
# Ealing Council Statement of Accounts 2019/20

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Good, genuinely affordable homes | Opportunities and living incomes | A healthy, great place | FOR ALL

# Contents

# 1. Narrative Report and Written Statements

# INTRODUCTION BY THE CHIEF FINANCIAL OFFICER

The Statement of Accounts sets out the Council's financial results for 2019/20 and the position at 31 March 2020.

It is intended that these accounts provide a useful and important source of financial information for the Ealing community, stakeholders, council members and other interested parties.

The Narrative Report provides some background and context to the council's financial position in 2019/20; I hope that readers of the council's accounts find this helpful.

I would like to thank my staff and colleagues throughout the Council for their hard work and support in producing the accounts for 2019/20.

**Ross Brown, BSc (Hons) CPFA**
**Chief Finance Officer**
**Date: 03 March 2021**

# NARRATIVE REPORT

The Narrative Report provides information on the authority, its main objectives and strategies and the principal risks that it faces, as well as providing a commentary on how the authority has used its resources to achieve its desired outcomes in line with its objectives and strategies throughout 2019/20. The report mainly covers the period prior to the outbreak of the Covid-19 pandemic and therefore a section specifically relating to Covid-19 is provided towards the end of this report.

## ABOUT EALING

Ealing is an attractive area to live in. The borough has outstanding schools, stunning parks, open spaces and great local high streets, providing a good quality of life, while excellent transport links provide easy access to all the best opportunities that London has to offer.

This combination explains why so many have chosen to build their lives here. Ealing is the fourth most populous London borough with 342,700 residents. We are also a hugely diverse borough with people from across the world coming to make Ealing their home. That diversity is one of the borough's great strengths and contributes to the unique identities of our seven towns – Ealing, Acton, Hanwell, Greenford, Northolt, Perivale, Southall as well as our 23 wards.

Once fully operational there will be five Elizabeth line (Crossrail) stations in the borough, strengthening the transport network and combining inner London travel times with outer London quality of life and making Ealing one of the capital's best connected boroughs. As well as cutting the journey between Ealing and Bond Street to just 11 minutes and 14 minutes to Heathrow Airport, 900,000 more jobs will be within a 45 minute journey from Ealing.

Ealing is a strong economic centre with more VAT registered businesses located here than anywhere else in West London. Indeed, there are approximately 17,800 small businesses in Ealing and over 162,000 local jobs. The Park Royal industrial estate in Acton is the largest in Europe and economic growth rates in the borough are strong.

The borough is also an extremely attractive location for development and investment. The Old Oak Common and Park Royal redevelopment is the largest regeneration scheme in London enabled by the link between HS2 and the Elizabeth Line. While the borough is already home to Ealing Studios, a world class film and TV industry, the £100 million Filmworks development – which will include an eight-screen cinema – is also under construction in central Ealing.

Investment and growth have helped increase the percentage of Ealing residents who are economically active. More than half of residents aged 16-64 are educated to degree level, surpassing both the London and national average.

Ealing Council has played a strong role to enable people to enjoy the benefits of living in Ealing. During the last four years the council, working with partners and residents, has made significant improvements to people's lives, particularly the most vulnerable. There are now fewer looked after children; fewer young people out of work, education or training; a higher proportion of people in control of the social care they receive, and fewer people permanently placed in residential care. Between 2014 and 2018, the council delivered hundreds of much needed new council houses.

## ABOUT THE COUNCIL

As a London Borough, Ealing is responsible for the provision of most local services (e.g. Social Care, Education, Temporary Accommodation, Waste Collection and Roads) and is a billing authority in respect of Council Tax and Business Rates. The remaining services (such as Transport, Fire and Police) are the responsibility of the Greater London Authority.

Ealing's operational structure of the 3 following directorates reflect these responsibilities:

- **Chief Executive** (including Finance, HR & Organisational Development, ICT & Property Services, Legal & Democratic Services, Customer & Transactional Services and Strategy & Engagement)
- **Children's, Adults and Public Health** (including Adult Services, Children & Families, Learning Standards & School Partnerships, Public Health and Schools Planning & Resources)
- **Place** (including Community Development, Growth & Sustainability, Place Delivery and Housing Development)

## OUR WORKFORCE

The Council employed 2,832 people in 2019/20 (headcount on 31/03/2020) as shown below:

| | |
|---|---|
| **Gender:**<br>Male: 34.5%<br>Female: 65.5% | **Declared Disability:**<br>Yes: 4% |
| **Age:**<br>Under 25: 2.9%<br>25-39: 25.2%<br>40-49: 24.3%<br>50-64: 42.7%<br>65+: 4.9% | **Ethnicity:**<br>BME: 47.4%<br>White: 38.3%<br>Unknown: 14.3% |

