just under 800,000 – another record total. The forthcoming year will see the launch of Civica CX, Assure for Public Protection and Taranto for Parking Permits creating further opportunities for residents to seamlessly interact with the Council.
- The Silktime website accessibility score reached 97% in Q4 (with Level A status at 98.2%). The website user experience score is stable at a high of 95% (although reached 97% in February).
- Satisfaction with Customer Services continued to rise in Q4 for both face-to-face contact and telephony
- Complaint response times continued to stay ahead of the Flagship Action target of 90% with 95% of complaints responded to within timescale.
- Over the last financial year, 48 apprentices were enrolled across all directorates of which 12 were new starters.
- Preparation for the GLA election including staffing recruitment, training preparation for the count, opening of postal votes and signature verification.
- Successful relocation of the war memorial. Preparing for a rededication ceremony and Remembrance Sunday at the new location.
- Redesign of the Mayor's entrance at the Arts Centre including an electronic screen and Mayors' portraits.
- Launch of a new suite of 30 Flagship Actions for 2024/25 as part of the Corporate Plan agreed at Council in February.
- Voluntary & Community Sector (VCS) engagement sessions with Cabinet members and the Corporate Leadership Forum in order to promote closer working and explore opportunities to deliver council priorities with local partners. Launched a new VCS Engagement Framework and VCS Engagement Toolkit with the sector

- Continued to successfully deliver the Homes for Ukraine programme supporting 113 Ukrainians arriving in Harrow in this financial year, in addition to the 228 from Year 1 of the programme.
- The Household Support Fund provided free school meals to 6,338 children during February half term and 6,544 children over the Easter holidays. 1,373 vouchers were issued to residents and 7,832 food packages were distributed through Help Harrow. Additionally, Citizens Advice Harrow were funded to attend 9 hours a week to provide advice and signposting alongside council services at Conversation Cafe.
- Successfully delivered Violence Against Women and Girls Training to 675 students in 5 schools
- The Serious Violence Strategy was published on the 31<sup>st</sup> of January, highlighting how the community safety partnership will deliver on reducing serious violence in the borough.
- Completed the recommissioning of the Domestic Abuse Service and Refuge for Harrow, with go live with the new provider on 1 May 2024.

## Challenges

- Waiting times for residents contacting the Council re Housing remained a challenge in Q4. Both Civica CX and the new MyHarrow account Housing Portal went live in April with every tenant being sent a code to link their account. Increased channel shift along with integrated web forms over the forthcoming months will help alleviate demand into Access Harrow and reduce wait times. Housing staff along with the team at Greenhill library and contact centre advisors have been trained on how to link residents.
- The risk of a serious cybersecurity incident with associated loss of Council data remained very high throughout Q4, with several Councils being breached and multiple instances of supply chain failure, especially in marginal/sensitive areas like social care. This will be a focus for remediation in Q1 24/25.
- The requirement to deliver further IT savings, along with challenges experienced in Q4 with recruitment of Dynamics staff and retention of Azure platform team. This will require pragmatism and creativity to address in Q1 24/25.
- While Household Support Fund Round 5 has been confirmed for a further 6 months, there is uncertainty beyond September

## Forward look

- Pilots using 'Internet of Things' devices across Housing (to measure damp and mould) and Adult Social Care (to identify lack of movement, falls and temperature) will take place
- The Customer Experience Action Plan 2024/26 is planned to be brought to September Cabinet for adoption
- Licensing IT system– new Assure customer portal to be launched.
- Bartec IT system – further optimisation including new bin repairs process integrated with in-cab devices.
- Work to plan and undertake the Annual Resident's Survey with a view to launching at the end of June.
- 20 placements have been agreed for work experience from Whitmore High School, Pinner School, and Stanmore College. These have been in varied roles across the council based on the student's first and second preferred options. Placements will start from May through to July.
- 7 placements have been agreed for SEND<sup>1</sup> students to start their work experience in July.
- Recruiting 2 graduates as part of the National Graduate Scheme

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<sup>1</sup> Special Educational Needs & Disabilities

## CLEAN & SAFE

### Achievements

- A successful week of action took place at the end of March in South Harrow. This included successful partnership working with Harrow Litter Pickers and the Community Payback Scheme
- Refreshed PSPO (Public Spaces Protection Order) operational and further consultation on PSPO for Bentley Priory Nature Reserve.
- Residual waste has seen a further decrease in quarter 3 to 154kg kg/household compared to 159kg in quarter 2. The recycling team has delivered activities with a focus on improving recycling. These include a schools webinar for global recycling day, school visits, drop-in sessions at Roxeth, Greenhill, Stanmore and Wealdstone Libraries. A TRAID and Dr Bike repair café also took place on 7 April.
- The garden waste collection service 2024/25 opened during quarter 4 with over 23,000 already signed up to the service.
- Successful in getting capital transitional grant for food waste collections – flats and flats above shops.
- Introduction of new IT Infrastructure across key services – Bartec (waste streams) and Assure (Licensing and Enforcement).
- Introduction of 15 mobile CCTV units to help tackle fly tipping and Anti-Social Behaviour (ASB)
- Resurfacing over 60 carriageways and footways.
- Housing Emergency repairs – Repairs contractors continue complete over the 90% target of emergency repairs jobs to timescales - with 97% (Q4) completed on time.
- Damp and Mould repairs – while monthly volumes continued to increase throughout the year, performance of repairs completed on time improved to 90% in Q4 (compared to 74% in Q3).
- Building Safety Compliance – Significant improvements in this area since the same period last year. Plans for turning around electrical safety performance has exceeded target of 2000 electrical checks by end of 2023/24 (2226) with over 70% compliance.
- Although outside of Q4 (as of first week of May) we have achieved 100% Gas (LGSR) compliance.
- Homelessness prevention – despite rising cases, the Housing Needs team are successfully preventing more homelessness
- Indoor and Outdoor Sports Facilities Strategy, 2023-2037 was approved by Cabinet.
- An operator for Greenhill Way markets was appointed
- Awarded the contract to Sullivan Brothers for the construction of the *Meanwhile Space* for start-ups and creative activity in Greenhill Car Park.
- Learn Harrow has secured additional funding for the current academic year to increase delivery of qualification courses, ESOL<sup>2</sup> and IT, and capital funding to grow the current device loan scheme and study pods as well as additional security measures for evening courses.
- Super Traders Group meeting with the police and Traders Associations was attended by 8 trader groups with key speaker Minister of State for Enterprise, Markets and Small Business Kevin Hollinrake MP
- Two UK Shared Prosperity Fund (UKSPF) business support programmes were commissioned to support over 120 businesses achieve growth and improve digital sales, up to 31 March 2025.
- Ongoing delivery of circular economy project by Voluntary Action Harrow, 21 upcycled laptops repaired and issued to support employability and entrepreneurship, and 9 new volunteering opportunities created, ahead of profile.

<sup>2</sup> English for Speakers of Other Languages

- The Harrow Energy Advise and Support Project was delivered to local voluntary sector organisations
- Wayleave agreement signed with Openreach to connect council social housing to full fibre as part of Openreach's Fibre First programme in Harrow.
- Approval of first Overarching Business Plan for the HSDP (Harrow Strategic Development Partnership) since August 2021 and the first Phased Business Plans for Byron Quarter and Poets Corner. Cabinet approval achieved in January 2024
- Successful pre-planning consultation on Byron Quarter proposals
- Local plan regulation - 18 consultation commenced with a series of public engagement events throughout the Borough.
- Planning backlog reducing through dedicated resource funded by government grant
- Successful marketing of Vernon Lodge for sale with extensive interest - agreed sale price higher than expectations
- Successful purchase of Ridgeway site for SEN (Special Educational Needs) school
- A key milestone was reached in 23/24 with approval of the Council's Climate and Nature Strategy 23-30 following public consultation and engagement. Work was ongoing in Q4 to advance implementation of the strategy, including development of a number of related Flagship Actions for 24/25.
- Tenders were invited in Q4 to appoint a contractor to deliver solar panel installations at four Harrow sites (Grimsdyke School, Pinner Library, Bedford House & Milmans Resource Centre).
- Expressions of interest have been invited for sponsored places for Harrow schools to participate in a student run eco refill shop scheme from Sept 24 (Pupil's Profit)

## Challenges

- Ensuring the remaining street lighting stock is converted to LED in this financial year rather than the planned two years.
- Meeting demand for highway maintenance work across the borough.
- Complaints - number of complaints received has increased, this has impacted complaints handling performance.
- Housing voids turnaround times have risen during Q4 (from 51 days to 60.1 days) although improving same period last year (68 days) and below the London average (68 days).
- Housing Needs pressures Homelessness presentations continue to increase year-on-year, 1037 in the last 6 months in comparison to 817 in the same period last year, 616 in 2021/2022
- Targets not achieved on housing stock safety checks – particularly for water and lifts
- The closure of the Swimming Pool at Harrow Leisure Centre, significantly impacting customers and the management fee the Council receives from the leisure contract. Work has been commissioned to reopen the pool as quickly as possible.
- Due to adverse weather and vandalism, the usage of the tennis courts in parks and the income generated is not currently meeting targets. The vandalism has been addressed and marketing for the Spring & Summer planned
- Groundwork London did not meet its ambitious target of 400 energy visits by *Green Doctors* for 2023-24, this was due to a later than planned start date. This resulted in the renegotiation of targets with GLA down to 200 visits in 2023-24. There has been no loss of grant income from the GLA. The underspend from Groundwork will be utilised to commission another provider to deliver a project that can support to reduce the burden of the cost of living.
- Pinnora Mews continues to require remedial works to address water ingress following the contractor going into administration. Anticipated costs now known which exceed budgeted amount
- Viability of Poets Corner remains to be addressed following discussions with both Homes England and the GLA
- Planning backlog has resulted in an increase in Extensions of Time for planning applications reflecting delays in validation

- Grange Farm phase 2 timescales to enable drawdown of Right to Buy receipts from GLA
- ASB – Slight rise in police call outs compared to same period last year. Action includes weekly partnership meetings (include Police / Housing / Env Health) now a formal referral pathway into Harrow Enforcement Safety Panel (HESP) and provides earlier identification of possible repeat locations/hotspots.

## Forward Look

- Completion of phase 1 of the new IT system for Environmental Health (Assure) and start of phase 2.
- Garden waste service 2024/25 continues to be available for people to sign up to the service.
- Review of Local Plan Regulation 18 consultation responses and call for sites in preparation for Regulation 19 consultation
- Consultation on first Areas of Special Local Character
- Completion of the disposal of Vernon Lodge
- Further work to meet targets for safety checks for Council Housing stock – fire, water and lifts
- Recommencement of Grange Farm, phase 2 and close engagement with the GLA over grant conditions
- Housing Week of Action/Door Knocking 17-23 June 2024
- First annual submission of Housing Tenant Satisfaction Measures for 23/24 to Regulator for Social Housing-30 June
- Homelessness prevention - engagement/ outreach work with resident groups to continue to impact improvement in homelessness prevention.
- New repairs contractor July 2024
- Learn Harrow is planning for Ofsted. Inspection is now overdue and is likely to happen in Q2 or Q3
- Xcite is planning local NHS recruitment event in June and have successfully launched employer partnerships within the Early Years sector
- Start of new West London Music Hub from September 2024 following a successful application to Arts Council England. As well as the Harrow Music Service the Hub will include the Music Services of Brent, Ealing, Harrow, Hillingdon, and Tri-Borough (Kensington and Chelsea, Hammersmith and Fulham, and Westminster). The Hub lead organisation will be Tri-Borough.
- Re-start of Open+ opening hours at Wealdstone Library in Q1 2024-25 following the upgrade of the ICT system. Customers will be able to access the library outside of normal opening hours using their library card and PIN number.
- May Day Community Event at Headstone Manor and Museum on the 6<sup>th</sup> May 2024
- Harrow Metropolitan Town Centre - commencement of the programme of public realm works
- Greenhill Way carpark redesign will be completed and the site for the Meanwhile Use building handed over to the Sullivan Brothers to start construction.
- The Second Harrow Youth Eco Summit (YESFest) will be held on 23<sup>rd</sup> May at Harrow School, with 14 primary schools from the borough due to attend. Harrow's Nature Recovery Ranger and Recycling Team will be running sessions.
- C. £380k bid to be submitted to the Low Carbon Skills Fund to carry out decarbonisation feasibility studies at 28 maintained schools.
- Appoint a supplier for the four solar installations and commence procurement of fifth solar site (Grange Primary School).
- Formal launch of UKSPF funded Nature Recovery Project (until March 2025) to deliver biodiversity and habitat improvements in parks and open spaces, led by appointed Nature Recovery Ranger. The role includes running a programme of volunteering sessions for residents in our open spaces and nature reserves in 24/25 & working with Harrow Nature Conservation Forum.

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- Night of Action – planned for South Harrow end of May 24
- Future *Day* and *Night of Action* - to be scheduled with partners using data to inform hotspot areas/targeted at peak times.
- Violence Against Women and Girls – work continues on reaching out to residents around the Safer Spaces Survey (e.g., posters in businesses and town centre) and providing comms on awareness and reassurance.

## SUPPORTING THOSE MOST IN NEED

### Achievements

- Adult social care has now successfully managed the end-to-end CQC<sup>3</sup> assurance process, from submission of returns and self-assessment, senior management team presentation and site visit interviews. High level feedback is positive overall but flagging safeguarding and DoLS<sup>4</sup> as top risks continuing to need improvement.
- Provisional end of year 23/24 performance indications of positive direction of travel in carer survey. Other key indicators including reablement, admissions to residential care for younger adults and the quality of home and residential care commissioned are showing good trajectory.
- For five consecutive years, Sancroft Community Care – Sancroft Hall has been honoured with the prestigious carehome.co.uk award of being one of the Top 20 Rated Care Homes in London, for high quality care.
- We have received £90k from DHSC<sup>5</sup> to support our apprenticeship program for 24/25. This funding will be utilized to hire a Learning and Development Manager on a short-term contract for Adult Social Care thus will improve the quality of social work practice.
- Timeliness of EHCPs<sup>6</sup> within 20 weeks is at 47% up from 30% at Q3. Nearer to the national average from previous year.
- DfE<sup>7</sup> SEND<sup>8</sup> adviser has completed her report and found leadership to be knowledgeable and experienced and recommended no further external support is needed.
- Consultations on SEND Strategy for 2024 to 2029 have gone well and 5 strong themes have developed. Will now go to Cabinet in July 2024.
- Numbers of EHCP requests is up 25% compared to this point last academic year. The requests increased by 35% last year.
- Survey of Early Years provision to evaluate sufficiency and any capacity needs for Wraparound initiative is now underway.
- Best ever outturn report for health checks – highest number of people invited, and the most checks completed since the programme started.
- 0-19 service maintaining excellent performance for mandated checks above regional and national averages despite much lower levels of funding.

<sup>3</sup> Care Quality Commission – the independent regulator of health and adult social care

<sup>4</sup> Deprivation of Liberty Safeguards

<sup>5</sup> Department of Health and Social Care

<sup>6</sup> Education, Health and Care Plan

<sup>7</sup> Department for Education

<sup>8</sup> Special Educational Needs and Disabilities

- Sexual health - Progress is being made to address concerns about women requiring Mirena coils to manage gynaecological needs, this will be a breakthrough for women who have been waiting for a long time to have their needs met.
- COMPASS (the CYP substance misuse provider) are confident they will achieve OHID targets for numbers in treatment for 23/24.
- There has been improved engagement from the Combating Drugs Partnership alliance and the group agreed on roles and sub groups to support with the delivery of national strategy which will make it more feasible to deliver the outcomes through collaboration.

## Challenges

- Safeguarding adults model and associated team needs transforming, and a proposal is being developed for that change.
- Performance management and improvement, recording appropriately and in a timely manner.
- Year-end performance on user and carer reviews was poor – actions to improve are in place.
- Workforce stability, recruitment and retention, learning and development. We are in the process of making permanent the Principal Social Worker role and recruiting a new workforce development role to address some of this.
- Post CQC – the need to update Policies and Procedures in line with good practice is needed.
- Children's - recruitment of quality and experienced management and social work staff continues to be a challenge.
- Quality of practice needs further work with the number of inexperienced staff outweighing experienced social workers and managers.
- DfE SEND adviser recommends further clarification on governance, further capacity and greater pace of achievement but recognised we are still recruiting.
- Capacity to rapidly progress SEND Inclusion Plan and Updated SEF (SEND Partnership Board). Will improve with new appointments and other options being explored.
- School Attendance Guidance is changing from 19<sup>th</sup> August 2024, setting out the new National Framework for issuing penalty

## Forward Look

- Stabilising CYAD<sup>9</sup> operating model.
- Performance improvement that has been highlighted via the end of year return will be a top priority and includes safeguarding timeliness from referral to contact, reviews and Occupational Therapist waiting lists and partnership with Housing.
- Target setting for the managers so that priority areas are progressed in 24/25.
- Continuing work to achieve an additional 292 special school places within the Borough. Members and Officers in contact with the DfE.
- The LA are in the process of recruiting attendance staff to meet the additional demands.
- Significant work will be needed in the coming year to recommission both the 0-19 nursing contract and the substance misuse contracts.
- The health checks programme we focus on quality and ensuring that patients in greatest need receive a check, through a quality improvement and population health management approach.

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<sup>9</sup> Children and Young Adults with Disabilities

## 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 are other global economic crises that have negatively impacted the Council's finances.

Prior to the Covid-19 pandemic, the Council was already facing substantial financial challenges as a result of ongoing annual reductions in funding received from Central Government. As we recover from the pandemic, there are 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 an ageing population and in Housing following a sharp rise in homelessness.

In 2024-25, a Revenue budget of £202.558m was set along with a 4.99% increase in Council Tax which was approved by the Council in February 2024. The 4.99% increase reflected a 2.99% increase in respect of the traditional council tax increase and 2.0% for the Adult Social Care precept (ASC).

The General Fund Balance as at 31st March 2024 remains just above £10m (£10.008m). The Earmarked is £87.9m as at 31st March 2024 (£80.6m as at 31 March 2023). 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 Ukraine and the cost of living crisis. During 2022/23, the UK's rate of inflation hit its highest in 40 years. Although this gradually reduced in 2023/24, there was a continuous financial burden on residents. 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 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.

### 4.1 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 2023-24;
- All relevant International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).



## 4.2 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 2024, 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.

#### **4.3 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](mailto: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.

A handwritten signature in black ink, appearing to read 'S Daniels', with a stylized flourish at the end.

**Sharon Daniels CPFA**  
**Strategic Director of Finance (S151 Officer)**  
**19 February 2025**

### **3 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 2024 and its income and expenditure for the year ended 31<sup>st</sup> March 2024.



**Sharon Daniels CPFA**  
**Strategic Director of Finance (S151 Officer)**  
**19 February 2025**

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

These accounts were considered and approved by the Governance, Audit, Risk Management and Standards Committee (GARMSC) at the meeting held on 10 February 2025.

A handwritten signature in black ink, appearing to read 'Kantilal Rabadia', with a stylized flourish at the end.