## THE CORPORATE PLAN 2018-22

The Council's Corporate Plan is our key strategic document and sets out the contribution the Council will make towards improving the borough and quality of life for Ealing residents between 2018 and 2022. It is framed by the three priorities of the elected administration for Ealing to provide:

- Good, genuinely affordable homes
- Opportunities and living incomes
- A healthy, great place

These priorities are delivered through nine key aims:

1. A growing economy creates jobs and opportunities for Ealing residents to reduce poverty and increase incomes
2. Children and young people fulfil their potential
3. Children and young people grow up safe from harm
4. Residents are physically and mentally healthy, active and independent
5. Ealing has an increasing supply of quality and affordable housing
6. Crime is down and Ealing residents feel safe
7. The borough has the smallest environmental footprint possible
8. Ealing is a clean borough and a high quality place where people want to live
9. Ealing is a strong community that promotes diversity with inequality and discrimination reduced

This work is underpinned by our strong commitment to adopt modern working practices; offering the digital experience that residents expect, providing our staff with the best tools to do their job, and driving efficiency and commercialisation to further cut costs and increase our income.

We recognise our workforce is our most important asset – their talent, skills, knowledge and experience are at the heart of everything we do and all that we achieve. Our corporate core values guide every aspect of our work, with the overarching value, 'improving lives for residents' that reflects our ultimate purpose and what the Council is here to do. The organisational values which assist us to achieve this purpose are trustworthy, innovative, collaborative, and accountable.

## FUTURE FOCUS

Our three core priorities remain to deliver 2,500 genuinely affordable homes, secure decent living incomes and job opportunities for our residents and make Ealing a healthy and still great place to live for all. Each year we bring one of these priorities into sharper focus.

Our first priority is delivering 2,500 genuinely affordable homes. We invested in our housing stock, secured almost £100 million from the Mayor of London to deliver new housing, commenced new housebuilding projects, and worked with developers and providers to accelerate the supply of much-needed affordable housing.

Forward looking we will place a greater focus on ensuring better opportunities and living incomes for our residents. We will do this through a range of measures such as supporting out of work residents into employment, providing opportunities for skills enhancement and career development, helping our young people get on the career ladder through apprenticeships, and creating more opportunities for local people to earn a living income.

At the same time, we will also boost the local economy by encouraging more businesses to relocate in the borough, creating the right environment for businesses to start and thrive, and ensuring the council spends locally where possible, especially with small businesses. We will also engage with local businesses to create more apprenticeship opportunities and better paid jobs for people in the borough.

We will also help our young people to achieve, especially those with additional needs. We will focus our efforts on strengthening our partnership with local schools and improve educational outcomes for all children; starting them on a good path in life after leaving education, to help them achieve careers and a secure future.

## GOVERNANCE

Ealing Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

The council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE Framework Delivering Good Governance in Local Government 2016 Edition. A copy of the code can be located on Ealing Council's Internet website at:

https://www.ealing.gov.uk/download/downloads/id/2550/corporate_code_of_governance.doc

The Annual Governance Statement explains how the council has complied with the code and also meets the requirements of regulation 6(2) Accounts and Audit Regulations 2015, in relation to the approval of the Annual Governance Statement.

Ealing, like many other local authorities nationally has experienced unprecedented challenges and pressure due to the outbreak of the Covid-19 pandemic. Full financial support from Government for the crisis is essential to ensure the Council can deliver on our objectives.

## BUDGET SETTING

The 2019/20 budget was set in February 2019, prior to Covid-19. The budget process was priority-led; aligning the allocation of resources with the priorities of the Administration set out in the Corporate Plan 2018-22 and prepared in line with the Administration's principles for the budget process as follows;

The council must set a balanced budget, we must act responsibly with local people's money. We will focus the money the council spends on delivering our principles.

The proposals to deliver a balanced budget have been driven through the council's Future Ealing programme. This is principally a programme of service outcome reviews, developed in partnership with an external delivery partner to identify options both to deliver priority outcomes in new ways and to identify savings options to present to Cabinet as part of the 2019/20 budget process.

By using the nine key aims set out in the Corporate Plan 2018-2022 as the framework for the budget process the council aimed to prioritise and focus delivery, improve community outcomes and inform the difficult budget choices that the council will face.

Service outcome reviews were not the sole method by which the Council looked to close the forecast 2019/20 budget gap. Other significant programmes of activities included;

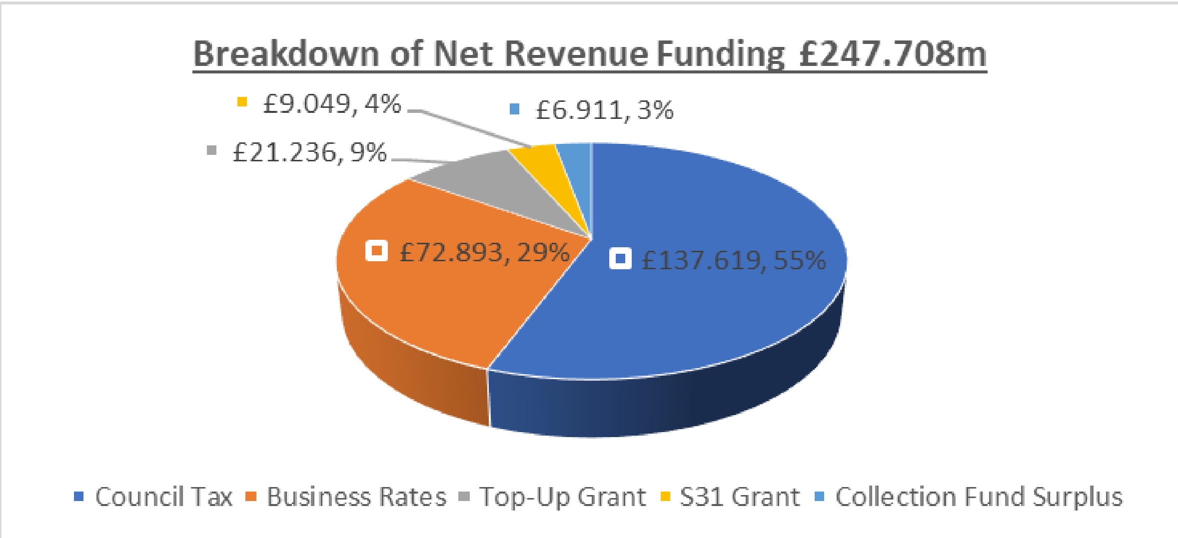
a) The Modern Council programme which is focusing on areas such as Continued Improvement & Efficiency, Digital, Assets;
b) The Better Lives programme for adult social care transformation, which has multiple workstreams aimed at containing expenditure to realise spend reductions from 2018/19;
c) The Future Working programme to redevelop the council's headquarters delivering housing and a more efficient operating environment for staff; and
d) The Brighter Futures programme which has succeeded in sustaining a reduction in the number of looked after children, delivering better outcomes for the children concerned.

On the 26 February 2019, Full Council approved and set a net revenue budget of £247.708m, which included £9.382m of Future Ealing Budget Savings and £2.626m savings from other activities.

The council tax base is the number of properties in Bands A-H in the borough expressed as an equivalent number of Band D units, for 2019/20, the council tax base was set at 115,490.

Over the last decade the council has successfully delivered low council tax levels significantly below both the national and outer London average and high quality services with 2018/19 being the first rise in Ealing's element of Council Tax in eight years. However, for 2019/20, in order to deliver a balanced budget, Full Council approved to increase Council Tax by 3.99% (1.0% for the Social Care Precept and 2.99% for the relevant basic amount), to mitigate the impacts of ongoing social care pressures and inflationary increases.

The chart below shows how the Council funded its total net revenue budget of £247.708m




## PERFORMANCE

### COUNCIL

A summary of performance at the end of 2019/20 is shown in the table below:

| RAG Status | Number of PIs | % of PIs 2019/20 | % of PIs 2018/19 |
|---|---|---|---|
| Green | 33 | 52% | 50% |
| Amber | 15 | 24% | 23% |
| Red | 15 | 24% | 27% |
| Not available | 8 | | |
| Not applicable | 5 | | |
| Total | 76 | | |

Out of the 76 indicators in the performance set, final outturns for 2019/20 are now available for 63 indicators. 33 (52%) of these have met their target, 15 (24%) are within tolerance, while 15 (24%) did not meet target.

While not a direct comparison due to the indicators being different across the two years, performance is favourable compared to last year – 76% indicators have met target or were within tolerance in 2019/20 as compared to 73% in 2018/19. This position may change slightly once the year-end performance of all the 76 indicators becomes available, although five of these indicators are biennial so will not have an update available this year and are marked as not applicable.