**Councillor Kantilal Rabadia**  
**Chairman (GARMSC)**  
**19 February 2025**

## 4 Audit Opinion & Certificate

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

#### Report on the audit of the financial statements

##### Disclaimer of opinion on the financial statements

We were appointed to audit the financial statements of London Borough of Harrow Council ("the Council") for the year ended 31 March 2024, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Accounts and Collection Fund statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

We do not express an opinion on the financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

##### Basis for disclaimer of opinion

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 ('The Amendment Regulations') came into force. The Amendment Regulations require the Council to publish its Accountability Statements, which include the financial statements and auditor's opinion for the year ended 31 March 2024, by 28 February 2025 ('the backstop date').

The backstop date introduced by the Amendment Regulations has impeded our ability to obtain sufficient appropriate evidence upon which to form an opinion on the financial statements as there has been insufficient time to perform all necessary audit procedures.

##### Responsibilities of the Strategic Director of Finance for the financial statements

As explained more fully in the Statement of the Strategic Director of Finance's Responsibilities, the Strategic Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, and for being satisfied that they give a true and fair view. The Strategic Director of Finance is also responsible for such internal control as the Strategic Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Strategic Director of Finance is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Strategic Director of Finance is responsible for assessing each year whether it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

##### Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Council's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements. In reaching this judgement we have complied with the requirements of the Code of Audit Practice and have had regard to the Local Audit Reset and Recovery Implementation Guidance published by the National Audit Office and endorsed by the Financial Reporting Council.

We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the

financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

## Report on the Council's arrangements for securing economy, efficiency, and effectiveness in its use of resources

### Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

Based on our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2024, we have identified the following significant weakness in the Council's arrangements for the year ended 31 March 2024.

In November 2023 we identified a significant weakness in relation to governance arrangements for the 2020/21 year. In our view this significant weakness remains for the year ended 31 March 2024:

Significant weakness in arrangements – issued in a previous year	Recommendation
<p><b>Governance arrangements in relation to allegations of fraud and corruption</b></p> <p>We identified a significant weakness in respect of the Council's governance arrangements for gaining assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud.</p>	<p>We recommend the Council fully implements all the recommendations identified by the independent review and by its own internal audit as quickly as possible.</p>

### Responsibilities of the Accounting Officer

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

### Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, and to report where we have not been able to satisfy ourselves that it has done so. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024.

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

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

## Audit Opinion & Certificate

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

We have nothing to report in these respects.

We are also required by the Code of Audit Practice, to give an opinion on whether other information published together with the audited financial statements, is consistent with the financial statements. Because of the matter described in the Basis for Disclaimer of Opinion section we do not express an opinion on the financial statements. We also do not express an opinion on whether other information published together with the audited financial statements is consistent with the financial statements.

## Use of the audit report

This report is made solely to the members of London Borough of Harrow Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

## Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until the National Audit Office (NAO) has communicated the work we are required to undertake to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack.



**Suresh Patel**

Key Audit Partner

For and on behalf of Forvis Mazars LLP

19 February 2025

30 Old Bailey,  
London,  
EC4M 7AU

# Independent auditor's report to the Members of London Borough of Harrow

## Report on the audit of the financial statements

### Opinion on the financial statements of London Borough of Harrow Pension Fund

We have audited the financial statements of London Borough of Harrow Pension Fund ('the Pension Fund') for the year ended 31 March 2024, which comprise the Fund Account, the Net Assets Statement, and notes to the financial statements, including a summary of material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

In our opinion the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2024, and the amount and disposition of the Pension Fund's assets and liabilities as at 31 March 2024; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

### Basis for opinion

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

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Strategic Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Strategic Director of Finance with respect to going concern are described in the relevant sections of this report.

### Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Strategic Director of Finance is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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



We have nothing to report in this regard.

### **Responsibilities of the Strategic Director of Finance for the financial statements**

As explained more fully in the Statement of the Strategic Director of Finance's Responsibilities, the Strategic Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, and for being satisfied that they give a true and fair view. The Strategic Director of Finance is also responsible for such internal control as the Strategic Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Strategic Director of Finance is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution of the Pension Fund without transfer of services or function to another entity. The Strategic Director of Finance is responsible for assessing each year whether or not it is appropriate for the Pension Fund to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

### **Auditor's responsibilities for the audit of the financial statements**

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Pension Fund, we identified that the principal risks of non-compliance with laws and regulations related to the Public Service Pensions Act 2013, the Local Government Pension Scheme Regulations 2013 (as amended) and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, and we considered the extent to which non-compliance might have a material effect on the financial statements.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- inquiring with management and the Governance, Audit, Risk Management and Standards Committee, as to whether the Pension Fund is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Fund which were contrary to applicable laws and regulations, including fraud.

We evaluated the Strategic Director of Finance's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to the posting of manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Governance, Audit, Risk Management and Standards Committee on whether they had knowledge of any actual, suspected or alleged fraud;

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- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Governance, Audit, Risk Management and Standards Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Strategic Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in November 2024.

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

## Use of the audit report

This report is made solely to the Members of London Borough of Harrow, as a body and as administering authority for the London Borough of Harrow Pension Fund, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.



**Mark Kirkham**

Partner

For and on behalf of Forvis Mazars LLP

19 February 2025

3 Wellington Place  
Leeds City Centre  
Leeds  
LS1 4AP

## 4 Presentation of Financial Statements

### 4.1 Comprehensive Income and Expenditure Statement

Gross Expenditure	2022-23		Net Expenditure /(Income)		Notes	2023-24		Net Expenditure /(Income)
	Gross Income					Gross Expenditure	Gross Income	
£000	£000		£000			£000	£000	£000
130,147	(111,202)		18,944	Chief Executive		123,286	(104,935)	18,350
38,146	(7,988)		30,158	Resources		10,390	(6,721)	3,668
310,933	(234,731)		76,202	People		385,635	(265,383)	120,252
99,908	(55,514)		44,394	Place		102,463	(50,086)	52,377
31,887	(34,334)		(2,447)	Housing Revenue Account	6.1	28,604	(38,995)	(10,391)
1,760	(6,004)		(4,244)	Corporate Budgets		3,144	(2,712)	432
612,780	(449,773)		163,007	<b>Cost of Services</b>		653,522	(468,833)	184,689
15,217	(2,243)		12,975	Other Operating Income and Expenditure	5.8	10,685	(1,077)	9,608
34,441	(2,176)		32,265	Financing and Investment Income and Expenditure	5.9	27,512	(7,326)	20,186
0	(218,322)		(218,322)	Taxation and Non-Specific Grant Income	5.10	0	(225,652)	(225,652)
			(10,075)	<b>(Surplus) Deficit on Provision of Services</b>				(11,170)
			(147,206)	(Surplus) Deficit on revaluation of property, plant & equipment	5.25.1			62,380
			(304,735)	Remeasurements of net pension liability	5.25.4			(75,219)
			(451,941)	<b>Other Comprehensive (Income) and Expenditure</b>				(12,840)
			(462,016)	<b>Total Comprehensive (Income) and Expenditure</b>				(24,010)

\*2021-22 split (between directorates) of Cost of Services have been restated to reflect the current structure of the council. Refer to Note 5.46

## 4.2 Movement in Reserves Statement (MiRS)

	General Fund Balance £000	Housing Revenue Account £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2022 brought forward (Note 4.3)	(13,892)	3,817	0	0	0	0	(10,075)	(451,941)	(462,016)
<b><u>Movement in reserves during 2022-23</u></b>									
Total Comprehensive Expenditure and (Income) (Note 4.1)	(13,892)	3,817	0	0	0	0	(10,075)	(451,941)	(462,016)
Adjustments between accounting basis & funding basis under regulations (Note 5.6)	18,892	(2,002)	0	2,298	(702)	(9,520)	8,965	(8,965)	0
Net (Increase)/Decrease	4,999	1,816	0	2,298	(702)	(9,520)	(1,109)	(460,906)	(462,016)
Movements in earmarked reserves (Note 5.7)	(4,999)	(564)	5,563				0		0
(Increase)/Decrease in 2022-23	(0)	1,252	5,563	2,298	(702)	(9,520)	(1,109)	(460,906)	(462,016)
Balance at 31 March 2023 carried forward (Note 4.3)	(10,007)	(4,426)	(80,626)	(10,981)	(8,045)	(61,658)	(175,745)	(795,720)	(971,465)
Balance at 31 March 2023 brought forward (Note 4.3)	(10,007)	(4,426)	(80,626)	(10,981)	(8,045)	(61,658)	(175,745)	(795,720)	(971,465)
<b><u>Movement in reserves during 2023-24</u></b>									
Total Comprehensive Expenditure and (Income) (Note 4.1)	(144)	(11,026)	0	0	0	0	(11,170)	(12,840)	(24,010)
Adjustments between accounting basis & funding basis under regulations (Note 5.6)	(5,445)	7,021	0	(599)	(1,160)	8,154	7,972	(7,972)	0
Net (Increase)/Decrease	(5,588)	(4,004)	0	(599)	(1,160)	8,154	(3,198)	(20,812)	(24,010)
Movements in earmarked reserves (Note 5.7)	5,589	1,640	(7,229)				0		0
(Increase)/Decrease in 2023-24	0	(2,366)	(7,229)	(599)	(1,160)	8,154	(3,198)	(20,812)	(24,010)
Balance at 31 March 2024 carried forward (Note 4.3)	(10,007)	(6,792)	(87,854)	(11,580)	(9,205)	(53,503)	(178,942)	(816,533)	(995,475)

## 4.3 Balance Sheet

31-Mar-23		Notes	31-Mar-24
£000			£000
1,478,701	Property Plant and Equipment	5.11.2	<b>1,434,844</b>
69,391	Investment Property	5.13	<b>65,142</b>
9,407	Intangible Assets	5.15	<b>10,813</b>
15,021	Long Term Debtors	5.16	<b>14,645</b>
<b>1,572,520</b>	<b>Long Term Assets</b>		<b>1,525,444</b>
0	Assets Held For Sale		<b>0</b>
30,683	Short Term Investments	5.16	<b>8,081</b>
201	Inventories		<b>251</b>
46,863	Short Term Debtors	5.18	<b>53,653</b>
45,999	Cash and Cash Equivalents	5.19	<b>59,324</b>
<b>123,746</b>	<b>Current Assets</b>		<b>121,308</b>
<b>(3,323)</b>	Short Term Borrowing	5.20	<b>(3,326)</b>
<b>(82,265)</b>	Short Term Creditors	5.21	<b>(71,279)</b>
<b>(3,964)</b>	Provisions	5.22	<b>(5,390)</b>
<b>(89,552)</b>	<b>Current Liabilities</b>		<b>(79,995)</b>
<b>(4,400)</b>	Provisions	5.22	<b>(4,459)</b>
<b>(417,305)</b>	Long Term Borrowing	5.16	<b>(417,288)</b>
<b>(191,934)</b>	Other Long Term Liabilities	5.23	<b>(122,585)</b>
<b>(21,611)</b>	Capital Grants Receipts in Advance	5.35.3	<b>(26,951)</b>
<b>(635,250)</b>	<b>Long Term Liabilities</b>		<b>(571,283)</b>
<b>971,465</b>	<b>Net Assets</b>		<b>995,475</b>
<b>(175,745)</b>	Usable Reserves	5.24	<b>(178,942)</b>
<b>(795,720)</b>	Unusable Reserves	5.25	<b>(816,533)</b>
<b>(971,465)</b>	<b>Total Reserves</b>		<b>(995,475)</b>

## 4.4 Cash Flow Statement

2022-23 £000		Notes	2023-24 £000
10,075	Net (deficit)/surplus on the provision of services	4.1	<b>11,170</b>
19,825	Adjustments to net deficit on the provision of services for non cash movements	5.26.1	<b>38,509</b>
<u>(26,504)</u>	Adjustments for items included in the net deficit on the provision of services that are investing and financing activities	5.26.1	<u><b>(21,458)</b></u>
3,395	Net cash flow from Operating Activities		<b>28,221</b>
<u>(27,436)</u>	Investing Activities	5.26.2	<u><b>(13,764)</b></u>
<u>(7,953)</u>	Financing Activities	5.26.3	<u><b>(1,132)</b></u>
<b>(31,993)</b>	Net increase/(decrease) in cash and cash equivalents		<b>13,325</b>
<u>77,992</u>	Cash and cash equivalents at the beginning of the reporting period	5.19	<u><b>45,999</b></u>
<u><b>45,999</b></u>	Cash and cash equivalents at the end of the reporting period	5.19	<u><b>59,324</b></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 2023-24 year and its position as at 31<sup>st</sup> March 2024. 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 2023-24 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 functions of the authority 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.

### 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 Council's 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.

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## **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.

### **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 are held at historic cost.

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 current 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 historic cost and have an infinite life 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.

#### 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 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
Street lighting	25
Traffic management systems	20

#### Disposals and derecognition

The authority has determined in accordance with Regulation 30M England of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 and CIPFA Bulletin 12 Accounting for Infrastructure Asset – Temporary Solutions 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 group accounts have not been prepared. The Council's interests in subsidiary companies are disclosed in the single-entity accounts as financial assets at cost, less any provision for losses.

## 5.2 Critical Judgements in Applying Accounting Policies

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

### Funding

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

### 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 (excluding Surplus Assets) Carrying value £1.4b	Asset valuations are based on Current Value and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets. The Council's valuers provided valuations as at 31 March 2024 for non-current assets. The Council's valuers use a combination of methodologies to value operational assets. This includes Depreciated Replacement Cost (DRC), Existing Use Value (EUV) and comparable methods. These methods can cause estimation uncertainty due to the indices and inputs (such as build costs, obsolescence, market prices, building industry specific indices and yield) that must be used to apply valuations.	<p>A reduction in estimated valuations would result in reductions to the Revaluation Reserve and/or a loss recorded in the Comprehensive Income and Expenditure Statement. If the value of the Council's property, plant and equipment, was to reduce by say 1%, this would result in a £14m change in cost value charged against the Revaluation Reserve and/or the Comprehensive Income and Expenditure Statement.</p> <p>A corresponding increase in estimated valuations would result in a combination of increases to the Revaluation Reserve and / or reversals of previous negative revaluations charged to the Comprehensive Income and Expenditure Statement.</p>
Pensions Liability	Estimation of the net liability to pay pensions depends on several 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 investments. The Council has engaged Hymans Robertson LLP, a firm of consulting actuaries, to provide expert advice about the assumptions to be applied.	<p>Variations in the key assumptions will have the following impact on the net pension liability:</p> <ul style="list-style-type: none"> <li>• 0.1% decrease in the assumed level of the discount rate will increase the pension liability by £17.5m</li> <li>• 0.1% increase in the Salary Rate will increase the liabilities by £0.7m</li> <li>• a 0.1% increase in the assumed level of pension increases will increase the net pension liability by £17.1m.</li> <li>• A one-year increase in life expectancy will increase the liability by £41.2m</li> </ul>
Fair Value Estimation Carrying value £65.4m	The Council's external valuers use valuation techniques to determine the fair value of investment property. This includes lease profile, tenant covenant, rent status and location. This involves developing estimates and assumptions consistent with how market participants would price the property. The valuers base their assumptions on observable data as far as possible, but this is not always available. In that case, the valuers use the best information available	<p>Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date.</p> <p>If investment property value were to reduce by 10%, this would lead to a £6.5m reduction. This would impact the Council's CIES Surplus/Deficit</p>

#### 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 2023/24 Code. These are minor amendments and are not likely to have a significant effect on the Council's financial statements.

The authority is implementing IFRS 16 in FY 2024.25, and the assessment of IFRS 16 has not yet been conducted. Other than IFRS 16, none of these amendments are anticipated to have a material impact on the Council's financial performance and financial position.

## 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.

2022-23

2023-24

Net Expenditure Chargeable to General Fund and HRA Balances £000	Adjustment s 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	Adjustment s between Funding and Accounting Basis Note 5.5.1 £000	Net Expenditure in Comprehensive Income and Expenditure Statement £000
14,864	(4,081)	18,944	Chief Executive	17,362	(988)	18,350
276	(29,882)	30,158	Resources	1,574	(2,095)	3,668
115,548	39,346	76,202	People	114,963	(5,289)	120,252
16,598	(27,796)	44,394	Place	29,316	(23,060)	52,377
(5,646)	(3,199)	(2,447)	Housing Revenue Account	(7,970)	2,421	(10,391)
26,455	30,699	(4,244)	Corporate Budget	35,102	34,670	432
<b>168,094</b>	<b>5,087</b>	<b>163,007</b>	<b>Net Cost of Services</b>	<b>190,347</b>	<b>5,658</b>	<b>184,689</b>
<b>(166,842)</b>	<b>6,238</b>	<b>(173,082)</b>	Other Income & Expenditure	<b>(192,712)</b>	<b>3,147</b>	<b>(195,859)</b>
<b>1,252</b>	<b>11,325</b>	<b>(10,075)</b>	<b>Surplus or Deficit</b>	<b>(2,366)</b>	<b>8,806</b>	<b>(11,170)</b>
<b>(15,685)</b>			Opening General Fund and HRA Balance	<b>(14,433)</b>		
<b>1,252</b>			(Surplus) Deficit on General Fund and HRA Balance in Year	<b>(2,366)</b>		
<b>(14,433)</b>			Closing General Fund and HRA Balance as at 31 March *	<b>(16,799)</b>		

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



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

2023-24						
	Adjustments for Capital Purposes £000 (Note a)	Net Pension Adjustments £000 (Note b)	Earmarked Reserves £000 (Note c)	Non- Specific Grant Income £000 (Note d)	Other Differences £000 (Note e)	Total Adjustments £000 (Note f)
Chief Executive	866	122	0	0	0	988
Resources	1,808	124	163	0	0	2,095
People	5,886	264	(1,424)	0	563	5,289
Place	20,471	274	0	0	2,315	23,060
Housing Revenue Account	(818)	36	(1,639)	0	0	(2,421)
Corporate Budgets	(26,195)	(2,274)	(4,328)	0	(1,873)	(34,670)
Cost Of Services	2,019	(1,454)	(7,228)	0	1,005	(5,658)
Other income and expenditure	(12,831)	8,441	0	1,243	0	(3,147)
Difference between General Fund and HRA (Surplus)/Deficit and Comprehensive Income and Expenditure Statement Provision of Services (Surplus)/Deficit on Provision of Services	(10,813)	6,987	(7,228)	1,243	1,005	(8,806)

2022-23						
	Adjustments for Capital Purposes £000 (Note a)	Net Pension Adjustments £000 (Note b)	Earmarked Reserves £000 (Note c)	Non- Specific Grant Income £000 (Note d)	Other Differences £000 (Note e)	Total Adjustments £000 (Note f)
Chief Executive	776	3,304	0	0	0	4,081
Resources	5,320	3,466	21,096	0	0	29,882
People	(33,236)	6,726	(12,748)	0	(88)	(39,346)
Place	20,324	7,062	411	0	0	27,796
Housing Revenue Account	1,748	930	566	0	(45)	3,199
Corporate Budgets	(24,021)	(3,045)	(3,760)	0	126	(30,699)
Cost Of Services	(29,089)	18,444	5,565	0	(7)	(5,087)
Other income and expenditure	(15,874)	12,450	0	(7,767)	4,954	(6,238)
Difference between General Fund and HRA (Surplus)/Deficit and Comprehensive Income and Expenditure Statement Provision of Services (Surplus)/Deficit on Provision of Services	(44,963)	30,894	5,565	(7,767)	4,947	(11,325)

Note a: This column includes capital grants, the minimum revenue provision, gains and losses on the sale of property, plant and equipment, movements on the balance of investment properties, depreciation, amortisation, impairments, revaluation and other gains and losses charged to services but which are not included in the Outturn Report.