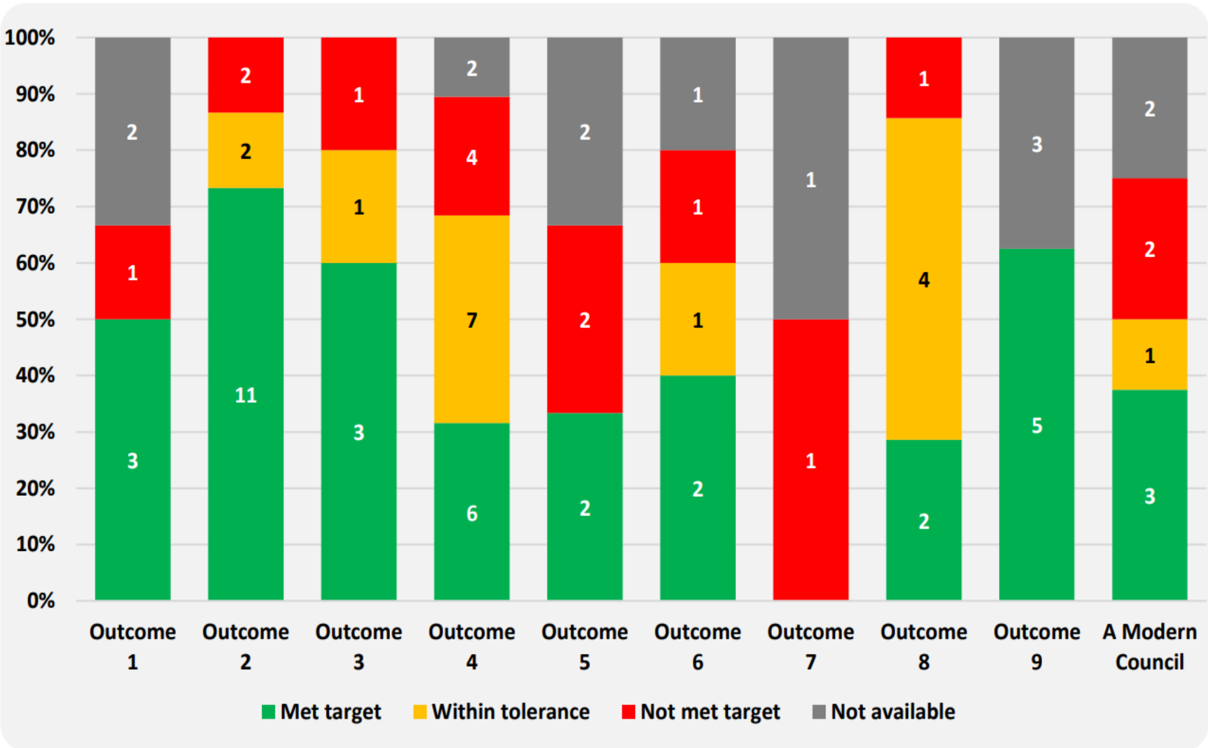
In terms of direction of travel of performance, comparable outturns are available for only 60 of the 76 measures. 66% of these indicators have shown the same or better performance than last year, comparing well against 63% in 2018/19, as shown below:

| Direction of Travel | Number of PIs | % of PIs 2019/20 | % of PIs 2018/19 |
|---|---|---|---|
| Up | 34 | 57% | 57% |
| Same | 6 | 10% | 6% |
| Down | 20 | 33% | 37% |
| Not available | 5 | | |
| New indicator | 5 | | |
| Not applicable | 6 | | |
| Total | 76 | | |

The bar chart below shows the performance status of all the indicators organised by each of the nine Future Ealing outcomes and the Modern Council theme. Each bar represents 100% of the measures within an outcome, and the actual number of measures that are Red, Amber, Green or Not available are also shown on the bars.

Note that five performance measures are common to more than one Future Ealing outcome. Due to this double counting, in the chart below the total number of measures adds up to 81, even though the number of unique indicators available is 76.

**Performance status by Future Ealing outcome; Year-end 2019/20**



## PERFORMANCE DASHBOARD

More detailed performance information, including trends and analysis, is available on the Council's website through our public performance dashboard at the link below:

www.ealing.gov.uk/performance

The dashboard covers performance measures, broken down by Corporate Plan priority, and reports the most recent performance data, as well as historical data, trends and the direction of travel of performance. It enables residents to access performance information in an easy and interactive way.