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

Note c: Adjusts for net transfers to/from earmarked reserves which are included in the Outturn Report but not in the CIES.

Note d: Adjusts for balance of non-specific grant income included within Resources and Commercial in the Outturn Report

Note e: Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts included in the outturn report.

Note f: The total difference between funding and accounting basis. See note 5.5.

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

2023-24	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	(6,951)	(36)				6,987
Depreciation	(26,009)	(7,923)				33,932
Revaluation movements	(1,022)	817				205
Premiums and Discounts on Debt Restructure	400	45				(445)
Movements in market value of Investment Properties	(4,259)					4,259
Council Tax and NDR transfer to/from the Collection Fund Adjustment Account	(1,243)					1,243
Holiday pay transfer to/from the Accumulating Compensating Absences Adjustment Account	865					(865)
Transfer to Dedicated Schools Grant Reserve	(2,315)					2,315
Revenue expenditure funded from capital	(2,243)					2,243
Non Current assets written out on disposal	(1,878)	(2,247)				4,125
<b>Total Adjustments to Revenue Resources</b>	<b>(44,655)</b>	<b>(9,344)</b>				<b>53,999</b>
<b>Adjustments between Revenue and Capital Resources:</b>						
Minimum Revenue Provision	23,915					(23,915)
Capital expenditure funded from revenue balances	2,293					(2,293)
Capital grants and contributions	11,993	4,280			(7,829)	(8,443)
Transfer of sale proceeds credited to the CIES	1,010	4,176	(5,186)			
Administrative cost of non-current asset disposals						
Payment to the Housing Capital Receipts Pool						
Transfer of HRA resources to the Major Repairs Reserve		7,910		(7,910)		
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>39,211</b>	<b>16,366</b>	<b>(5,186)</b>	<b>(7,910)</b>	<b>(7,829)</b>	<b>(34,651)</b>
<b>Adjustments to Capital Resources:</b>						
Use of the Major Repairs Reserve to fund capital expenditure				6,750		(6,750)
Use of the Capital Receipts Reserve to fund capital expenditure			4,587			(4,587)
Use of Capital Grants Unapplied Account to fund capital expenditure					15,983	(15,983)
<b>Total Adjustments to Capital Resources</b>			<b>4,587</b>	<b>6,750</b>	<b>15,983</b>	<b>(27,320)</b>
<b>Total Adjustments</b>	<b>(5,444)</b>	<b>7,021</b>	<b>(599)</b>	<b>(1,160)</b>	<b>8,154</b>	<b>(7,972)</b>

# Notes to the Financial Statements

2022-23	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	(29,964)	(930)				30,894
Depreciation	(35,433)	(8,260)				43,693
Revaluation movements	43,327	(1,745)				(41,582)
Premiums and Discounts on Debt Restructure	400	45				(445)
Movements in market value of Investment Properties	(9,066)	0				9,066
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>(28,844)</b>	<b>(12,371)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>41,215</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			(12,780)	(5,766)
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>(12,780)</b>	<b>(34,073)</b>
<b>Adjustments to Capital Resources:</b>						
Use of the Major Repairs Reserve to fund capital expenditure	0	0		7,545		(7,545)
Use of the Capital Receipts Reserve to fund capital expenditure	0	0	5,301			(5,301)
Use of Capital Grants Unapplied Account to fund capital expenditure	0	0			3,260	(3,260)
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>0</b>	<b>5,301</b>	<b>7,545</b>	<b>3,260</b>	<b>(16,106)</b>
<b>Total Adjustments</b>	<b>18,892</b>	<b>(2,002)</b>	<b>2,297</b>	<b>(702)</b>	<b>(9,520)</b>	<b>(8,964)</b>

## 5.7 Earmarked reserves

	Balance at 31-Mar- 22	Transfers Out 2022-23	Transfers In 2022-23	Balance at 31-Mar- 23	Transfers Out 2023-24	Transfers In 2023-24	Balance at 31-Mar- 24
	£000	£000	£000	£000	£000	£000	£000
<b>Earmarked Reserves:</b>							
Business Risk Reserve	(1,968)	3,624	(2,109)	(453)	367		(86)
Adults Social Care	(3,769)	2,099	(130)	(1,800)	0		(1,800)
Children's Social Care	(3,108)	662	(175)	(2,621)	1,000	(1,000)	(2,621)
Budget Planning Reserve	(22,490)	11,149	(7,001)	(18,343)	2,150	(5,020)	(21,213)
Capacity Building Reserve	(3,173)	2,645		(528)	47		(480)
Collection Fund Reserve	(4,635)	4,635	(2,247)	(2,247)	2,247		
PFI Sinking Funds	(25)	0	(25)	(50)	0	(25)	(75)
Projects in Progress	(1,331)	1,331	(1,380)	(1,380)	3,783	(5,271)	(2,868)
Revenue Grant Reserve	(6,641)	4,091	(2,612)	(5,162)	5,868	(1,597)	(891)
Public Health	(2,674)	2,677	(2,851)	(2,848)	400	(281)	(2,729)
CIL - Harrow	(7,108)	3,886	(7,831)	(11,053)	5,095	(6,217)	(12,175)
Waste Strategy	0	0	(1,595)	(1,595)	2,692	(2,404)	(1,307)
DSG Deficit Reduction	0	0	(1,384)	(1,384)	0	(2,358)	(3,742)
Corporate MTFS Implementation Fund	0	0	(3,000)	(3,000)	1,071		(1,929)
People Services MTFS Implementation Fund	0	0	(2,099)	(2,099)	914		(1,185)
Other Earmarked Reserves	(10,450)	8,034	(8,554)	(10,970)	1,600	(7,124)	(16,493)
<b>Total Earmarked Reserves</b>	<b>(69,085)</b>	<b>57,858</b>	<b>(54,294)</b>	<b>(65,521)</b>	<b>27,235</b>	<b>(31,296)</b>	<b>(69,594)</b>
Locally Managed School Balances	(15,527)	28,011	(26,576)	(14,092)	14,097	(15,626)	(15,621)
HRA Earmarked Reserves	(1,567)	1,089	(523)	(1,002)	1,461	(3,100)	(2,640)
<b>Total</b>	<b>(86,189)</b>	<b>60,382</b>	<b>(54,819)</b>	<b>(80,626)</b>	<b>42,793</b>	<b>(50,022)</b>	<b>(87,855)</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**

2022-23 £000		2023-24 £000
	<b>Levies</b>	
298	London Pension Fund Authority	298
9,543	West London Waste Authority (WLWA)	9,931
213	Lee Valley Regional Park Authority	229
209	Environment Agency	211
10,263	Sub Total Levies	10,669
4,954	Payments to the Government Housing Capital Receipts Pool	16
(2,243)	Losses/(gains) on the disposal of non current assets	(1,077)
12,975	<b>Total</b>	9,608

**5.9 Financing and investment income and expenditure**

2022-23 £000		2023-24 £000
16,749	Interest payable and similar charges	17,696
12,450	Net interest on the net defined benefit liability	8,441
(2,176)	Interest receivable and similar income	(7,326)
5,242	Income in relation to investment properties & changes in their fair value	1,375
32,265	<b>Total</b>	20,186

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

2022-23 £000		2023-24 £000
(146,950)	Council tax income	(154,934)
(13,665)	Business Rates Retention	(12,527)
(22,623)	Business Rates Top-Up Grant	(23,195)
(3,022)	New Home Bonus Grant	(2,245)
(7,831)	Section 31 Grants	(11,733)
(5,685)	Other General Grants	(4,746)
(18,546)	Capital grants and contributions (Note 5.35.2)	(16,272)
(218,322)	<b>Total</b>	(225,652)

## 5.11 Property, plant and equipment

2023-24	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total Property, Plant & Equipment	PFI Assets included in Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>								
At 1 April 2023	<b>497,576</b>	<b>772,669</b>	<b>71,813</b>	<b>7,831</b>	<b>79,080</b>	<b>36,092</b>	<b>1,465,061</b>	<b>64,868</b>
Reversal of accumulated depreciation on revaluations	(7,890)	(6,912)					(14,802)	(609)
Additions	1,507	3,686	1,732		38,795		45,720	16
Revaluation increases/(decreases) recognised in the revaluation reserve	(71,786)	9,406					(62,380)	2,083
Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services		(205)					(205)	
Derecognition - Disposals	(1,391)	(2,763)	(9)				(4,162)	
Reclassifications/Transfer - Other	33,666	15,074		652	(49,392)		0	
<b>At 31 March 2024</b>	<b>451,683</b>	<b>790,955</b>	<b>73,536</b>	<b>8,483</b>	<b>68,483</b>	<b>36,092</b>	<b>1,429,232</b>	<b>66,358</b>
<b>Accumulated Depreciation</b>								
At 1 April 2023	(7,890)	(22,619)	(49,574)			(4,377)	(84,460)	(4,946)
Reversal of accumulated depreciation	7,890	6,912					14,802	609
Depreciation charges for 2022-23	(7,704)	(8,913)	(5,205)				(21,822)	(609)
Derecognition - Depreciation on Disposal		27	4				31	
Reclassifications/Transfer - Other								
<b>At 31 March 2024</b>	<b>(7,704)</b>	<b>(24,593)</b>	<b>(54,775)</b>	<b>0</b>	<b>0</b>	<b>(4,377)</b>	<b>(91,448)</b>	<b>(4,946)</b>
<b>Net Book Value</b>								
<b>At 31 March 2024</b>	<b>443,978</b>	<b>766,364</b>	<b>18,761</b>	<b>8,483</b>	<b>68,483</b>	<b>31,715</b>	<b>1,337,784</b>	<b>61,412</b>
<b>At 31 March 2023</b>	<b>489,872</b>	<b>748,076</b>	<b>17,038</b>	<b>7,831</b>	<b>79,080</b>	<b>31,715</b>	<b>1,380,601</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.

2022-23

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total Property, Plant & Equipment	PFI Assets included in Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>								
At 1 April 2022	<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>
Reversal of accumulated depreciation on revaluations	(7,609)	(10,309)					(17,918)	
Additions	1,092				36,928		38,020	281
Revaluation increases/(decreases) recognised in the revaluation reserve	15,296	128,601				3,843	147,740	11,657
Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services		41,582					41,582	1,578
Impairment (increases)/decreases recognised in the revaluation reserve	(535)						(535)	
Derecognition – Disposals	(1,479)		(817)				(2,296)	
Reclassifications/Transfer – Other	7,082	(1,290)	2,296	267	(18,611)	10,256		(1,374)
<b>At 31 March 2023</b>	<b>497,575</b>	<b>772,669</b>	<b>71,813</b>	<b>7,831</b>	<b>79,080</b>	<b>36,092</b>	<b>1,465,060</b>	<b>64,868</b>
<b>Accumulated Depreciation</b>								
At 1 April 2022	(7,609)	(23,572)	(40,450)			(193)	(71,824)	(4,195)
Reversal of accumulated depreciation	7,609	10,309	0				17,918	
Depreciation charges for 2022-23	(7,890)	(9,356)	(9,728)			(4,184)	(31,158)	(751)
Derecognition - Depreciation on Disposal			604				604	
Reclassifications/Transfer – Other							0	
<b>At 31 March 2023</b>	<b>(7,890)</b>	<b>(22,619)</b>	<b>(49,574)</b>			<b>(4,377)</b>	<b>(84,460)</b>	<b>(4,946)</b>
<b>Net Book Value</b>								
<b>At 31 March 2023</b>	<b>489,685</b>	<b>750,050</b>	<b>22,239</b>	<b>7,831</b>	<b>79,080</b>	<b>31,715</b>	<b>1,380,600</b>	<b>59,922</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>

### 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, 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. All replaced infrastructure components are determined to have fully depreciated and have a net amount of nil.

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> £000	<b>2023-24</b> £000
Net book value (modified historical cost) at 1 April	109,696	98,101
Additions	-	10,032
Depreciation	(11,596)	(11,072)
Net Book Value at 31 March	98,100	97,060

### 5.11.2 Property, Plant and Equipment

	<b>2022-23</b> £000	<b>2023-24</b> £000
Infrastructure Assets	98,100	97,060
Other PPE assets	1,380,601	1,337,784
	1,478,701	1,434,844

### 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 ensures all Property, Plant and Equipment (PPE) included in the Balance Sheet at current value is revalued at least every five years. Assets are reviewed at year-end to ensure that their carrying amount is not materially different from current value. Valuations of both HRA dwellings and non-dwellings and General Fund property assets are valued externally using various valuation companies. The assets are valued for 31st March each year.

The valuation companies used are Wilks Head & Eve, Crosthwaites, Fleurets, Gerald Eve and Knight Frank. Valuations of land and buildings have been 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.

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## Rolling revaluation programme:

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant and Equipment £000	Communit y Assets £000	Infra- structure Assets £000	Asset Under Construction £000	Surplus Assets £000	Total £000
Valued at historical cost			18,777	8,483	97,060	68,483		192,803
Valued at fair value:								
As at 31st March 2024	443,977	661,315	0		0	0	31,715	1,137,007
As at 31st March 2023	0	11,363	0		0	0		11,363
As at 31st March 2022	0	11,157	0		0	0		11,157
As at 31st March 2021	0	14,603	0		0	0		14,603
As at 31st March 2020	0	67,926	0		0	0		67,926
Total Cost or Valuation as at 31st March 2024	<b>443,977</b>	<b>766,364</b>	<b>18,777</b>	<b>8,483</b>	<b>97,060</b>	<b>68,483</b>	<b>31,715</b>	<b>1,434,859</b>

The HRA portfolio is valued in line with the 5 year rolling programme as at 1st April 2023. The Land Registry Index is used to calculate the movement in property values between 1st April 2023 and 31st March 2024. 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:

2022-23		2023-24
£'000		£'000
31715	Surplus assets valued at level 2 inputs	31715
0	Surplus assets valued at level 3 inputs	0
<u>31,715</u>	Balance at end of year	<u>31,715</u>

Reconciliation of movements in surplus assets valued using inputs to valuation techniques categorised within the fair value hierarchy at level 2 during the year:

2022-23		2023-24
£000		£000
21,800	Balance of surplus assets valued using level 2 inputs at 1st April	31,715
0	Disposal of assets during the year	0
3,843	Increase in valuations during the year	0
(4,184)	Depreciation prior to reclassification	0
10,256	Reclassification from surplus assets to other land & buildings	0
<u>31,715</u>	Balance of surplus assets valued using level 2 inputs at 31st March	<u>31,715</u>

### 5.11.6 Capital Commitments

The council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment at a budgeted cost of £52.7m (£37.5m as at 31st March 2023). This expenditure will be incurred in 2023-24 and future years. The major capital commitments are as follows:

- 1) Wealdstone Future High Street Fund £7.72m
- 2) Grange Farm housing redevelopment £7.59m
- 3) Leisure Centre Infrastructure £2.95m
- 4) Street Lighting Improvement Program £2.76m
- 5) Vehicle Procurement £2.66m

### 5.11.7 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 and Oxhey Land Farmhouse 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 14<sup>th</sup> Century. Headstone Manor (Grade I) was built circa 1310 and altered/added to in the 17<sup>th</sup> and 18<sup>th</sup> Centuries. The Tithe Barn (Grade II) dates from 1506 and the Small Barn has 14<sup>th</sup> 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.

**8. Oxhey Lane Farmhouse** – A grade II listed building situated within the borough.

**5.13 Investment properties**

2022-23		2023-24	
£000		£000	
78,457	Balance at start of the year	69,391	
0	Additions	0	
0	Disposals	0	
(9,066)	Net gains/(losses) from fair value adjustments	(4,249)	
69,391	Balance at end of the year	65,142	

2022-23		2023-24	
£000		£000	
69,391	Investment properties valued using level 2 inputs	65,142	
0	Investment properties valued using level 3 inputs	0	
69,391	Balance at end of the year	65,142	

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

The investment properties have been valued by the Council's valuers (all RICS qualified) and by external specialists on an investment income basis which represents highest and best use overall. In determining the value of each asset, we have considered quoted prices for similar properties within the local market, existing lease terms and rentals, current market rentals and yields, the covenant strength for existing tenants and data and market knowledge from managing the Council's investment property portfolio, leading to the properties being categorised at Level 2 in the current value hierarchy.

**5.14 Assets held for sale**

The Council has held no assets for sale this year and prior year.

**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.

2022-23			2023-24	
AUC	Intangibles		AUC	Intangibles
£000	£000		£000	£000
0	9,227	Net carrying amount at 1st April	0	9,407
0	1,103	Additions	0	2,449
0	(923)	Amortisation	0	(1,043)
		Reclassification		
0	9,407	Net carrying amount at 31st March	0	10,813

## 5.16 Financial instruments

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

	Long-term		Current	
	31-Mar-24	31-Mar-23	31-Mar-24	31-Mar-23
	£000	£000	£000	£000
<b>Investments</b>				
Loans and receivables	0	0	8,081	30,683
Cash and cash equivalents	0	0	59,324	45,999
<b>Total Investments</b>	<b>0</b>	<b>0</b>	<b>67,405</b>	<b>76,682</b>
<b>Debtors</b>				
Loans and receivables	14,645	15,021		
Financial assets carried at amortised cost	0	0	14,856	17,185
<b>Total Debtors</b>	<b>14,645</b>	<b>15,021</b>	<b>14,856</b>	<b>17,185</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	(417,288)	(417,305)	(3,326)	(3,323)
<b>Total Borrowings</b>	<b>(417,288)</b>	<b>(417,305)</b>	<b>(3,326)</b>	<b>(3,323)</b>
<b>Other Liabilities</b>				
PFI and finance lease liabilities	(12,387)	(13,504)	(1,310)	(1,440)
<b>Total other long term liabilities</b>	<b>(12,387)</b>	<b>(13,504)</b>	<b>(1,310)</b>	<b>(1,440)</b>
<b>Creditors</b>				
Financial liabilities carried at amortised cost	0	0	(40,700)	(31,380)
<b>Total Creditors</b>	<b>0</b>	<b>0</b>	<b>(40,700)</b>	<b>(31,380)</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 £38.8m (£29.7m in 2022-23). The creditors balance excludes £39.7m (£60.2m in 2022-23).

## 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
2022-23 £000	2022-23 £000	2022-23 £000		2023-24 £000	2023-24 £000	2023-24 £000
16,892	0	16,892	Interest Expenses	17,687	0	17,687
0	889	889	Impairment Losses	0	889	889
16,892	889	17,781	<b>Interest payable and similar charges</b>	17,687	1,658	18,576
0	(1,860)	(1,860)	Interest income	0	(7,326)	(7,326)
0	(1,860)	(1,860)	<b>Interest and investment income</b>	0	(7,326)	(7,326)
16,892	(971)	15,921	<b>Net gain/(loss) for the year</b>	17,687	(5,668)	11,250

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
2022-23 £000	2022-23 £000	2022-23 £000		2023-24 £000	2023-24 £000	2023-24 £000
30,683	30,683	0	Investments	8,081	8,081	0
15,021	13,964	1,057	Loans and receivables	14,645	13,346	1,299
			Cash and Cash			
45,999	45,999	0	Equivalents	59,324	59,324	0
(417,305)	(337,641)	(79,664)	Borrowing	(417,288)	(308,115)	(109,173)

**5.17 Long term debtors**

31-Mar-23 £000		31-Mar-24 £000
14,907	West London Waste Authority	14,540
113	Other Loans	105
<u>15,021</u>	<b>Total</b>	<u>14,645</u>

**5.18 Short term debtors**

31-Mar-23 £000		31-Mar-24 £000
17,644	Business Rates & Council Tax	27,560
53,829	Trade debtors	62,630
5,368	Other debtors	6,474
(12,342)	Provision for Business Rates & Council Tax	(25,216)
(17,636)	Provision for expected credit losses	(17,795)
<u>46,863</u>	<b>Total</b>	<u>53,653</u>

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

31-Mar-23 £000		31-Mar-24 £000
(10,745)	Trade debtors: Housing benefits	(11,175)
(2,428)	Trade debtors: Housing	(1,066)
(3,845)	Trade debtors: Adults services	(4,858)
(617)	Other trade debtors	(696)
<u>(17,636)</u>		<u>(17,795)</u>

#### 5.19 Cash and cash equivalents

31-Mar-23 £000		31-Mar-24 £000
100	Cash held by the Authority	100
(2,843)	Bank current accounts	(6,905)
48,743	Short-term deposits with Banks and Building Societies	66,129
<u>45,999</u>	<b>Total</b>	<u>59,324</u>

#### 5.20 Short term borrowing

31-Mar-23 £000		31-Mar-24 £000
(2,787)	Public Works Loan Board	(2,790)
(536)	Other Financial Institutions	(536)
0	Pension Fund	0
0	Other Loans	0
<u>(3,323)</u>	<b>Total</b>	<u>(3,326)</u>

#### 5.21 Short term creditors

31-Mar-23 £000		31-Mar-24 £000
(12,661)	Business Rates & Council Tax	(4,493)
(54,960)	Trade Creditors	(50,111)
(14,643)	Other Creditors	(16,675)
<u>(82,265)</u>	<b>Total</b>	<u>(71,279)</u>

**5.22 Provisions**

	<b>Insurance £000</b>	<b>Business Rate Appeals £000</b>	<b>Other Provisions £000</b>	<b>Total £000</b>
<b>Short Term</b>				
<b>Balance at 1 April</b>	(1,100)	(150)	(2,714)	<b>(3,964)</b>
Additional provisions made	0	(350)	(3,223)	<b>(3,573)</b>
Transferred to/(from) Long Term	0	0	0	<b>0</b>
Amounts used	0	0	717	<b>717</b>
Unused amounts reversed	0	0	1,430	<b>1,430</b>
<b>Balance at 31 March</b>	<b>(1,100)</b>	<b>(500)</b>	<b>(3,790)</b>	<b>(5,390)</b>
<b>Long Term</b>				
<b>Balance at 1 April</b>	(4,400)	0	0	<b>(4,400)</b>
Additional provisions made	(59)	0	0	<b>(59)</b>
<b>Balance at 31 March</b>	<b>(4,459)</b>	<b>0</b>	<b>0</b>	<b>(4,459)</b>

**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 £1.1m 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**

<b>31-Mar-23 £000</b>		<b>31-Mar-24 £000</b>
(1,628)	Finance Lease Liability	(1,146)
(11,876)	PFI Lease Liability	(11,240)
(178,430)	IAS19 Pension Liability	(110,198)
<b>(191,934)</b>	<b>Total</b>	<b>(122,585)</b>

**5.24 Usable reserves**

31-Mar-23		31-Mar-24
£000		£000
(10,007)	General Fund	(10,007)
(80,627)	Earmarked Reserves	(87,855)
(4,426)	Housing Revenue Account	(6,792)
(8,045)	Major Repairs Reserve	(9,205)
(10,981)	Capital Receipts Reserve	(11,579)
(61,658)	Capital Grants and Contributions Unapplied	(53,504)
<b>(175,745)</b>	<b>Total Usable Reserves</b>	<b>(178,942)</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	HRA	Total		General Fund	HRA	Total
2022-23 £000	2022-23 £000	2022-23 £000		2023-24 £000	2023-24 £000	2023-24 £000
(4,574)	(8,705)	(13,279)	Balance unapplied at 1 April	(5,339)	(5,642)	(10,981)
(4,365)	(50)	(4,414)	Receipts in year - Others	(1,035)	(1,335)	(2,370)
0	(3,603)	(3,603)	Receipts in year - Right to Buy	0	(2,841)	(2,841)
59		59	Disposal Costs	26		26
	4,954	4,954	Pooling payment to the DLUHC			0
3,541	1,126	4,667	Applied during the year - others	3,252	1,335	4,587
0	636	636	Applied during the year - Right to Buy	0		0
<b>(5,339)</b>	<b>(5,642)</b>	<b>(10,981)</b>	<b>Balance at 31 March</b>	<b>(3,095)</b>	<b>(8,484)</b>	<b>(11,579)</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	HRA	Total		General Fund	HRA	Total
2022-23 £000	2022-23 £000	2022-23 £000		2023-24 £000	2023-24 £000	2023-24 £000
(48,414)	(3,724)	(52,138)	Balance unapplied at 1 April	(56,884)	(4,774)	(61,659)
(11,730)	(1,050)	(12,780)	Receipts in year	(7,610)	(218)	(7,828)
3,260	0	3,260	Applied during the year	15,984	0	15,984
<b>(56,884)</b>	<b>(4,774)</b>	<b>(61,659)</b>	<b>Balance at 31 March</b>	<b>(48,510)</b>	<b>(4,992)</b>	<b>(53,504)</b>



**5.25 Unusable reserves**

<b>31-Mar-23</b>		<b>31-Mar-24</b>
<b>£000</b>		<b>£000</b>
(365,183)	Revaluation Reserve	(298,436)
(628,770)	Capital Adjustment Account	(650,347)
10,239	Financial Instruments Adjustment Account	9,794
178,430	Pensions Reserve	110,198
(1,754)	Collection Fund Adjustment Account	(510)
7,319	Accumulating Compensated Absences Adjustment Account	6,453
4,007	Dedicated Schools Grant Reserve	6,322
(8)	Deferred Capital Receipts Reserve	(7)
<b>(795,720)</b>	<b>Total Unusable Reserves</b>	<b>(816,533)</b>

**\*Dedicated Schools Grant Reserve:** The negative balance represents the deficit of the school's expenditure eligible to be funded from the 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.

<b>2022-23</b>		<b>2023-24</b>
<b>£'000</b>		<b>£'000</b>
(221,131)	<b>Balance at 1 April</b>	(365,183)
(178,110)	Upward revaluation of assets	(14,916)
	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	
30,904		77,295
3,154	Amount written off to the Capital Adjustment Account	4,368
<b>(365,183)</b>	<b>Balance at 31 March</b>	<b>(298,436)</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.

2022-23				2023-24		
General Fund	HRA	Total		General Fund	HRA	Total
£000	£000	£000		£000	£000	£000
			<b>Balance at 1 April</b>			
(295,100)	(298,432)	(593,532)		(329,823)	(298,947)	(628,770)
35,433	8,260	43,693	Reversal of depreciation charged to the CIES	26,022	7,910	33,932
(43,327)	1,745	(41,582)	Asset Impairment/ (Reversal of Impairment)	1,022	(817)	205
4,185	1,479	5,664	Non Current assets written out on Disposal	1,878	2,247	4,125
1,253	0	1,253	Revenue expenditure funded from capital under statute	2,243	0	2,243
(2,833)	(321)	(3,154)	Amounts written off from the revaluation reserve	(3,822)	(546)	(4,368)
(3,541)	(1,761)	(5,302)	Use of the Capital Receipts Reserve	(3,252)	(1,335)	(4,587)
	(7,545)	(7,545)	Use of the Major Repairs Reserve	0	(6,751)	(6,751)
(7,203)	(1,819)	(9,022)	Capital grants credited to CIES	(20,343)	(4,084)	(24,427)
(24,021)	(10)	(24,031)	Minimum Revenue Provision	(23,915)	0	(23,916)
(3,734)	(543)	(4,277)	Revenue Contribution to Capital Outlay	(2,293)	0	(2,293)
			Movements in the market value of Investment Properties debited/credited to CIES			
9,066	0	9,066		4,259	0	4,259
(329,823)	(298,947)	(628,770)	<b>Balance at 31 March</b>	(348,025)	(302,323)	(650,347)

### 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.

2022-23 £000		2023-24 £000
10,683	<b>Balance at 1 April</b>	<b>10,238</b>
	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)
<u>10,238</u>	<b>Balance at 31 March</b>	<u><b>9,793</b></u>

### 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.

2022-23 £000		2023-24 £000
452,271	<b>Balance at 1 April</b>	<b>178,430</b>
(304,735)	Remeasurement of the net defined benefit liability	(75,219)
	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	<b>31,456</b>
57,970	Employer's pensions contributions and direct payments to pensioners payable in the year	(24,469)
<u>178,430</u>	<b>Balance at 31 March</b>	<u><b>110,198</b></u>

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**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.

2022-23 £000		2023-24 £000
<b>6,014</b>	<b>Balance at 1 April</b>	<b>1,753</b>
<b>(7,767)</b>	Amount by which council tax and NNDR income credited to CIES is different from income calculated for the year in accordance with Statute	<b>1,243</b>
<b>(1,753)</b>	<b>Balance at 31 March</b>	<b>(510)</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.

2022-23 £000		2023-24 £000
<b>6,881</b>	<b>Balance at 1 April</b>	<b>7,319</b>
<b>(6,881)</b>	Settlement or cancellation of accrual made at the end of the preceding year	<b>(7,319)</b>
<b>7,319</b>	Amounts accrued at the end of the current year	<b>6,453</b>
<b>7,319</b>	<b>Balance at 31 March</b>	<b>6,453</b>

**5.26 Notes to the Cash Flow Statement****5.26.1 Operating activities**

2022-23 £000		2023-24 £000
<b>The cash flows for operating activities include the following items:</b>		
16,749	Interest payable & similar charges	17,696
(2,176)	Interest and Investment income	(7,326)
5,242	Other investment income	1,375
<b>The surplus or deficit on the provision of services has been adjusted for the following noncash movements:</b>		
30,894	Adjustment for pension funding	6,987
(1,149)	Increase/Decrease(-) in Provision	1,486
2,111	Impairment and Depreciation	34,137
438	Accumulated Absence	(865)
5,665	Carrying amount of non-current assets disposed/ written off	4,125
424	Other non cash items charged to CIES	(49)
9,066	Movement in the value of investment properties	4,259
4,440	Billing authority collection fund adjustments	
<b>Items on an accrual basis</b>		
11,809	Increase/Decrease in Debtors	(6,791)
(43,873)	Increase/Decrease in Creditors	(4,779)
<b>19,825</b>	<b>Adjustments for non cash movements</b>	<b>38,509</b>
(7,958)	Proceeds from the sale of non-current assets	(5,186)
(18,546)	Capital grants credited to surplus or deficit on the provision of services	(16,272)
<b>(26,504)</b>	<b>Adjustments for investment and financing activities</b>	<b>(21,458)</b>

**5.26.2 Investing activities**

2022-23 £000		2023-24 £000
(42,759)	Purchase of property, plant and equipment, investment property and intangible assets	(58,200)
17,581	Capital grants received in year	16,272
7,958	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	5,186
(802,966)	Purchase of short-term and long-term investments	(1,177,201)
792,400	Proceeds from short-term and long-term investments	1,199,803
350	Other long term loans granted	376
<b>(27,436)</b>	<b>Net cash flows from investing activities</b>	<b>(13,764)</b>

**5.26.3 Financing activities**

2022-23 £000		2023-24 £000
(1,421)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(1,117)
(6,532)	Repayments of short- and long-term borrowing	(15)
(7,953)	<b>Net cash flows from financing activities</b>	<b>(1,132)</b>

**5.26.4 Reconciliation of Liabilities arising from Financing Activities**

	01-Apr-23	Financing Cash Flows	Changes which are not financing cash flows		31-Mar- 24
			Acquisition	other	
	£000	£000	£000	£000	£000
Long term borrowings	(417,305)	17			(417,288)
Short term borrowings	(3,323)	(2)			(3,325)
Lease liabilities	(2,135)	481			(1,654)
PFI liabilities	(12,701)	636			(12,065)
<b>Total liabilities from financing activities</b>	<b>(435,464)</b>	<b>1,132</b>			<b>(434,332)</b>

**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.

2022-23			2023-24
£000	Expenditure/Income	Notes	£000
<b>Expenditure</b>			
247,917	Employee benefits expenditure		236,733
91,972	Housing benefits		87,059
269,707	Other service expenses		293,223
3,186	Depreciation and impairment		36,507
49,658	Other expenditure	5.8 - 5.9	38,197
<b>662,439</b>	<b>Total expenditure</b>		<b>691,719</b>
<b>Income</b>			
(148,952)	Fees, charges and other service income		(148,233)
(300,821)	Revenue grants included within cost of services	5.35.1	(320,601)
(222,740)	Other income	5.8 - 5.10	(234,056)
<b>(672,513)</b>	<b>Total income</b>		<b>(702,889)</b>
<b>(10,075)</b>	<b>(Surplus)/Deficit on Provision of Services</b>		<b>(11,170)</b>

**5.27.1 Segmental disclosure of revenue**

Income received on a segmental basis is analysed below:

2022-23		2023-24
£000		£000
(16,587)	Chief Executive	(15,492)
(4,748)	Corporate Budgets	(2,712)
(34,221)	Housing Revenue Account	(38,835)
(38,547)	People	(38,547)
(52,211)	Place	(52,211)
(2,638)	Resources	(1,684)
<b>(148,952)</b>	<b>Total</b>	<b>(148,233)</b>

**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.

2022/23		2023/24
£000		£000
(7,920)	Penalty charge notices	(8,801)
(1,006)	On street meters	(515)
(776)	Residents permits	(721)
<b>(9,702)</b>	<b>Total income</b>	<b>(10,037)</b>
2,966	Enforcement contract/costs	3,695
698	Other expenditure	621
<b>3,664</b>	<b>Total expenditure</b>	<b>4,316</b>
	<b>Total (surplus) for the year ending 31 March 2023</b>	<b>(5,721)</b>
	<u>Utilisation of Surplus</u>	
6,039	Concessionary fares	5,721
<b>6,039</b>		<b>5,721</b>

**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.

2022-23 £000		2023-24 £000
	Funding provided to the pooled budget:	
(8,386)	· Harrow Contribution	(9,319)
(18,096)	· NHS Harrow CCG Contribution	(20,390)
<u>(26,481)</u>		<u>(29,709)</u>
	Revenue Expenditure met from the pooled budget:	
13,845	· Harrow Council	16,437
10,914	· NHS Harrow CCG	11,550
<u>24,759</u>		<u>27,987</u>
	Capital Expenditure met from the pooled budget:	
1,722	· Harrow Council - Disabled Facilities	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.

2022-23 £000		2023-24 £000
<u>874</u>	Allowances	<u>989</u>
<u>874</u>	Total	<u>989</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.

Remuneration band	Number of Council Employees	
	Number in band	Number in band
	2022-23	2023-24
£50,000 - £54,999	179	<b>206</b>
£55,000 - £59,999	127	<b>140</b>
£60,000 - £64,999	65	<b>43</b>
£65,000 - £69,999	57	<b>81</b>
£70,000 - £74,999	35	<b>37</b>
£75,000 - £79,999	18	<b>14</b>
£80,000 - £84,999	27	<b>22</b>
£85,000 - £89,999	10	<b>11</b>
£90,000 - £94,999	7	<b>11</b>
£95,000 - £99,999	7	<b>6</b>
£100,000 - £104,999	3	<b>6</b>
£105,000 - £109,999	4	<b>5</b>
£110,000 - £114,999	4	<b>3</b>
£115,000 - £119,999	0	<b>1</b>
£120,000 - £124,999	3	<b>1</b>
£125,000 - £129,999	1	<b>0</b>
£130,000 - £134,999	0	<b>3</b>
£135,000 - £139,999	0	<b>1</b>
£140,000 - £144,999	0	<b>1</b>
£145,000 - £149,999	0	<b>1</b>
	<b>547</b>	<b>593</b>

## Notes to the Financial Statements

### 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)		Election Payments		Bonus		Other Emoluments		Employers Pension Contribution		Exit payments		Total Remuneration including employers pension contributions	
	£	£	£	£	£	£	£	£	£	£	£	£	£	£
	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23
Alex Dewsnap Managing Director / Corporate Director of Resources	167,526	136,848	-	-	-	-	-	-	13,957	19,004	-	-	181,483	155,852
Patrick Flaherty (Chief Executive)	53,320	108,509	-	-	-	-	-	-	12,530	26,986	-	-	65,850	135,495
Dipti Patel (Corporate Director - Place)	160,386	150,501	-	-	-	-	-	-	36,226	37,430	-	-	196,612	187,931
Senel Arkut Corporate Director - People Services 22/23	155,607	89,370	-	-	-	-	-	-	36,378	22,226	1	-	191,986	111,596
	<b>536,839</b>	<b>485,228</b>	-	-	-	-	-	-	<b>99,091</b>	<b>105,646</b>	<b>1</b>	-	<b>635,931</b>	<b>590,874</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)		Election Payments		Bonus		Other Emoluments		Employers Pension Contribution		Exit payments		Total Remuneration including employers pension contributions	
	£	£	£	£	£	£	£	£	£	£	£	£	£	£
	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23
Director of Legal and Governance	142,168	11,475	-	-	-	-	-	-	33,234	2,854	-	-	175,402	14,329
Director of Public Health	135,707	130,680	-	-	-	-	-	-	19,515	18,789	-	-	155,222	149,469
Director of HR and Organisation Development	129,810	40,249	-	-	-	-	-	-	30,505	15,146	-	-	160,315	55,395
Director of Inclusive Economy and Culture	129,129	119,627	-	-	-	-	-	-	30,345	32,208	-	-	159,474	151,835
Director of Finance and S151 Officer	125,326	107,310	-	-	-	-	-	-	29,128	26,688	-	-	154,454	133,998
Director of Children Services	89,031	133,934	-	-	-	-	-	-	18,150	33,309	38,790	-	145,971	167,243
Director of Children Services	78,164	0	-	-	-	-	-	-	18,369	0	-	-	96,532	0
Director of Finance and Assurance	52,438	140,652	-	-	-	-	-	-	12,323	34,980	-	-	64,761	175,632
Director of Adult Social Services	45,991	0	-	-	-	-	-	-	0	0	-	-	45,991	0
Interim Director of Children Services	45,321	101,682	-	-	-	-	-	-	8,150	25,124	-	-	53,471	126,807
Director of Legal and Governance	30,602	156,068	-	-	-	-	-	-	2,855	38,814	-	-	33,458	194,882
	<b>1,003,687</b>	<b>941,676</b>	-	-	-	-	-	-	<b>202,574</b>	<b>227,912</b>	<b>38,790</b>	-	<b>1,245,051</b>	<b>1,169,589</b>

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Note 1	The Managing Director was in the role of Corporate Director of Resources their managing director role commenced on 01st July 2023 with an annualised salary of £171,345.00
Note 2	The Chief Executive left the Council on 09th July 2023. Their annualised salary was £194,460.00
Note 3	The Corporate Director left the Council 22nd March 2024. Their annualised salary was £155,769
Note 4	The Director left the Council on 11th August 2023. Their annualised salary was £145,575
Note 5	The Director commenced on 31st July 2023 at an annualised salary of £132,168
Note 6	The Director left the Council on 30 November 2023. Their annualised salary was £106,047
Note 7	The Director left the Council on 30 June 2023. Their annualised salary was £138,720
Note 8	The Director commenced on 29 August at an annualised salary of £132,168
Note 9	The Director left the council on 30th April 2023. Their annualised salary was £145,575
Note 10	The new Director commenced on 01 March 2023. Previous Directors left on 30th April 2023.