# FINANCIAL

## REVENUE

During the year, the Council put in place a number of measures to address projected service overspends that had been identified through the budget monitoring process. These measures were part of a strategy that helped the Council to contain most of the impacts of in-year budget pressures. When combined with other available resources, including underspends in corporate budgets due to capital programme reprofiling, use of contingency and use of departmental and corporate reserves, the strategy ensured that the Council outturned at a break-even position.

The General Fund revenue outturn position for 2019/20 is £248.154m (2018/19 £243.625m), this represents a gross overspend of £0.446m (0.18%) (2018/19 underspend of £0.438m) against a General Fund revenue budget of £247.708m (2018/19 £244.063m), before the application of reserves to off-set in-year overspend.

2019/20 Revenue Outturn Summary

| | Revised Budget* £m | Actual £m | Variance £m |
|---|---|---|---|
| **Directorate:** | | | |
| Children's and Schools | 55.088 | 64.477 | 9.389 |
| Adults & Public Health | 86.283 | 83.825 | (2.458) |
| Place | 12.725 | 13.318 | 0.593 |
| Chief Executive | 36.283 | 36.162 | (0.121) |
| Housing Benefit Subsidy | 5.862 | 5.960 | 0.098 |
| **Sub-Total** | **196.242** | **203.743** | **7.501** |
| **Centrally Held Budgets:** | | | |
| Council Wide | 6.820 | 5.359 | (1.461) |
| Interest & Finance Charges | 33.879 | 28.508 | (5.371) |
| Grants | (18.854) | (19.044) | (0.190) |
| Levies | 29.621 | 29.588 | (0.033) |
| **Sub-Total** | **51.466** | **44.411** | **(7.055)** |
| | | | |
| Contribution to/(from) Reserves | 0.000 | (0.446) | (0.446) |
| | | | |
| **NET REVENUE BUDGET** | **247.708** | **247.708** | **(0.000)** |

*Revised budget refers to the fact that the budget was realigned across services.

The Children's and Schools service outturn of a net budget pressure of £9.389m is mainly driven by value and volume of placements relating to Children with Disability (CWD) and support for Special Education Needs and Disability (SEND) in the DSG and SEN Transport.

Adults and Public Health service outturn of a (£2.458m) underspend is mainly driven by a combination of one-off factors to include:

- £1.165m underspend relating to lower activity on DOLS (Deprivation of Liberty Safeguards); and
- £1.293m net underspend across the service area mainly relating to additional income received in-year for S117.

# RESERVES

## General Fund

The General Fund balance at 31 March 2020 was £15.919m, this balance is consistent with the risk-assessed target specified in the MTFS, approved in February 2020 prior to the Covid-19 pandemic outbreak. The Chief Finance Officer, as the Council's Section 151 Officer, considered that a balance of £15.919m was adequate given the risks the council was facing and considering Ealing's spending history at the time and not an international crisis on the scale as Covid-19, further narrative is provided in the Covid-19 section towards the end of this report.

## Earmarked Reserves

Excluding the unused Covid-19 grant received in March of £9.504m held in reserves, overall there has been a net decrease in movements of £1.105m which includes an increase of £2.985m in HRA reserves and decrease of £4.090m in General Fund Reserves. The General Fund Reserve movement reflects £3.065m of DSG Deficit on High Needs Block being carried forward.

| | 31 March 2019 £m | Net Movement £m | 31 March 2020 £m |
|---|---|---|---|
| Corporate - Insurance Reserve | (5.721) | 0.000 | (5.721) |
| Parking Places Reserve Account | (5.328) | 1.781 | (3.547) |
| Business Rates Pool Equalisation Fund | (3.227) | 0.947 | (2.280) |
| PFI Reserves | (23.279) | 0.208 | (23.071) |
| Dedicated Schools Grant Balance | (2.251) | 2.860 | 0.609 |
| **Sub-Total Controllable Ringfenced Reserves** | **(39.806)** | **5.796** | **(34.010)** |
| Corporate - Ealing Civic Improvement Fund | (2.704) | 1.359 | (1.345) |
| Corporate - Invest to Save Reserve | (2.709) | 0.335 | (2.374) |
| Corporate - Social Care Transformation Reserve | (0.351) | 0.184 | (0.167) |
| Corporate - Economic Volatility Reserve | (3.068) | (1.500) | (4.568) |
| Service Various (includes revenue grants) | (6.495) | (0.283) | (6.778) |
| Corporate Various | (8.336) | (0.164) | (8.500) |
| **Sub-Total Controllable Non-Ringfenced Reserves** | **(23.663)** | **(0.069)** | **(23.732)** |
| Schools Balances | (14.951) | (1.628) | (16.579) |
| General Fund Balance | (15.910) | (0.009) | (15.919) |
| **Total General Fund Reserves & Balances** | **(94.330)** | **4.090** | **(90.240)** |
| | | | |
| Housing Revenue Account Reserve | (9.104) | (2.985) | (12.089) |
| Housing Revenue Account Balance | (4.925) | 0.000 | (4.925) |
| **Total HRA Reserve and Balances** | **(14.029)** | **(2.985)** | **(17.014)** |
| | | | |
| **TOTAL RESERVES & BALANCES** | **(108.359)** | **1.105** | **(107.254)** |
| | | | |
| **COVID-19 Emergency Grant Balance** | 0.000 | (9.504) | (9.504) |
| | | | |
| **TOTAL RESERVES & BALANCES** | **(108.359)** | **(8.399)** | **(116.758)** |