### 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	
	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23
							£000	£000
£0 - £20,000	7	1	5	1	12	2	85	20
£20,001 - £40,000	4	1	7	2	11	3	358	89
£40,001 - £60,000	4	0	2	0	6	0	277	0
£60,001 - £80,000	1	0	1	0	2	0	145	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£160,001 - £180,000	0	0	0	0	0	0	0	0
Total	16	2	15	3	31	5	865	109

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

2022-23 £000		2023-24 £000
109	Exit payments not provided for in 2023-24	865
<u>109</u>	<b>Included in cost of services</b>	<u>865</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:

2022-23 £000		2023-24 £000
	Fees payable to external auditors in respect of:	
116	External audit services carried out by the appointed auditor for the year	392
30	Certification of grant claims and returns for the year	43
<u>146</u>	<b>Total</b>	<u>435</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:

2022-23		Central Expenditure	Expenditure	Total
£000		£000	£000	£000
249,877	Final DSG for 2023-24 before academy recoupment			<b>266,809</b>
(106,644)	Academy and high needs figure recouped for 2023-24			<b>(114,918)</b>
<u>143,233</u>	Total DSG after academy recoupment for 2023-24			<u><b>151,891</b></u>
0	Plus: Brought forward from 2022-23			<b>0</b>
0	Less: Carry forward to 2024-25 agreed in advance			<b>0</b>
143,233	Agreed budgeted distribution in 2023-24	66,399	85,492	<b>151,891</b>
141	In-year adjustments	385		385
<u>143,375</u>	Final budget distribution for 2023-24	<b>66,784</b>	<b>85,492</b>	<b>152,275</b>
(60,698)	Less: Actual central expenditure	<b>(69,099)</b>		<b>(69,099)</b>
(80,710)	Less: Actual ISB deployed to schools		<b>(85,492)</b>	<b>(85,492)</b>
<u>1,967</u>	<b>In year carry forward to 2024-25</b>	<b>(2,315)</b>	<b>0</b>	<b>(2,315)</b>
0	Plus: Carry forward to 2023-24 agreed in advance			<b>0</b>
1,967	Carry forward to 2023-24			<b>0</b>
(4,007)	DSG unusable reserve at the end of 2023-24			<b>(4,007)</b>
0	Addition to DSG unusable reserve at the end of 2023-24			<b>(2,315)</b>
(4,007)	Total of DSG unusable reserve at the end of 2023-24			<b>(6,322)</b>
<u>2,040</u>	Net DSG position at the end of 2023-24			<u><b>(6,322)</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:

2022-23 £000	Grant	Awarding Body	2023-24 £000
(143,233)	Dedicated Schools Grant	Department for Education	(152,275)
(4,213)	Pupil Premium	Department for Education	(4,465)
(2,222)	Universal Infant Free School Meals	Department for Education	(2,482)
(2,509)	Private finance initiative	Various	(2,509)
(11,627)	Public Health	Department of Health	(12,007)
(71,543)	Rent Allowance	Department of Work and Pensions	(65,321)
(20,696)	HRA Rent Rebate	Department of Work and Pensions	(25,720)
(1,256)	New Burdens	Department of Work and Pensions	(1,673)
(4,458)	Workforce Capacity Grant	Department for Levelling Up, Housing & Communities	(19,219)
(3,200)	EFA 6th Form Funding	Young People's Learning Agency	(2,850)
(6,664)	Improved Better Care Fund	Department for Levelling Up, Housing & Communities	(6,690)
(29,199)	Other Grants	Various	(25,389)
<b>(300,821)</b>	<b>Total Revenue Grants included in the Comprehensive Income and Expenditure Account</b>		<b>(320,601)</b>

**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:

2022-23 £000	Grant	Awarding Body	2023-24 £000
(7,009)	LA Capital Maint & Basic Need Grant	Department for Education	(2,695)
(4,139)	High Needs Provisison	Department for Education	(5,220)
(1,400)	HRA New Build Programme	Greater London Authority	(1,630)
(2,083)	Section 20/106/38/278 income		(1,711)
(3,918)	Other		(5,016)
<b>(18,548)</b>	<b>Total Capital Grants included in Comprehensive Income and Expenditure Account</b>		<b>(16,272)</b>

**5.35.3 Capital grants receipts in advance**

2022-23 £000	Grant - Capital	Awarding Body	2023-24 £000
(3,750)	Borough Intervention Agreement	Greater London Authority	(3,750)
(63)	Decarbonisation Scheme Funding	Department for Business, Energy & Industrial Strategy	(10)
0	Future High Street Fund	Department for Levelling Up, Housing & Communities	(6,592)
0	Local Authority Housing Fund	Department for Levelling Up, Housing & Communities	(1,381)
(911)	Section 38/278 Receipts		(633)
(16,887)	Other Capital Grants		(14,585)
<u>(21,611)</u>			<u>(26,951)</u>

**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 one local organisations, Seva Care Group due to Members being trustees on their governing bodies. It also has related party transactions with St John Fisher Catholic School due to a member being a Governor on the Governing Body and made rent payments to a Councillor leasing a residential property to the Council. In 2023-24 the Council had the following transactions:

Organisation	Payments £000	Receipts £000
Harrow strategic development partnership	9630	0
Seva Care Group	721	(17)
St John Fisher Catholic School	319	(3)
Councillor-Property Rental	12	0
Grimsdyke School	0	(6)
The West House and Heath Robins	12	0

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.

2022-23		2023-24
£000		£000
21,889	Employers Pension Contributions to the Fund	21,814
1,728	CAYS Payments (Augmentation)	1,798
(900)	Administration expenses paid by the Fund	(983)
(58)	Cash Due to the Fund	88

The Pension Fund administers the historic Compensatory Added Years payments (CAYs) awarded to teachers and employees in the LGPS. These costs are charged directly to the Council monthly.

The overall value of these payments during 2023/24 was £2.785m (2022/23 £2.680m) with £1.798m paid directly by the Pension fund (2022/23 £1.728m) and £0.987m directly by the Council (2022/23 £0.951m)

**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.

2022-23		2023-24
£'000		£'000
588,100	Opening Capital Financing Requirement	578,297
	Capital Investment	
38,020	Property, Plant and Equipment	55,752
1,103	Intangibles	2,449
	Revenue Expenditure Funded from Capital under	
1,253	Statute	2,243
	Investment Property	
	Sources of finance	
(5,301)	Capital receipts	(4,587)
(9,026)	Government grants and other contributions	(24,426)
0	Deferred capital receipts	0
	Sums set aside from revenue:	
(4,277)	Direct revenue contributions	(2,293)
(24,030)	Minimum Revenue Provision	(23,915)
(7,545)	Major Repairs Reserve	(6,750)
578,297	Closing Capital Financing Requirement	576,770
	Explanation of movements in year	
14,227	Increase in unsupported borrowing	22,388
(24,030)	Minimum Revenue provision	(23,915)
(9,803)	Increase in Capital Financing Requirement	(1,527)



**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 £1.4m (£1.9m in 2022-23). Outstanding lease liabilities are £1.6m (£2.1 m in 2022-23) and minimum lease payments of £2.0m (£2.7m in 2022-23) 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-23 £'000		31-Mar-24 £'000
1,114	Not later than one year	3,693
778	Later than one year and not later than 5 years	1,244
1,964	Later than 5 years	1,895
<u>3,856</u>		<u>6,832</u>
3,161	Min. lease payments charged to revenue in 23-24	3,977

**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 2023-24.

**Operating Leases**

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

Operating leases have been classified as Investment Properties or Property, Plant and Equipment, generating a rental stream of £4.1m in 2023-24 (£5.0m in 2022-23).

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

31-Mar-23 £'000		31-Mar-24 £'000
	Land and Buildings	
2,300	Not later than one year	3,409
9,341	Later than one year and not later than five years	10,064
9,321	Later than five years	17,618
<u>20,962</u>		<u>31,091</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:

2022-23		2023-23	
£000		£000	
(9,063)	Balance outstanding at start of year	(8,498)	
1,397	Lease repayments during the year	1,265	
(832)	Finance charge	(780)	
<u>(8,498)</u>	Balance outstanding at year end	<u>(8,013)</u>	
<b>NRCs</b>			
2022-23		2023-24	
£000		£000	
(4,463)	Balance outstanding at start of year	(4,203)	
630	Lease repayments during the year	604	
(370)	Finance charge	(349)	
<u>(4,203)</u>	Balance outstanding at year end	<u>(3,948)</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	Interest	Principal Repayment	Contingent Rent	Total
	£000	£000	£000	£000	£000
Schools					
Payable in 2024-25	1,967	736	345	(164)	2,885
Payable within 2 to 5 years	6,532	2,502	2,698	224	11,957
Payable within 6 to 10 years	7,391	1,392	4,970	844	14,597
<b>Total</b>	<b>15,890</b>	<b>4,631</b>	<b>8,013</b>	<b>905</b>	<b>29,439</b>

**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
NRC					
Payable in 2024-25	291	328	291	315	1,225
Payable within 2 to 5 years	1,581	1,061	1,203	1,367	5,213
Payable within 6 to 10 years	1,758	643	2,436	2,447	7,284
Payable within 11 to 12 years	324	2	18	18	362
Total	3,955	2,033	3,948	4,148	14,084

**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.

Actuarial remeasurement gains of £75m have been recognised in the Movement in Reserves Statement up to and including 2023-24 (£305m in 2022-23).

Expected employer contributions for 2024-25 are £21.5m, excluding any contributions in respect of unfunded benefits.

2022-23 £000		2023-24 £000
	Cost of services:	
42,960	current service cost	22,505
11	past service costs	510
0	(Gain)/loss on settlements	0
	Financing and investment income and expenditure:	
36,613	interest cost	48,073
(24,163)	interest income on scheme assets	(39,632)
0	Effect of business combinations & disposals	0
55,421	Net debit to Deficit on Provision of Services	31,456
	Remeasurements of the net liability due to	
(8,051)	Changes in demographic assumptions	(6,013)
(446,366)	Changes in financial assumptions	(44,870)
72,299	Return on plan assets	(56,334)
77,383	Changes in other experience	31,998
(304,735)		(75,219)
(249,314)	Post employment benefit charged to the CIES	(43,763)
24,527	**Actual amount charged to the General Fund	24,469

- The amount charged to the General Fund of £24,469 is comprised of employer contributions of £21,813k plus contributions in respect of unfunded benefits paid of £2,656k as per the actuarial report

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

The weighted average duration of the defined benefit obligation for scheme members is 16 years.

2022-23 £000		2023-24 £000
(1,352,056)	Opening balance at 1 April	(1,021,548)
(42,960)	Current service cost	(22,505)
(36,613)	Interest cost	(48,073)
(6,149)	Contributions by scheme participants	(6,560)
	Remeasurement (Gains)/losses arising from changes in:	
8,051	Demographic Assumptions	6,013
446,366	Financial Assumptions	44,870
(77,383)	Other Experience	(31,998)
36,629	Benefits paid	46,094
2,578	Unfunded Benefits paid	2,656
0	Effect of settlements	0
(11)	Past service costs (including curtailments)	(510)
0	Effect of business combinations & disposals	0
<u>(1,021,548)</u>	Closing balance at 31 March	<u>(1,031,561)</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 £96.0m (2022-23: £40.1m).

2022-23 £000		2023-24 £000
899,785	Opening balance at 1 April	843,118
24,163	Interest Income on plan assets	39,632
(72,299)	Remeasurement gain/(loss)	56,334
0	Effect of settlements	0
24,527	Employer contributions	24,469
6,149	Contributions by employees	6,560
(36,629)	Benefits paid	(46,094)
0	Other experience	0
(2,578)	Unfunded benefits paid	(2,656)
0	Effect of business combinations & disposals	0
<u>843,118</u>	Closing balance at 31 March	<u>921,363</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.

	2023-24 £000	2022-23 £000	2021-22 £000	2020-21 £000
Present value of liabilities	(1,031,561)	(1,021,548)	(1,352,056)	(1,389,177)
Fair value of assets	921,363	843,118	899,785	870,954
Net deficit in the scheme	(110,198)	(178,430)	(452,271)	(518,223)

**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 2024.

The principal assumptions used by the actuary have been:

2022-23		2023-24
5.4%	Long term expected rate of return on assets in the scheme:	11.5%
	Mortality assumptions:	
	Longevity at age 65 for current pensioners:	
21.9	Men	21.7
24.5	Women	24.3
	Longevity at age 65 for future pensioners:	
22.8	Men	22.6
26.2	Women	26.0
	Financial assumptions:	
4.0%	Rate of increase in salaries	3.8%
3.0%	Rate of increase in pensions (CPI)	2.8%
4.8%	Discount rate	4.8%
	Take-up of option to convert annual pension into a retirement lump sum:	
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:

2022-23		2023-24
14%	Debt Securities - Corporate & UK Government Bonds	0%
1%	Private Equity	0%
6%	Real Estate: UK Property	5%
	Investment Funds and Unit Trusts:	
51%	Equities	54%
26%	Other	38%
2%	Cash and Equivalents	3%
<u>100%</u>		<u>100%</u>

**5.40.8 History of experience gains and losses**

	2023-24 %	2022-23 %	2021-22 %	2020-21 %
Difference between expected and actual return on assets	6.11	(8.58)	19.14	(17.05)
Experience gains and (losses) on liabilities	3.10	7.58	(0.83)	(3.93)

**5.40.9 Sensitivity of the defined benefit obligation to changes in actuarial assumptions**

	Increase in present value of scheme liabilities	
	%	£000
0.1% decrease in the real discount rate	2	17,469
0.1% increase in rate of increase in salaries	0	707
0.1% increase in the rate of increase in pensions	2	17,068
1 year increase in member life expectancy	4	41,262

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 2023-24 the Council made £9.96m (£9.61m in 2022-23) of employer contributions to the TPA. The current contribution rate is 23.68% (23.68% in 2022-23).

The expected contributions for 24-25 are £10.46m and the contributions rate is 28.68%.

## 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-24	Historical experience of default	Historical experience adjusted for market conditions at 31-Mar-24	Estimated maximum exposure to default and uncollectability 31-Mar-24
	£000	%	%	£000
UK Banks	34,021	0.00	0.00	0
UK Money Market Funds	40,008	0.00	0.00	0
Customers	12,656	1.77	39.52	8,269
Total	86,684			8,269

	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	95,295			6,579



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-23 £000		Amount at 31-Mar-24 £000
12,647	Less than three months	5,388
1,317	Three to six months	849
1,404	Six months to one year	2,778
533	More than one year	3,641
<u>15,901</u>	<b>Total Debtors</b>	<u>12,656</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 (PWLb) and money market for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure.

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

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

The maturity structure of long term borrowing is as follows:

31-Mar-23 £000		31-Mar-24 £000
	Source of Loan:	
(343,461)	Public Works Loan Board	(343,461)
(73,800)	Market Loans	(73,800)
(64)	Other financial institutions	(27)
<u>(417,325)</u>	<b>Total</b>	<u>(417,288)</u>
	Analysis of loans by maturity:	
(44)	1-2 years (1.4.2024 - 31.3.2025)	(27)
(5,000)	3-5 years (1.4.2025 - 31.3.2028)	(10,000)
(25,000)	6-10 years (1.4.2028 - 31.3.2033)	(25,000)
(387,261)	More than 10 years (1.4.2033 onwards)	(382,261)
<u>(417,325)</u>	<b>Total</b>	<u>(417,288)</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;
- 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 2022-23). 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 2024 was £221k (£215k at 31 March 2023).

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 2024 was £10.6m (£10.4m at 31 March 2023).

#### **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 £602k to the Council in 2023-24 (£580k in 2022-23) 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 £2,291k to Sancroft Community Care Ltd in 2023-24 (£2,344k in 2022-23) for provision of residential care services.

Harrow strategic development partnership LLP is a joint venture of the LBH and Wates Construction Ltd. The Council paid £9.63m to the HSDP for the capital expenditure.

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

The Director of Finance authorised the Statement of Accounts on 29 November 2024. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing as of 31 March 2024, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information

#### **5.46 Contingent liabilities**

At year-end, there are no contingent liabilities held. FY 2022-23, nil.

## 6 Housing Revenue Account

### 6.1 Housing Revenue Account (HRA)

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

2022-23 £000		Note	2023-24 £000
	<b>Expenditure</b>		
9,908	Repairs and maintenance		9,371
12,204	Supervision and management		11,022
481	Rents, rates, taxes and other charges		574
8,260	Depreciation of non current assets	6.2.3	7,923
1,745	Impairment of non-current assets		(817)
37	Debt management costs		37
<u>32,635</u>	<b>Total Expenditure</b>		<u>28,109</u>
	<b>Income</b>		
(30,017)	Dwelling rents (gross)	6.2.1	(32,466)
(509)	Non-dwelling rents (gross)	6.2.2	(594)
(1,858)	Charges for services and facilities		(3,425)
(3,169)	Contributions towards expenditure		(2,510)
0	Impairment of non-current assets		0
<u>(35,553)</u>	<b>Total Income</b>		<u>(38,995)</u>
(2,918)	<b>Net cost of HRA Services as included in the Whole Authority Comprehensive Income and Expenditure Statement</b>		<b>(10,885)</b>
471	HRA's share of Corporate and Democratic Core		<b>495</b>
<u>(2,447)</u>	<b>Net cost of HRA Services</b>		<u><b>(10,391)</b></u>
	<b>HRA share of operating income &amp; expenditure included in the Whole Authority Comprehensive Income &amp; Expenditure Statement</b>		
(2,122)	Loss (Gain) on sale of HRA Non-Current Assets		<b>(1,946)</b>
4,954	Pooling payments in respect of Right to Buy disposals		<b>16</b>
6,487	Interest payable and similar charges		<b>6,722</b>
(183)	Interest & investment income		<b>(1,148)</b>
<u>(2,871)</u>	Capital grants & contributions receivable		<u><b>(4,280)</b></u>
<u>3,818</u>	<b>(Surplus) Deficit for the year on HRA services</b>		<u><b>(11,026)</b></u>

**Statement of Movement on the HRA Balance**

2022-23 £000		Note	2023-24 £000
(5,678)	<b>Balance on HRA at end of the previous year</b>		(4,426)
3,818	(Surplus)/deficit for the year on the HRA Income & Expenditure Statement		(11,026)
(2,002)	Adjustment between accounting basis and funding basis under regulations	6.2.9	7,020
1,816	Net increase or decrease before transfers from reserves		(4,006)
(564)	Transfer to reserves	6.2.9	1,640
1,252	<b>(Increase)/decrease in year on the HRA</b>		(2,366)
(4,426)	<b>Balance on HRA at end of the current year</b>		(6,792)

**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 1.81% of lettable properties were vacant (0.98% in 2022-23). The average de-pooled rents were £132.36 per week (£122.95 in 2022-23). There was an average rent increase of 7.65% over the previous year. The average increase, after taking into account service charges, was 12.26%.