Note: Ringfenced Reserves refer to reserves which cannot be repurposed, whereas Non-Ringfenced Reserves are Earmarked for specific items, but could be repurposed if the Council required.

# PENSION LIABILITIES

The Council has reported a net pension liability of £567.614m as at 31st March 2020. Pension liabilities are based on the requirements of IAS 19, Employee Benefits, and calculations are carried out using a prescribed method. The liability is not an immediate deficit that has to be met now. The sum is the current assessment taking a long term view of the future liabilities for existing pensioners and current employees who are accruing pension entitlement and of future expected investment performance.

The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 14 years. This is considered as part of the budget setting process and has no impact on the Council's ability to be a going concern.

## CAPITAL

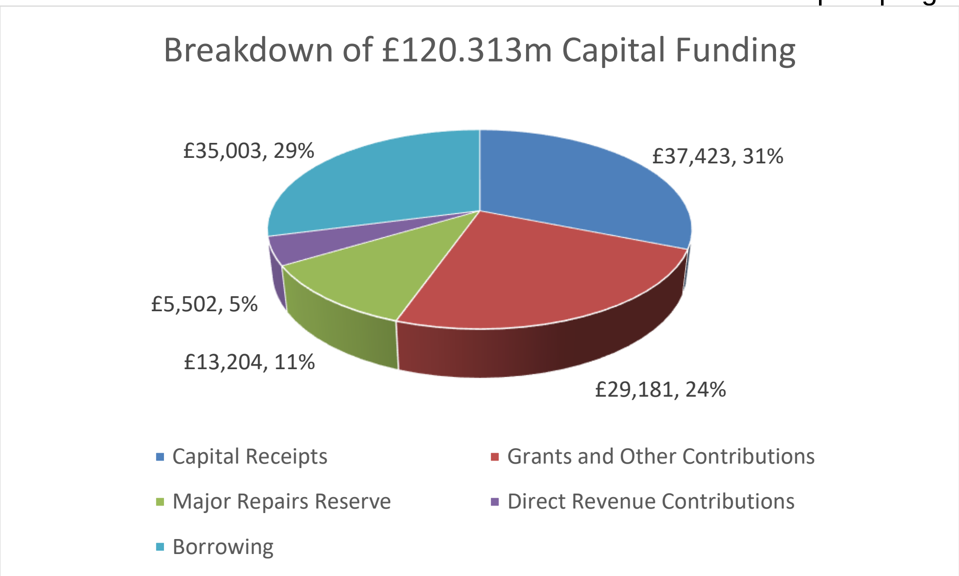
The revised capital programme budget of £136.324m reflects the slippage approved by Cabinet in March 2020 and additions previously approved by Cabinet and officers.

The capital programme for 2019/20 reported a net overspend of £1.297m against the approved programme budget, after allowing for the reprofiling of £17.308m and the carry-forward of resources into 2020/21.

2019/20 Capital Outturn Summary

| | Revised Budget £m | Actual £m | Slippage/ (Accelerated Spend) £m | Variance £m |
|---|---|---|---|---|
| **Directorate:** | | | | |
| Children's, Adults & Public Health | 19.940 | 18.467 | 1.213 | (0.260) |
| Place | 38.715 | 35.177 | 5.094 | 1.556 |
| Chief Executive | 13.999 | 9.637 | 4.362 | 0.000 |
| **Total General Fund** | **72.654** | **63.281** | **10.669** | **1.296** |
| Housing Revenue Account | 63.670 | 57.032 | 6.638 | 0.000 |
| **TOTAL CAPITAL PROGRAMME** | **136.324** | **120.313** | **17.307** | **1.296** |

The chart below shows how the Council funded the 2019/20 capital programme spend of £120.313m




## HOUSING REVENUE ACCOUNT

The HRA reported a balanced budget outturn position, which includes a contribution to reserves of £2.985m, resulting from underspend on cost of borrowing due to significant slippage against budgeted capital spend and the reduced contribution from revenue to fund capital. This will be used to fund the capital programme from 2020/21 and support some of the budget delivery risks in 2020/21.