**6.2.2 Non-dwelling Rents**

This includes garages. At the year-end 64.2% of garages were vacant (65.7% in 2022-23).

**6.2.3 HRA Fixed Assets**

	Land £000	Dwellings £000	Assets under constructio n £000	Shop s £000	Garage s £000	Communit y Halls £000	Total 2023/2 4 £'000
<b>Depreciation</b>							
<b>Net book value as at 1 April 2023</b>	244,349	245,338	36,282	4,484	5,330	8,194	543,977
Revaluations and restatements	(10,355)	(35,430)	0	(85)	1,020	194	(59,453)
Additions & transfers	2,852	6,317	(14,797)	0	0	0	9,169
Disposals/Demolitions	(627)	(764)	0	0	(411)	(445)	(2,247)
Gross book value as at 31 March 2024	236,219	215,461	21,485	4,399	5,939	7,943	491,446
Depreciation for year		(7,704)	0	(37)	(39)	(131)	(7,910)
Net book value as at 31 March 2024	236,219	207,757	21,485	4,362	5,899	7,812	483,535

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.

## Housing Revenue Account

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 2023 would have been £1,764m (£1,702m at 1<sup>st</sup> April 2022), therefore recognising the economic cost to the Government of providing Council housing at less than open market value of £1,320m (2022-23 £1,226m).

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- 23 £000	Transfer to Reserve £000	Capital Expenditure £000	Debt Repayment £000	Balance 31-Mar- 24 £000
Analysis of the Movement	(8,044)	(7,910)	6,750		(9,205)

### 6.2.5 Capital Expenditure and Funding Statement

2022-23 £000		2023-24 £000
	<b>HRA Capital Expenditure</b>	
8,310	Dwellings & garages	8,067
6,679	New build	15,776
<b>14,989</b>	<b>Total</b>	<b>23,843</b>
	<b>Financed by:</b>	
7,126	Major Repairs Reserve	6,367
3,161	Capital receipts - Right to Buy, Affordable Housing & other	1,335
419	Contributions & Grants	4,084
543	Revenue Funding	0
3,740	Borrowing	12,057
<b>14,989</b>	<b>Total</b>	<b>23,843</b>

### 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**

2022-23 Total	Housing Stock	Houses	Flats	Bungalows	2023-24 Total
106	4 or more bedrooms	103	2	2	107
1,348	3 bedrooms	1,245	104	1	1,350
1,412	2 bedrooms	551	884	27	1,462
1,911	1 bedroom	4	1,801	134	1,939
<b>4,777</b>	<b>LBH managed stock as at 1 April</b>	<b>1,903</b>	<b>2,791</b>	<b>164</b>	<b>4,857</b>
<b>Leaseholders</b>					
1,147	1st April 2023				1,147
12	Additions from right to buys				4
(1)	Error Correction				(11)
(11)	HRA Buyback				(1)
	Buyback				(3)
1,147	31st March 2024				1,136
<b>Total</b>	<b>Garages</b>		<b>Garages</b>	<b>Car ports</b>	
743	1st April 2023		684	59	
(47)	Demolitions		(47)	0	
0	Disposals		0	0	
696	31st March 2024		637	59	
<b>Summary of change in stock</b>					
4,783	Stock as at 1 April				4,777
<b>Less</b>					
10	New build & acquisitions				93
(16)	Sales - right to buy				(11)
	Error Correction				(1)
4,776.55	<b>Total HRA stock at 31 March</b>				<b>4,857</b>

**6.2.9 Statement of Movement on the HRA Balance**

2022-23 £000		2023-24 £000
	<b>Adjustment between accounting basis and funding basis under regulations</b>	
50	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>	
2,122	Gain (Loss) on sale of HRA non-current assets	1,929
<u>2,172</u>		<u>1,974</u>
	<b>Transfer to / (from) earmarked reserves</b>	
	<b>HRA share of contributions to/(from) Pensions Reserve :</b>	
(930)	Net charges made for retirement benefits in accordance with IAS19	(36)
	<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>	
(1,745)	Impairment	817
543	Capital expenditure funded from revenue balances	0
10	Minimum revenue provision	(0)
2,871	Capital grants and contributions	4,280
(8,260)	Depreciation transfer	(7,924)
8,247	Transfer to the Major Repairs Reserve	7,910
	<b>Transfers to/(from) other reserves</b>	
(4,954)	Pooling payments to DLUHC financed through capital reserves	0
45	Other	
<u>(4,174)</u>		<u>5,047</u>
<u>(2,002)</u>		<u>7,021</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

2022-23		2023-24		
		Business Rates & Crossrail	Council Tax	Total
£000		£000	£000	£000
<b>Income</b>				
(183,104)	Income from Council Tax		(195,436)	(195,436)
(44,500)	Income Collectable from Business Ratepayers	(43,612)		(43,612)
(833)	Income Collectable from Business Ratepayers - BRS			0
(228,437)	<b>Total Income</b>	(43,612)	(195,436)	(239,048)
<b>Expenditure</b>				
<b>Apportionment of Previous year surplus / deficit</b>				
(6,481)	Central Government	1,670		1,670
(6,145)	Harrow Council	1,518	421	1,939
(7,323)	Greater London Authority	1,872	101	1,973
<b>Precepts, demands and shares</b>				
14,089	Central Government	14,045		14,045
158,993	Local Demand (Harrow)	12,768	153,998	166,766
51,746	Greater London Authority	15,748	38,675	54,423
<b>Impairment of debts / appeals</b>				
0	Write offs of uncollectable amounts			0
1,054	Increase in bad debt provisions	1,622	1,600	3,222
(1,500)	Increase / (decrease) in provision for appeals	0		0
237	Costs of Collection	232		232
204,671	<b>Total Expenditure</b>	49,475	194,795	244,270
(23,766)	Movement on Fund balance: (Surplus) / Deficit for the year	5,863	(641)	5,222
20,206	(Surplus) / Deficit brought forward *	(2,143)	(1,417)	(3,560)
(3,560)	<b>(Surplus) / Deficit carried forward</b>	3,720	(2,058)	1,662



## 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	2022-23 Property Numbers	Council Tax £		Valuation Bands	Band D Ratio	2023-24 Property Numbers	Council Tax £
6/9	471	1,361.40	A	Not exceeding £40,000	6/9	561	1,441.87
			=				
7/9	2,043	1,588.29	B	£40,001 - £52,000	7/9	2,241	1,682.17
			=				
8/9	15,097	1,815.20	C	£52,001 - £68,000	8/9	15,054	1,922.49
			=				
1	25,471	2,042.09	D	£68,001 - £88,000	1	25,442	2,162.80
			=				
11/9	24,348	2,495.89	E	£88,001 - £120,000	11/9	24,391	2,643.43
			=				
13/9	11,142	2,949.69	F	£120,001 - £160,000	13/9	11,161	3,124.04
			=				
15/9	9,575	3,403.49	G	£160,001 - £320,000	15/9	9,571	3,604.67
			=				
2	2,450	4,084.18	H	£320,001 +	2	2,483	4,325.60
			=				
	90,597			<b>Total</b>		90,903	
	(1,812)			Adjustment for non-collection		(1,818)	
	88,785			<b>Council tax base</b>		89,085	

### 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 2023-24, 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 £145.1m (£133.8m in 2022-23). The national non-domestic rate multiplier for 2023-24 remained the same at 51.2p (51.2p in 2022-23) with a lower multiplier for small businesses also remaining the same at 49.9p (49.9p in 2022-23).

### 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 increased by £5,000 to £75,001 or above.

## 8 Annual Governance Statement

### 1. Executive Summary

The London Borough of Harrow is committed to restoring pride in Harrow by putting residents first, creating a borough that is clean and safe and a place where those in need are supported.

The authority's governance structure is comprised of a number of documents that aim to ensure that resources are directed in accordance with agreed policy and the priorities set out in the Harrow Borough Plan 2030 and the Corporate Plan agreed in February 2023. To support achievement of the plan a set of Flagship Actions have been agreed which are refreshed annually. These documents help to ensure 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. Throughout 2023/24, progress against the Corporate Scorecard and Flagship Actions was reported quarterly to the Corporate Leadership Team and Cabinet.

The Council is required to produce an Annual Governance Statement which describes how its corporate governance arrangements set out in the Local Code have been working. This statement provides assurances on compliance for the year ending 31 March 2024, up to the date of approval of the statement of accounts.

During 2023/24 the review of governance identified areas for improvement, an action plan has been developed which sets out how we will manage the most significant issues. Details of the issues identified in 2023/24 are provided at Appendix 1.

We are satisfied that the steps set out in the action plan have led to improvement in all areas, although some issues remain as a concern and further action on these is set out in the 'Improving Governance' section at the end of this statement. We will continue to monitor their implementation and operation as part of our next annual review.

We recognise the importance of having a solid foundation of good governance and sound financial management. We are committed to addressing the matters highlighted in this statement to further enhance our governance arrangements. We confirm we have been advised of the implications of the review by senior management, Internal Audit and the GARMS Committee and are satisfied that the steps outlined in this document will address the areas for improvement.

### 2. Scope of Responsibility

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and accounted for properly. It also has a duty under the Local Government Act 2000 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to economy, efficiency and effectiveness. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

The 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, the performance of the executive and promote public debate. The Council communicates with ratepayers via various channels e.g. press releases, marketing campaigns, social media, Harrow publications, etc. Details of consultations can be

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found on the Council website through the 'TalkHarrow' consultation portal. Consultations during 2023/24 included: -

- Tall Buildings
- Discretionary Freedom Passes
- Enhancing Harrow Town Centre

### **3. Review of the Effectiveness of Harrow's Governance Framework**

To be successful the Council must have a solid foundation of good governance and sound financial management. Harrow has in place a Local Code of Governance which sets out its commitment to good governance which is consistent with the set out in the governance guidance produced by CIPFA/SOLACE, Delivering Good Governance in Local Government (2016). The Code, included within the Constitution, was under review during 2023/24. It sets out the arrangements the Council has in place which demonstrate that the principles of good governance are embedded within the way the Council conducts its business, ensuring that we are doing the right things, in the right way, in line with our values.

Harrow's Local Code of Corporate Governance is supported by an assurance framework that sets out how and on what the Council will seek to obtain assurance. Harrow's Local Code of Corporate Governance and Constitution can be found [here](#) or through the Council's website.

The system of internal control is a significant part of the framework, designed to manage risks to a reasonable level. The system of internal control is based on an ongoing process developed to identify and prioritise the risks to the achievement of Harrow's vision, policies, aims and objectives, to evaluate the likelihood and impact of those risks being realised and to manage them efficiently, effectively and economically. It cannot eliminate all risks and can therefore only provide reasonable and not absolute assurance of effectiveness.

Throughout the year, the Council regularly reviews the effectiveness of its governance framework to streamline and improve our processes to ensure these arrangements remain effective, now and into the future. This is informed by individual service leadership and management, corporate oversight functions (including statutory officers), internal audit, external auditors and other review agencies. Similar and proportionate oversight and governance arrangements should also be put in place in respect of services outsourced to external suppliers, trading partnerships, Council owned companies, shared service arrangements and arm's length bodies. The Council is committed to the ongoing strengthening of its governance arrangements and will consider new initiatives that will impact on its governance arrangements in future reviews.

The Annual Governance Statement incorporates the continuous review of the effectiveness of our governance arrangements throughout 2023/24. It identifies areas where we can and will do more to ensure that we have effective governance arrangements that enable the organisation to deliver on its commitment to restoring pride in Harrow.

During 2023/24 the authority provided timely support, information and responses to the Council's external auditors, Mazars. The delay in signing off the 2021/22 accounts affected the publication of the 2022/23 accounts. The draft 2022/23 accounts were published on 23 January 2024. The audit of these accounts commenced in February 2024, and the audit of the Statement of Accounts 2022/23 was completed in November 2024.

The governance framework has been in place at the London Borough of Harrow for the year ended 31 March 2024 and up to the date of audit and approval of the statement of accounts.

Reasonable assurance can be given that the systems and processes in place throughout the Council support the achievement of its objectives and generally comply with the Harrow's Local Code of Corporate Governance. The Council is currently aware of issues that could affect its financial position such as, but not limited to, ongoing cost pressures associated with the delivery of Children's and Adult Social Care Services, temporary housing and the cost of living crisis. Whilst a number of assurances have been obtained to support this conclusion as outlined in the following paragraphs, it is important that the specific assurance of the Head of Internal Audit & Anti-Fraud is considered to support this statement.

#### 4. Review of Governance Arrangements

The 2023/24 annual review process has been completed and reviewed the basic building blocks of governance via a Council-wide, evidence based, self-assessment against the CIPFA Framework.

The external auditors risk assessment of the Council's value for money arrangements for 2022/23 are still underway. Their 2021/22 assessment identified three significant weaknesses: -

- (i) Governance arrangements over the ledger migration: maintaining adequate historic accounting records
- (ii) Effectiveness and coverage of internal audit
- (iii) Governance in relation to allegations of fraud and corruption

Due to the delays in the external auditor's completing their audit of the accounts these weaknesses were not reported to the Council until 2023/24. Measures taken to address these during 2023/24 can be seen in the action plan available [here](#).

A number of external reviews were undertaken during 2023/24 which included: -

- Annual review of Legal Services by LEXCEL confirming compliance
- Harrow Careline passed the TSA Quality Standards Framework audit
- Comprehensive Review of IT Services
- Assessment of EFSA Subcontracting Standard for London Borough of Harrow
- SEND Funding

During the reporting year reviews were undertaken of the Council's Financial Resilience & Flagship Actions. A review of our corporate risk management arrangements is scheduled to take place in 2024.

#### 5. Joint Working/Partnership 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 2023/24 the Council's trading structure consisted of six separate legal entities as shown in the table below:

Name	Legal Structure
Concilium Group Ltd (Holding Company)	UK Limited Company
Sancroft Community Care Limited	UK Limited Company
Concilium Assets LLP	Limited Liability Partnership
Harrow Strategic Development Partnership LLP	Limited Liability Partnership

Leefe Robinson Mews Management Company Ltd	UK Limited Company
Pinnora Mews Management Company Ltd	UK Limited Company (Dormant)
Concilium Business Services Ltd	UK Limited Company (Dissolved 13.06.23)

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 (apart from the Harrow Strategic Development Partnership in which London Borough of Harrow holds a 50% interest).

Governance arrangements were put in place within these entities upon inception, these were reviewed and assessed as reasonable.

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.

## **6. Governance, Audit, Risk Management and Standards Committee (GARMS) role in governance arrangements**

The GARMS Committee 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. It also acts as the Standards Committee. During 2023/24 the Committee met five times and received reports that supports its oversight of governance within the Council, including: -

• The Corporate Risk Register	• Treasury Management
• Performance of Internal Audit & CAFT	• Complaints
• Compliance with the Public Sector Internal Audit Standards (PSIAS)	• Updates on Financial Position
• Review of Annual Governance Statement	• Updates from External Auditor
• Review of the Statement of Accounts	

The Committee reports annually on its performance to the full Council. An ongoing development programme has been developed for committee members to support them in executing their responsibilities and to ensure that the committee continues to be effective. This will commence during 2024/25.

## **7. Review and Update of the Constitution**

The Council's decision-making framework, including delegation arrangements, is outlined in the Constitution. Three corporate policies, incorporated into the Constitution were updated during the year: -

- Code of Conduct for Members
- Code of Conduct for Officers
- Declaration of Interest
- Anti-Fraud and Corruption Strategy 2022 - 2026

## 8. Overview and Scrutiny

The scrutiny function comprises three main committees with lead scrutiny councillors for Health, Community, People and Resources. During the year the scrutiny committees considered the following reports: -

<b>Overview and Scrutiny (9 meetings)</b>	<b>Performance &amp; Finance Scrutiny Sub-Committee (2 meetings)</b>	<b>Health &amp; Social Care Scrutiny Sub-Committee (3 meetings)</b>
<ul style="list-style-type: none"> <li>Community Safety Strategy 2023-2026</li> <li>Customer Experience</li> <li>Harrow Strategic Development (HSDP) Report – Business Plans</li> <li>Corporate Plan &amp; Final Budget</li> </ul>	<ul style="list-style-type: none"> <li>Annual Complaints Feedback – Children’s &amp; Adult’s</li> <li>Draft Revenue Budget 2024/25 &amp; Draft Medium Term Financial Strategy to 2026/27</li> </ul>	<ul style="list-style-type: none"> <li>Royal National Orthopaedic Hospital NHS Trust - Quality Accounts</li> <li>Immunisation Services in Harrow</li> <li>Harrow Community Services Position Statement</li> <li>Harrow Health &amp; Care System Pressures</li> <li>Harrow Borough Partnership Winter Plan – Risks</li> <li>Harrow Mental Health – CNWL</li> <li>Winter Pressures</li> </ul>

## 9. Opinion of the Head of Internal Audit & Anti-Fraud

In accordance with the Accounts and Audit Regulations 2015 and the Public Sector Internal Auditing Standards (PSIAS), the Assistant Director Audit & Anti-Fraud, who is the Council’s chief audit executive, is required to provide independent assurance and opinion on the adequacy and effectiveness of the Councils’ risk management and control framework, and through the Internal Audit & Anti Fraud Service deliver an annual programme of risk based audit activity, including counter fraud and investigation activity and make recommendations for the improvement of the management of risk and control.

The framework for identifying and managing risks consists of a series of Directorate Risk Registers that feed into an overarching Corporate Register. The Corporate Risk Register was reviewed and updated during 2023/24. The Corporate Risk Register is now presented at GARMS by the Managing Director and on 19 March 2024 it was published as a public document for the first time.

The Assistant Director Audit & Anti-Fraud, having reviewed the available evidence, including the cumulative knowledge and experience from audit review of the systems and controls in place over many years, the results of previous audit work and the work completed in 2023/24, supported by other sources of assurance, is satisfied a reasonable conclusion can be drawn on the adequacy and effectiveness of the Council’s governance arrangements, and that the Council has good foundations in place which generally conform with best practice that are fundamentally sound and fit for purpose.

Reasonable assurance can be taken that the Council's risk management, internal control environment and governance processes were in operation during the year to 31 March 2024. There are areas where improvements to enhance the Council's governance framework were identified, these have been recognised and improvement plans are in place.

Full details of the assurance provided in this statement were provided within the Internal Audit Annual Report for 2023/24 which was considered by the GARMS Committee on 15 July '2024. An outline of the rationale for the 'Reasonable' assurance opinion can be viewed [here](#).