The HRA balance at 31 March 2020 is £4.925m, with £12.089m HRA Earmarked Reserves.

## COLLECTION FUND

The overall position on the Collection Fund is a £964k surplus, against an estimated surplus of £2.164m in January 2020, the adverse variance of £1.201m is a result of minor changes to exemptions and reliefs and an increase in arrears, reflecting the losses incurred throughout March due to the impact of Covid-19.

### Council Tax

Council tax in-year collection for 2019/20 was down on the target collection profile by 0.4% which equates to £0.794m. The losses were mainly due to a significant reduction in payments in March due to the impacts of Covid-19. The Council Tax outturn position on the Collection Fund is a surplus of £168k.

### Business Rates

Business Rates collection is 1.0% behind target and last year's performance. The losses were mainly due to a significant reduction in payments in March due to the impacts of Covid-19. The Business Rates outturn position on the Collection Fund is a surplus of £796k.

## TREASURY MANAGEMENT

The Council's borrowing and investment strategy is outlined annually in its Treasury Management Strategy which is agreed by Full Council and presented to the Audit Committee for review on a quarterly basis.

The Council's Treasury Management Strategy for 2019/20 was approved on 26 February 2019 by Full Council. The strategy comprehensively outlined how the treasury function would operate throughout the financial year 2019/20 including the limits and criteria to be used to determine organisations in which the Council would invest its surplus cash and the council's policy on long term borrowing and limits on debt. The Council complied with the strategy throughout the financial year to 31 March 2020.

### Cash Flow

Over the 12 months to 31 March 2020, the Council's cash flows were maintained through borrowing and investment activities on the wholesale money market and the net investment position at 31 March 2020 was £186.800m.
The Council's temporary borrowing and investment activity (that is 364 days or less) over the period is set out below:

| | Investments £m | Borrowing £m | Net Position £m |
|---|---|---|---|
| **Outstanding 1 April 2019** | **207.470** | | **207.470** |
| Raised during period | 1,389.810 | (25.000) | 1,364.810 |
| Repayments during period | (1,405.480) | 20.000 | (1,385.480) |
| **Outstanding 31 March 2020** | **191.800** | **(5.000)** | **186.800** |

### Investments

The Council maintained an average balance of £231.068m of internally managed funds and held an outstanding balance of £191.800m as at 31 March 2020. The internally managed funds earned an average rate of 0.877 %. The comparable performance indicator is the average 7-day LIBID rate, which returned 0.570%.

The ongoing uncertainties in the economic environment during the year meant that the Council continued to place investments in shorter term deposits and with high quality counterparties. However, there were some longer-term deposits placed with other local authorities.

The Treasury Investment Portfolio at 31 March 2020 is set out below:

| Counterparty Name | Investments 31 Mar 19 £m | Investments 31 Mar 20 £m |
|---|---|---|
| Local authorities | 148.000 | 161.000 |
| Lloyds | 29.420 | 29.950 |
| Nationwide Building Society | 5.000 | - |
| Debt Management Office | 24.200 | - |
| Other | 0.850 | 0.850 |
| **Total Investments** | **207.470** | **191.800** |

Borrowing

The Council raised £20m of PWLB borrowing during 2019/20 to take advantage of the good value levels of long-term borrowing rates. However, the Council still maintains an under-borrowing position of £49.396m and officers continue to monitor the position.

The total long-term borrowing at 31 March 2020 was £632.352m (including Mortlake Crematorium Board). The following table shows the spilt between the General Fund and HRA borrowing, and that overall debt increased by £13.648m from £618.704m the previous year.

| Source | Debt 31 Mar 19 £m | Loans Raised £m | Loans Repaid £m | Debt 31 Mar 20 £m |
|---|---|---|---|---|
| PWLB | 396.942 | - | (4.723) | 392.219 |
| Market Loans | 62.016 | - | - | 62.016 |
| Mortlake Crematorium | 2.393 | 0.350 | - | 2.743 |
| **Total General Fund** | **461.351** | **0.350** | **(4.723)** | **456.978** |
| PWLB | 131.369 | 20.000 | (1.979) | 149.390 |
| Market Loans | 25.984 | | | 25.984 |
| **Total HRA** | **157.353** | **20.000** | **(1.979)** | **175.374** |
| | | | | |
| **TOTAL LONG-TERM BORROWING** | **618.704** | **20.350** | **(6.702)** | **632.352** |
| **OTHER LONG-TERM LIABILITIES** | **115.185** | **-** | **(4.681)** | **110.504** |

The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR). The Council's actual borrowing at the end of the financial year was less than the year end CFR of £792.253m, which resulted in internal borrowing of £49.397m.