There is a continuing need for the Council to move at pace to deliver new services to the community to mitigate the worst effects of the cost of living crisis. Experience gained through the pandemic response has developed our capacity to do this, but it is noted that change to service provision and restructuring of services does provide a challenge with which the governance arrangements must keep pace. The Reasonable assurance opinion provided here reflects that we have continued to carry out effective governance despite the challenges of the cost of living crisis following on from the huge disruption caused by Covid-19.

The Accounts and Audit (England) Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS) require the Council to undertake a review of the effectiveness of its Internal Audit function and to report the results in the Annual Governance Statement. Harrow was due to undergo an external peer review in 2021/22 however all such reviews remained suspended at that time due to the pandemic. The external review is now planned for later in 2024. Because of this we are not fully compliant with the requirements of PSIAS. We continue to undertake self-assessments which supports the view that, as in previous years, the Council has effective arrangements in place for the provision of its Internal Audit Service.

## **10. Previous Significant Governance Issues**

Following the audit of the 2021/22 final accounts the Council received Value for Money qualifications in the following areas: -

- (i) Governance in relation to allegations of fraud and corruption - A significant governance gap in the Place directorate identified in 2021/22 involving allegations of fraud and corruption remains the subject of an ongoing police investigation and as such no detailed information can be provided. The Internal Audit and the Corporate Anti-Fraud Team continued to support the police investigation during 2023/24. The Council is still awaiting an update from the police on the outcome of their investigations.

A detailed Internal Audit review was undertaken of the system involved and all recommendations made were agreed by management. A follow-up undertaken in December 2022 established that a red/amber assurance rating had been reached. A further audit undertaken in 2024, was reported upon in December this concluded a Limited Assurance. Management agreed to all the recommendations. Implementation of the management actions will be followed up during 2025/26.

- (ii) Governance arrangements over the ledger migration, maintaining adequate historical accounting records – the auditors identified a significant weakness in respect of the Council's governance of the implementation of its new ledger and they recommended that the Council completed a full validation exercise of all the data that has been transferred to the cloud-based storage solution to mitigate the risk of non-compliance with laws and regulations in respect of maintaining adequate accounting records. The VFM review in 2022/23 found that this weakness no longer existed.



- (iii) Effectiveness and coverage of Internal Audit - During 2023/24 management have taken steps to increase resources in the service to ensure delivery of a programme of work sufficient in breadth and depth to support a robust opinion by the Head of Internal Audit & Anti Fraud that provides adequate assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud. The VFM review in 2022/23 found that this weakness no longer existed.

## 11. Significant Governance Issues 2023/24

No significant governance issues were identified by the Council in 2022/23 although there were a number of areas identified for improvement. The audit of the Statement of Accounts 2022/23 was completed in November 2024. The issues within Highways in 2020/21 remained an ongoing governance weakness. An internal audit review has taken place and management actions to address the outstanding concerns have been agreed and are planned to be implemented in full during 2025/26. This will be followed up by Internal Audit.

## Appendix 1

### Improving Governance

Based on our review of the governance framework the following significant issues will be addressed in 2024/25.

Issues Identified 2023/24	Planned Action
<b>1. Senior Officer Capacity</b>	
<p>A large number of key governance and senior leadership roles across the Council were vacated during the year. The Managing Director, Director Finance &amp; Assurance and Monitoring Officer all have key responsibilities to ensure that the governance arrangements meet statutory requirements, are up to date, and also to provide leadership to the Council. The Monitoring Officer (MO) left the Council's employ in February 2023; the Chief Executive (job title since renamed Managing Director (MD)) at the end of May 2023; the Head of Internal Audit &amp; Anti Fraud (HIA) in May 2023 and the Director of Finance &amp; Assurance (DoF) in early July 2023. There were also a number of other senior leadership roles covered by interim arrangements.</p>	<p>Actions were taken throughout the year to stabilise the senior leadership across the organisation. The following measures were put in place to provide leadership to the Council on governance matters: -</p> <ul style="list-style-type: none"> <li>• Interim appointments were made to ensure the key roles continued to be covered without interruption</li> <li>• The interim Director of Corporate Resources and Transformation was appointed to the post of Head of Paid Service (Managing Director) from 1 June 2023 for an initial six months, extended by three years, agreed by Council on 30 November 2023.</li> <li>• The Head of Legal Services, Deputy MO was appointed Interim MO this was made permanent following a competitive recruitment process in April 2024.</li> <li>• The Head of Strategy &amp; Technical Finance was appointed Interim DoF, following a competitive recruitment process this was made permanent in June 2024.</li> <li>• Following a competitive recruitment campaign in September 2024 the Assistant Director Audit &amp; Anti Fraud which was covered by an Interim agency appointment resulted in a permanent appointment. This post incorporates the previous post of HIA.</li> <li>• A restructure of the Audit &amp; Corporate Anti Fraud services was undertaken and the majority of posts have now been filled by permanent appointments, Recruitment to the remaining vacancies is underway.</li> <li>• Concerted efforts are being made across the Council to recruit permanently to senior posts that are currently covered by interim arrangements.</li> </ul>



<b>2. Significant Cost Pressures</b>	
Robust budget monitoring processes are in place. These have highlighted significant cost pressures primarily involving care packages in Adult Social Care and Temporary Accommodation. Inflation has increased supplier costs and may yet lead to further pressures which are not funded by central government.	During 2023/24 as part of the budget monitoring process, significant pressures were identified in the main cost areas affected by demand; Adult Social Care and Temporary Accommodation. These pressures were addressed as part of the 2024/25 budget setting process. The most substantial pressure was in Adult Social Care and such was the scale of the demand, that across the 3 years of the MTFS from 2024/25 to 2026/27, a further £9.7m was added to the Adult Social Care budget as a budget growth. With regard to Temporary Accommodation, £2.3m of growth was added to 2025/26. This is set out in the Final 2024/25 Budget Report presented to Cabinet on 15 February 2024.
<b>3. Partnership Risks</b>	
The Council has a number of significant strategic partnerships across a range of areas, including with the voluntary sector, children and young people, adults, community safety, health, housing, economic development, and regeneration. The Council does not have any arrangements in place to report upon risks within Partnership instead relying upon partners to oversee shared joint risks facing each individual partnership body.	<p>The Council captures and monitors partnership risks to the Council itself (when acting in partnership with other organisations) in both its corporate risk register and also in its directorate risk registers which are monitored on a quarterly basis.</p> <p>The Council has three significant partnership areas, namely the Safer Harrow Partnership (SHP), partnerships in Voluntary and Community Sector (VCS) and the Harrow Strategic Development Partnership (HSDP).</p> <p>Currently partnership or shared/joint risks facing each partner are not captured or monitored in a risk register for the SHP or VCS partnerships. At the HSDP risks to the partnership are captured and identified in a shared register and in addition to this the Council has appointed independent consultants working on its behalf to identify any keys risks and to highlight them and provide recommendations on how to mitigate risks across the partnership.</p> <p>The Council advocates and promotes the creation of a partnership risk register, reviewed on a quarterly basis where appropriate, in significant strategic partnerships and key partnerships with the Voluntary and Community Sector, where the partnership is significant in size or area and where there is sufficient skill-sets and capacity in the VCS partnership to maintain the register.</p> <p>The Council will explore how best to capture and monitor the risks associated within the partnership areas identified above.</p>

These issues will be supported by a detailed action plan, progress on which will be monitored during 2024/25 and reported to the Corporate Leadership Team.

Outcomes from governance issues identified in 2022/23 that were addressed in 2023/24 along with other weaknesses identified in 2023/34 can be found [‘here’](#).

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 & Anti Fraud.

Signed on behalf of the London Borough of Harrow:



Cllr Paul Osborn  
Leader  
Date: 19 February 2025



Alex Dewsnap  
Managing Director  
Date: 19 February 2025

## 9. Pension Fund Financial Statements

### STATEMENT OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

#### 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;
- To manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets; and
- To approve the Financial Statements.

#### The Director of Finance Responsibilities

The Director of Finance is responsible for the preparation of the Fund's Statement of Accounts in accordance with proper practices set out in the CIPFA Code of Practice on Local Authority Accounting.

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;
- Complied with the Code of Practice on Local Authority Accounting;
- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that these Financial Statements present fairly the financial position of the London Borough of Harrow Fund of the Local Government Pension Scheme as at 31 March 2024 and its income and expenditure for the year then ended.



**Sharon Daniels**  
**Strategic Director of Finance (S151 Officer)**  
**Date – 19 February 2025**

# Harrow Pension Fund Account as at 31 March 2024

2022-23		Notes	2023-24
£'000			£'000
	<b>Dealings with members, employers and others directly involved in the fund</b>		
(37,238)	Contributions	7	(37,813)
(3,877)	Transfers in from other pension funds	8	(4,485)
(121)	Other income	8A	(192)
<b>(41,236)</b>			<b>(42,490)</b>
40,269	Benefits	9	44,577
3,610	Payments to and on account of leavers	10	6,950
<b>43,878</b>			<b>51,527</b>
<b>2,643</b>	<b>Net (additions)/withdrawals from dealings with members</b>		<b>9,037</b>
4,550	Management expenses	11	4,325
<b>7,193</b>	<b>Net (additions)/withdrawals including fund management expenses</b>		<b>13,362</b>
	<b>Return on investments</b>		
(8,355)	Investment income	12	(11,086)
64,351	(Profit)/losses on disposal of investments and changes in the market value of investments	14A	(105,020)
<b>55,996</b>	<b>Net return on investments</b>		<b>(116,106)</b>
63,189	<b>Net (increase)/decrease in the net assets available for benefits during the year</b>		<b>(102,745)</b>
<b>(1,018,011)</b>	<b>Opening net assets of the scheme</b>		<b>(954,822)</b>
<b>(954,822)</b>	<b>Closing net assets of the scheme</b>		<b>(1,057,567)</b>

# Net Assets Statement as at 31 March 2024

31 March 2023		Notes	31 March 2024
£'000			£'000
	<b>Investment assets</b>		
920,835	Investments	14	1,024,470
14,517	Derivative contracts	14	4,386
11,433	Cash with investment managers	14	19,334
<b>946,785</b>			<b>1,048,190</b>
	<b>Investment liabilities</b>		
(770)	Derivative contracts	14	(1,473)
<b>946,014</b>			<b>1,046,717</b>
9,107	Current assets	21	11,554
176	Long Term Debtors	21A	247
<b>955,308</b>			<b>1,058,518</b>
(486)	Current liabilities	22	(951)
<b>954,822</b>	<b>Net assets of fund available to fund benefits at the period end</b>		<b>1,057,567</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**  
**Strategic Director of Finance (S151 Officer)**  
**Date – 19 February 2025**

# Notes to the Harrow Pension Fund

## Accounts for the year ended

### 31 March 2024

#### 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.

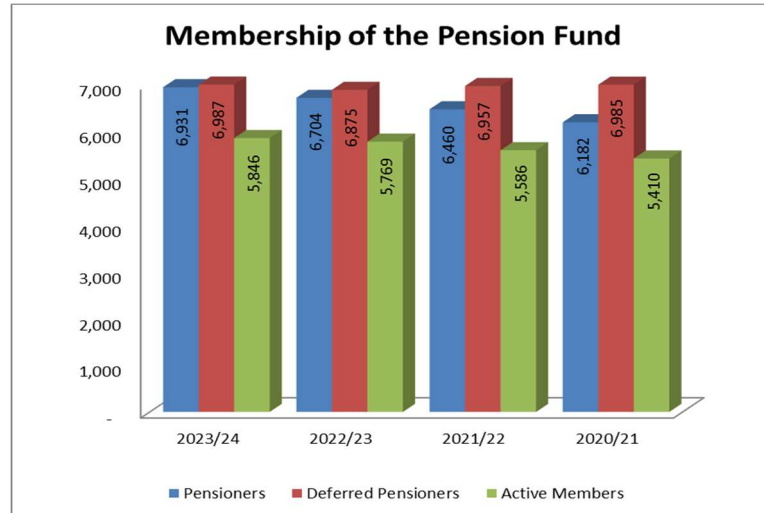
##### b) Membership

Scheme employers are required to auto-enrol new members of staff, and on a three yearly cycle to re-enrol those who have opted out previously. However, employees of those employers are able to opt out of the scheme should they wish to do so.

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



Employer	Status	PENSIONERS	DEFERREDS	ACTIVES	Total	%
Harrow Council	Scheduled Body	6362	5608	3634	15,604	78.95
Nower Hill	Scheduled Body	42	161	198	401	2.03
Stanmore College	Scheduled Body	114	158	106	378	1.91
Heathland and Whitefriars	Scheduled Body	31	95	212	338	1.71
Rooks Heath	Scheduled Body	36	110	150	296	1.50
Hatch End High	Scheduled Body	44	141	88	273	1.38
Park High	Scheduled Body	24	83	126	233	1.18
Canons High	Scheduled Body	18	91	124	233	1.18
Bentley Wood	Scheduled Body	15	92	87	194	0.98
Harrow High	Scheduled Body	21	58	100	179	0.91
St Dominics 6th form college	Scheduled Body	51	37	60	148	0.75
Pinner High School	Scheduled Body	3	25	120	148	0.75
Aylward Primary School	Scheduled Body	11	32	83	126	0.64
Priestmead School	Scheduled Body	9	17	85	111	0.56
Salvatorian Academy	Scheduled Body	26	49	20	95	0.48
St Georges Primary	Scheduled Body	7	15	70	92	0.47
St John Fisher	Scheduled Body	5	18	64	87	0.44
St Josephs Primary	Scheduled Body	9	9	58	76	0.38
Welldon Park School	Scheduled Body	7	10	57	74	0.37
Earlsmead Academy	Scheduled Body	8	15	41	64	0.32
St Bernadettes	Scheduled Body	11	9	40	60	0.30
Alexandra Academy	Scheduled Body	9	18	29	56	0.28
Sacred Heart High School	Scheduled Body	7	8	33	48	0.24
St Jerome	Scheduled Body	1	4	43	48	0.24
Avanti House Secondary School	Scheduled Body	0	5	40	45	0.23
Krishna Avanti Academy	Scheduled Body	0	19	22	41	0.21
Jubilee Academy	Scheduled Body	0	21	17	38	0.19
Avanti House Primary School	Scheduled Body	1	14	15	30	0.15
Hujjat Primary School	Scheduled Body	0	1	16	17	0.09
Avanti School Trust	Scheduled Body	0	2	9	11	0.06
NLCS	Community Admission Body	47	49	39	135	0.68
Evergreen	Admitted Body	0	1	18	19	0.10
ISS Catering	Admitted Body	4	2	1	7	0.04
SOS Ltd	Admitted Body	0	2	4	6	0.03
Wates (Linbrook)	Admitted Body	3	0	3	6	0.03
Brayborne Facilities Services	Admitted Body	0	0	5	5	0.03
SOS Longfield	Admitted Body	1	2	2	5	0.03
Evergreen Harrow High	Admitted Body	2	1	2	5	0.03
Govindas	Admitted Body	0	3	2	5	0.03
PSC Ltd	Admitted Body	0	0	4	4	0.02
ISS Hatch End	Admitted Body	0	0	4	4	0.02
The Pegasus Partnership	Admitted Body	0	0	4	4	0.02
PSC Roxeth	Admitted Body	0	0	3	3	0.02
Evergreen Aylward	Admitted Body	2	0	1	3	0.02
PSC Vaughan	Admitted Body	0	0	2	2	0.01
Evergreen LBH	Admitted Body	0	2	0	2	0.01
ISS Bentley Wood	Admitted Body	0	0	2	2	0.01
ISS Sacred Heart	Admitted Body	0	0	1	1	0.01
ISS Park High	Admitted Body	0	0	1	1	0.01
ISS Harrow High	Admitted Body	0	0	1	1	0.01
		6,931	6,987	5,846	19,764	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.

	Service pre 1 April 2008	Service post 31 March 2008
<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 2023-24 financial year and its position as at 31 March 2024. The Accounts have been prepared on a going concern basis on the assumption that the functions of the authority will continue in operational existence for the foreseeable future, and in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2023-24' 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**

Scheme members' contributions are set by statute, while employer contributions are set by the Fund's actuary at the Triennial Valuation. Contributions, both from the scheme members and from employers, are accounted for on an accruals basis at the appropriate percentage rate.

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 2023-24.

## 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 Fund 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 Fund. 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 Fund 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 Fund.

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**

No critical judgements used during 2023-24.

## **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. Estimation sensitivities are set out in note 16.

The items in the net assets statement at 31 March 2024 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if actual results differ from assumptions</b>
<b>Fair value – basis of valuation (Note 16)</b>	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. This is as a result of those valuations being based on unobservable inputs. Consequently, less certainty and a higher degree of caution should be attached to level 3 valuations. Additionally, 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.  Level 3 Investments for 2023-24 are £146.03m

**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 2023-24 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 2024, the value of the Fund's investment assets has not changed significantly, although there has been some short term volatility linked to geopolitical events such as conflicts and elections. This has been reflected particularly in equity markets, with values moving in both directions since March 2024. At 30 September 2024 the Fund's net assets are valued at 3.4% above their March 2024 value. However the amount is small and will fluctuate regularly.

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

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

2022-23		2023-24
£'000		£'000
(8,209)	Employees' contributions	(8,623)
	Employers' contributions:	
(20,827)	Normal contributions	(22,761)
(8,173)	Deficit recovery contributions	(6,071)
(29)	Pension strain contributions	(358)
(29,029)	Total employers' contributions	(29,190)
(37,238)	Total contributions receivable	(37,813)

**By type of employer**

2022-23		2023-24
£'000		£'000
(28,187)	Administering Authority	(28,373)
(8,190)	Scheduled bodies	(8,723)
(708)	Community admission body	(529)
(152)	Transferee admission bodies	(188)
(37,238)		(37,813)

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

2022-23		2023-24
£'000		£'000
0	Group transfers	0
(3,877)	Individual transfers	(4,485)
(3,877)		(4,485)

**NOTE 8A: OTHER INCOME**

2022-23		2023-24
£'000		£'000
(121)	Other Income	(192)
(121)		(192)

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

2022-23		2023-24
£'000		£'000
33,465	Pensions	37,038
5,631	Commutation and lump sum retirement benefits	6,779
1,173	Lump sum death benefits	760
<b>40,269</b>		<b>44,577</b>

**By type of employer**

2022-23		2023-24
£'000		£'000
36,755	Administering Authority	41,632
2,966	Scheduled bodies	2,520
274	Community admission body	313
274	Transferee admission bodies	112
<b>40,269</b>		<b>44,577</b>

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

2022-23		2023-24
£'000		£'000
59	Refunds to members leaving service	82
3,551	Individual transfers	6,868
<b>3,610</b>		<b>6,950</b>

**NOTE 11: MANAGEMENT EXPENSES**

2022-23		2023-24
£'000		£'000
703	Administrative costs	794
3,166	Investment management expenses	2,862
681	Oversight and governance costs	669
<b>4,550</b>		<b>4,325</b>

**NOTE 11A: INVESTMENT MANAGEMENT EXPENSES**

2023-24	Total	Management Fees	Other Fees
		£'000	£'000
Pooled Investments - Equities	1,221	1,131	90
Pooled Investments - Alternatives	831	805	26
Pooled Investments - Other	737	727	10
Derivatives	63	63	0
Custodian	10	10	0
	<b>2,862</b>	<b>2,736</b>	<b>126</b>

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

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>

**NOTE 12: INVESTMENT INCOME**

2022-23		2023-24
£'000		£'000
(4,898)	Pooled Investments - LCIV/Private Equity	(6,756)
(1,790)	Pooled Investments - Property	(1,495)
(1,667)	Pooled investments - Other	(2,836)
<b>(8,355)</b>		<b>(11,087)</b>

**NOTE 13: EXTERNAL AUDIT COSTS**

2022-23		2023-24
£'000		£'000
16	Payable in respect of external audit	75
<b>16</b>		<b>75</b>

**NOTE 14: INVESTMENTS**

Market value 31 March 2023 £'000		Market value 31 March 2024 £'000
	<b>Investment assets (Pooled)</b>	
484,745	Pooled equities investments	566,415
134,377	Pooled bonds investments	136,988
165,151	Pooled alternative investments	174,893
72,462	Pooled infrastructure	91,602
59,898	Pooled property investments	51,083
<b>916,633</b>		<b>1,020,981</b>
	<b>Investment assets (Other)</b>	
150	Equity in London CIV	150
4,052	Private equity	3,339
14,517	Derivative contracts: forward currency	4,386
11,433	Cash with investment managers	19,334
<b>946,785</b>		<b>1,048,190</b>
	<b>Investment liabilities</b>	
(770)	Derivative contracts: forward currency	(1,473)
<b>(770)</b>	<b>Total investment liabilities</b>	<b>(1,473)</b>
<b>946,015</b>	<b>All investments</b>	<b>1,046,717</b>

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

	Market value 31 March 2023 £'000	Purchases during the year and derivative payments £'000	Sales during the year and derivative receipts £'000	Net change in market value during the year £'000	Market value 31 March 2024 £'000
<b>Investment assets</b>					
Pooled equities investments	484,745	3,019	(1,240)	79,891	566,415
Pooled bonds investments	134,377	3,944	(85)	(1,248)	136,988
Pooled alternative investments	165,151	0	(10,866)	20,608	174,893
Pooled property investments	59,898	0	(7,146)	(1,669)	51,083
Pooled infrastructure	72,462	16,391	0	2,749	91,602
Equity in London CIV	150	0	0	0	150
Private equity	4,052	0	(20)	(693)	3,339
Derivative contracts	13,747	0	(16,216)	5,382	2,913
	<b>934,582</b>	<b>23,354</b>	<b>(35,573)</b>	<b>105,020</b>	<b>1,027,383</b>
Cash with investment managers	11,433				19,334
<b>Net investment assets</b>	<b>946,015</b>				<b>1,046,717</b>



## Pension Fund Financial Statements

	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
<b>Net investment assets</b>	<b>1,009,669</b>				<b>946,015</b>

## NOTE 14B: INVESTMENTS ANALYSED BY FUND MANAGER

Market value 31 March 2023	Percentage of Fund	Manager	Investment assets	Market value 31 March 2024	Percentage of Fund
£'000	%			£'000	%
<b>Investments managed/classed as pooled by London CIV</b>					
110,100	12	LCIV	Developed world equities-active	129,933	12
98,277	10	LCIV	Alternative credit fund	111,973	11
67,704	7	LCIV	Sustainable equities	78,419	7
72,462	8	LCIV	Infrastructure funds	91,602	9
43,613	5	LCIV	Global bond fund	46,398	4
233,414	24	BlackRock	Global equities - passive	285,473	27
44,225	5	BlackRock	Bonds - index-linked active	41,260	4
73,527	8	LCIV	Emerging markets equities-active	72,590	7
743,322	78		Total LCIV	857,648	82
<b>Investments managed outside of the London CIV</b>					
59,898	6	LaSalle	Pooled property	51,083	5
11,406	1	BlackRock	Cash with investment managers	17,777	2
46,539	5	BlackRock	Bonds - fixed interest	49,330	5
66,874	7	Insight	Diversified growth fund	62,920	6
27	0	JP Morgan	Cash with investment managers	1,557	0
150	0	LCIV	UK equities-passive	150	0
4,052	1	Pantheon	Private equity	3,339	0
13,747	1	Record	Forward currency contracts	2,913	0
202,694	22		Total - Managers	189,068	18
<b>946,015</b>	<b>100</b>		<b>Total Investments</b>	<b>1,046,717</b>	<b>100</b>

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

Market value 31 March 2023	% of total fund	Investment assets	Market value 31 March 2024	% of total fund
£'000			£'000	
233,414	24	Blackrock Equity Beta Portfolio	285,473	27
46,539	5	BlackRock Inst. Bond Fund - Corp Bond 10 yrs	49,330	5
44,225	5	Blackrock Aquila life ovr 5yr UK idx lkd		
66,874	7	Insight Broad Opportunities Fund	62,920	6
59,898	6	LaSalle Investors UK Real Estate Fund of Funds	51,083	5
110,100	12	LCIV Global Equity Focus Fund	129,933	12
98,277	10	LCIV Alternative Credit Fund	111,973	11
67,704	7	LCIV Sustainable Equity Fund	78,419	7
43,613	5	LCIV Global bond fund		
72,462	8	LCIV Infrastructure Funds	91,602	9
73,527	8	LCIV Emerging Markets	72,590	7
<b>916,633</b>	<b>97</b>	<b>Total over 5% holdings</b>	<b>933,323</b>	<b>89</b>

**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	CAD	9,503	GBP	(5,534)	27	
Up to one month	CHF	3,021	GBP	(2,641)	16	
One to six months	HKD	4,833	GBP	(488)	1	
Up to one month	USD	105,725	GBP	(83,674)	35	
One to six months	GBP	4,828	AUD	(9,180)	79	
One to six months	GBP	5,627	CAD	(9,503)	66	
One to six months	GBP	2,843	CHF	(3,021)	186	
One to six months	GBP	104	EUR	(120)	1	
One to six months	GBP	11,307	HKD	(111,456)	7	
One to six months	GBP	191	JPY	(34,600)	10	
One to six months	GBP	2,773	NOK	(36,659)	95	
One to six months	GBP	1,671	SEK	(21,700)	61	
One to six months	GBP	1,335	SGD	(2,254)	10	
Over six months	GBP	30,204	EUR	(34,719)	412	
Over six months	GBP	11,930	JPY	(2,138,600)	587	
Over six months	GBP	80,339	USD	(97,942)	2,792	
One to six months	NOK	1,385	GBP	(106)		(5)
One to six months	SEK	756	GBP	(58)		(2)
Over six months	EUR	684	GBP	(596)		(11)
Over six months	USD	4,305	GBP	(3,545)		(136)
Up to one month	AUD	4,590	GBP	(2,372)		(0)
Up to one month	EUR	11,385	GBP	(9,766)		(29)
Up to one month	HKD	111,456	GBP	(11,286)		(9)
Up to one month	JPY	724,400	GBP	(3,801)		(10)
Up to one month	NOK	17,637	GBP	(1,298)		(11)
Up to one month	SEK	10,472	GBP	(782)		(6)
Up to one month	SGD	1,127	GBP	(662)		(1)
One to six months	GBP	5,539	CAD	(9,503)		(27)
One to six months	GBP	2,667	CHF	(3,021)		(16)
One to six months	GBP	11,647	HKD	(116,289)		(119)
One to six months	GBP	9,513	USD	(12,088)		(58)
Over six months	GBP	166,259	USD	(211,450)		(1,032)
<b>Open forward currency contracts at 31 March 2024</b>					<b>4,386</b>	<b>(1,473)</b>
<b>Net forward currency contracts at 31 March 2024</b>						<b>2,913</b>
<b>Prior year comparative</b>						
<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>

## 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	Net Asset Value	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. Set out below is the consequent potential impact on the closing value of investments held at 31 March 2024 using data provided by PIRC.

	Assessed valuation range (+/-)	Valuation at 31 March 2024	Value on increase	Value on decrease
		£000	£000	£000
Private Equity	4.82%	3,339	3,500	3,178
Pooled investments - Infrastructure	5.01%	91,602	96,191	87,012
Pooled investments - property funds	6.84%	51,083	54,577	47,588
		146,024	154,268	137,778

	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

## 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	
<b>Values at 31 March 2024</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Financial assets at fair value through profit and loss</b>				
Pooled equities investments	566,415			566,415
Pooled bonds investments	90,590	46,398		136,988
Pooled alternative investments	62,920	111,973		174,893
Pooled property investments			51,083	51,083
Pooled infrastructure			91,602	91,602
Private equity			3,339	3,339
Derivative contracts: forward currency		2,913		2,913
<b>Assets at amortised cost</b>				
Cash Deposits / Other	19,334	150		19,484
<b>Total</b>	<b>739,258</b>	<b>161,434</b>	<b>146,024</b>	<b>1,046,717</b>

	Quoted market price	Using observable inputs	With significant unobservable inputs	
<b>Values at 31 March 2023</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<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
<b>Assets at amortised cost</b>				
Cash Deposits / Other	11,433	150		11,583
<b>Total</b>	<b>653,816</b>	<b>155,787</b>	<b>136,412</b>	<b>946,015</b>

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

None in the year ending 31 March 2024 nor in the year to 31 March 2023

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

Period 2023/24	Market Value 31 March 2023	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 2024
	£000	£000	£000	£000	£000	£000	£000
Private Equity	4,052	0	0	0	(20)	(693)	3,339
Pooled - Infrastructure	72,462	0	0	16,391	0	2,749	91,602
Pooled - property	59,898	0	0	0	(7,146)	(1,669)	51,083
	136,412	0	0	16,391	(7,166)	387	146,024

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

**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.

31 March 2023			31 March 2024		
Fair value through profit and loss	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>					
484,745	0	0	566,415	0	0
134,377	0	0	136,988	0	0
165,151	0	0	174,893	0	0
72,462	0	0	91,602	0	0
59,898	0	0	51,083	0	0
150	0	0	150	0	0
4,052	0	0	3,339	0	0
14,517	0	0	4,386	0	0
0	19,163	0	0	29,888	0
0	1,563	0	0	1,247	0
<b>935,352</b>	<b>20,726</b>	<b>0</b>	<b>1,028,856</b>	<b>31,135</b>	<b>0</b>
<b>Financial liabilities</b>					
(770)	0	0	(1,473)	0	0
0	0	(486)	0	0	(951)
<b>(770)</b>	<b>0</b>	<b>(486)</b>	<b>(1,473)</b>	<b>0</b>	<b>(951)</b>
<b>934,582</b>	<b>20,726</b>	<b>(486)</b>	<b>1,027,383</b>	<b>31,135</b>	<b>(951)</b>
<b>954,822</b>			<b>1,057,567</b>		
<b>Grand Total</b>					

**NOTE 17A: NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS**

31 March 2023	31 March 2024
£'000	£'000
<b>Financial Assets</b>	
(64,351)	105,020
0	0
<b>(64,351)</b>	<b>105,020</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 equity 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	10.71
Bonds	9.07
Alternatives	5.01
Pooled Property	6.84
Private Equity	4.82

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 2024	Percentage change	Value on increase	Value on decrease
	£'000	%	£'000	£'000
<b>Investment portfolio assets:</b>				
Pooled equities investments	569,328	10.71	630,303	508,353
Pooled bond investments	136,988	9.07	149,413	124,563
Pooled alternative investments	174,893	5.01	183,655	166,131
Pooled property investments	51,083	6.84	54,577	47,589
Private Equity	3,339	4.82	3,500	3,178
Pooled Infrastructure	91,602	5.01	96,191	87,012
Equity - London CIV	150	0.00	150	150
<b>Total</b>	<b>1,027,383</b>		<b>1,117,789</b>	<b>936,976</b>

Asset type	Value as at 31 March 2023	Percentage change	Value on increase	Value on decrease
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## Pension Fund Financial Statements

	£'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>

### 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 2024 and 31 March 2023 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 2024	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£'000		£'000	£'000
Cash and cash equivalents	29,888	0	29,888	29,888
Fixed interest securities	49,330	493	49,823	48,836
Global bond fund	46,398	464	46,862	45,934
<b>Total change in assets available</b>	<b>125,616</b>	<b>957</b>	<b>126,573</b>	<b>124,658</b>

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>

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 6.74%.

A 6.74% 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 underlying manager hedges currency exposure within its mandate.

Currency Exposure - asset type	Asset Value as at 31 March 2024	Change to net assets	
		Value on increase	Value on decrease
	£'000	6.74% £'000	6.74% £'000
Overseas Pooled Equities	534,133	570,134	498,132

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

### 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 2024 was £29.9m (31 March 2023: £19.1m). This was held with the following institutions.

Summary	Rating	Balances at 31 March 2023	Balances at 31 March 2024
		£'000	£'000

**Bank accounts**

NatWest PLC	A+ (Fitch)	7,672	10,554
JP Morgan	Aa1 (Moody's)	27	1,557
BlackRock	AAAmf (Fitch)	11,406	17,777
		<b>19,105</b>	<b>29,888</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 2024 the value of illiquid assets was £146.0m. This represented 13.81% of the total Fund assets (31 March 2023: £136.4m).

**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' contribution 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 improvements in the CMI 2022 model, with a 25% weighting of 2022 data, 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement 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

50% of future retirements elect to exchange pension for additional tax free cash up to HMRC limits.

## 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, each 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 June 2023, a judgement was handed down in the High Court in the case of Virgin Media vs. NTL Pension Trustees II Limited that could have implications for defined benefit (DB) pension schemes going forward. The Fund cannot quantify the financial effect of the ruling. The Fund will monitor any potential impact on the fund's promised benefits from the Virgin Media Ltd v NTL case. When the impact is known the fund will consider the impact.

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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 2023	31 March 2024
£m	£m
(1,120)	(1,139)
Present value of promised retirement benefits	

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

	2022-23	2023-24
	% pa	% pa
Inflation/pensions increase rate assumption	3.0	2.8
Salary increase rate	4.0	3.8
Discount rate	4.8	4.8

## NOTE 21: CURRENT ASSETS

31 March 2023	31 March 2024
£'000	£'000
<b>Short Term Debtors:</b>	
951 Contributions due - employers	1,000
436 Sundry debtors	0
58 Cash owed to Fund	0
<b>Cash:</b>	
7,672 Cash deposits	10,554
<b>9.117</b>	<b>11.554</b>

## NOTE 21A: LONG TERM DEBTORS

31 March 2023	31 March 2024
£'000	£'000
176 Lifetime Tax Allowances	247
<b>176</b>	<b>247</b>

## NOTE 22: CURRENT LIABILITIES

31 March 2023	31 March 2024
---------------	---------------

£'000		£'000
(220)	Sundry creditors	(470)
(266)	Benefits payable	(481)
(486)		(951)

## NOTE 23: ADDITIONAL VOLUNTARY CONTRIBUTIONS

Employee Contributions 31 March 2023	Market value of Funds 31 March 2023		Employee Contributions 31 March 2024	Market value of Funds 31 March 2024
£'000	£'000		£'000	£'000
276	2,515	Prudential Assurance	272	2,366
2	418	Clerical Medical	7	455
0	224	Utmost (Previously Equitable Life)	0	184
278	3,157		279	3,005

## NOTE 24: 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/payments 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. All Transactions between the Council and the Pension fund are reconciled and settled with a cash transfer, on a monthly basis. Included within this is the Councils EES/ERS Contributions and CAYS payments.

31 March 2023		31 March 2024
£'000		£'000
(21,889)	Employer's Pension Contributions to the Fund	(21,814)
900	Administration expenses paid to the Council	983
58	Cash held by the Council	(88)
(1,728)	CAYs payments (Augmentation)	(1,798)

The Pension Fund administers the historic Compensatory Added Years payments (CAYs) awarded to Teachers and employees in the LGPS. These costs are charged directly to the Council monthly.

The overall value of these payments during 2023/24 was £2.785m (2022/23 £2.679m) with £1.798m paid directly by the Pension fund (2022/23 £1.728m) and £0.987m directly by the Council (2022/23 £0.951m)

## NOTE 25: Governance

Responsibility for management of the Fund has been delegated to the Pensions Committee and the day to day operations of the Fund have been delegated to the Director of Finance (Section 151). No members of the Pension Committee are in receipt of pension benefits from the Harrow Pension Fund. Each member of the Pensions Committee and Local Pension Board are required to declare their

interests at each meeting. The Chair of the Pension Committee is Cabinet member for Finance. The members of the Pensions Committee do not receive fees in relation to their specific responsibilities as members of the Pensions Committee.

## NOTE 25A: KEY MANAGEMENT PERSONNEL

The key management personnel of the fund are the Councils' Director of Finance (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 2023		31 March 2024
£'000		£'000
111	Short-term benefits	124

## NOTE 26: CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments at 31 March 2024 totalled £42.7m (31 March 2023: £58.7m). 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.

Apart from the outstanding commitments detailed above, the Fund has no contingent liabilities at 31 March 2024 (31 March 2023 Nil.)

## 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 obligation. Value at for 31st March 2024 £0.354m (31st March 2023 £0.354m) . These bonds are drawn in favour of the Fund and payment will only be triggered in the event of employer default.



## Pension Fund Accounts Reporting Requirement

### Introduction

CIPFA's Code of Practice on Local Authority Accounting 2023/24 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the London Borough of Harrow Pension Fund ("the Fund").

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

### Present value of promised retirement benefits

Year ended	31 March 2024	31 March 2023
Active members (£m)	421	390
Deferred members (£m)	217	218
Pensioners (£m)	501	512
<b>Total (£m)</b>	<b>1,139</b>	<b>1,120</b>

The promised retirement benefits at 31 March 2024 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

### Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2024 and 31 March 2023. I estimate that the impact of the change in financial assumptions to 31 March 2024 is to decrease the actuarial present value by £48m. I estimate that the impact of the change in demographic assumptions is to decrease the actuarial present value by £7m.

**Financial assumptions**

Year ended	31 March 2024	31 March 2023
	% p.a.	% p.a.
Pension Increase Rate (CPI)	2.80%	3.00%
Salary Increase Rate	3.80%	4.00%
Discount Rate	4.80%	4.75%

**Demographic assumptions**

The longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2022 model, with a 25% weighting of 2022 data, 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.7 years	24.3 years
Future pensioners (assumed to be aged 45 at the latest valuation date)	22.5 years	26.0 years

All other demographic assumptions are unchanged from last year and are as per the latest funding valuation of the Fund.

**Sensitivity Analysis**

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the obligations are set out below:

Change in assumption at 31 March 2024	Approximate % increase to promised retirement benefits	Approximate monetary amount (£m)
0.1% p.a. decrease in the Discount Rate	2%	19
1 year increase in member life expectancy	4%	46
0.1% p.a. increase in the Salary Increase Rate	0%	1
0.1% p.a. increase in the Rate of CPI Inflation	2%	18

**Professional notes**

This paper accompanies the 'Accounting Covering Report – 31 March 2024' which identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by:-



Seven Law FFA

16 August 2024

For and on behalf of Hymans Robertson LLP

August 2024

## Appendices

### Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

**Contingent Liability:** is either; a) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or b) present obligation that arises from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Impairment:** a reduction in the carrying value of a 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