The table below shows the breakdown of the Council's total CFR.

| CFR | 2018/19 £m | 2019/20 £m |
|---|---|---|
| CFR - General Fund | 497.724 | 518.948 |
| CFR - HRA | 162.801 | 162.801 |
| Other Long-Term Liabilities | 115.186 | 110.504 |
| **Total Investments** | **775.711** | **792.253** |

## PENSION FUND

The Pension Fund revenue account shows an in-year deficit for the year of £68.107m. In cash terms the Fund remains cash positive, returning a cash surplus of £29.593m (excluding asset revaluations and disposal gains and losses). As a result of the in-year deficit, Pension Fund net assets decreased from £1,260.264m to £1,192.157m during the year, representing a decrease of 5.4%.

Pension Fund net liabilities must be reviewed every three years by an actuary and a recovery plan agreed to eliminate any deficit. An actuarial valuation of the London Borough of Ealing Pension Fund was carried out as at 31 March 2019 to determine the contribution rates with effect from 1 April 2020 to 31 March 2023.

On the basis of the assumptions adopted, the Fund's assets of £1,260 million represented 91% of the Fund's past service liabilities of £1,384 million (the "Solvency Funding Target") at the valuation date. The deficit at the valuation was therefore £124 million.

The valuation also showed that a Primary contribution rate of 16.3% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the Funding Strategy Statement (FSS) is to achieve and maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall.

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average recovery period adopted is 14 years, and the total initial recovery payment (the "Secondary rate" for 2020-2023) is an addition of approximately £9.7m per annum on average in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this varies year on year.

## RISKS

The Accounts and Audit Regulations 2015 and Public Sector Internal Audit Standards 2017 require the council to maintain a robust, adequate and effective system of risk management in its delivery of core services. Operation of an effective and embedded risk management framework is an important element of such a system so that the council effectively discharges its corporate governance responsibilities.

The Senior Leadership Team (SLT) is responsible for reviewing the Strategic Risk Register (SRR), ensuring that the management of risk continues to be within the council's risk appetite. Audit Committee is responsible for considering the effectiveness of the council's strategic risk management arrangements.

The Strategic Risk Register underwent a detailed root and branch review by SLT prior to the Covid-19 period, whereby a refreshed risk register has been produced. The aims of the review were:

- A shorter, more concise risk register
- Help with maintenance and priorities
- Greater joint awareness of issues
- Help with delivery of objectives
- Better monitoring of actions

The benefits of the review:

- Identifying risks as potential barriers to the success of the Council on core objectives.
- Help to mitigate risks.
- Help to understand and prioritise risks.

The council's strategic risks are determined by SLT, and comprise of key risks which either:

- Significantly affect the council's ability to achieve the Borough's long-term strategic objectives and priorities which are set out in the Corporate Plan;
- Are relevant and important to all or most of the council's services and functions;
- Are external to the council but which have potential significant impacts on the Borough, or parts of the Borough, as a whole; or
- Have potentially severe reputational consequences should they materialise.

As a result of the Covid-19 period regular update meetings have been held with key stakeholders and risk owners to ensure that they remain up to date and new risks are captured. The full results of the work are summarised below. The Covid-19 response and recovery has impacted on the overall risk position. As a result of ongoing dialogue with senior management there are now 5 specific risk issues incorporated on the register relating to the Covid position:

- Response – how the Council is responding to support the community.
- Recovery – how the Council will recover and support the community in recovery.
- Care homes – how the Council is supporting care homes in the borough.
- Budget pressures – how the Council is responding to budget pressures created by our Council's response.
- Workforce resilience – recognising the potential impact on services due to possible pressure on some staff

A number of risks on the Strategic Risk Register have the potential for significant financial impact and this is articulated within each individual risk description and managed through the control measures which are in place and monitored by the control owners. All financial risks of a material or significant nature are either monitored through the regular Finance monitors to SLT and Cabinet or considered as part of the Budget Strategy.

Further information on the funding, financial pressures and Covid-19 risks are included in the MTFS and Covid-19 sections below.

## OUTLOOK

### MEDIUM-TERM FINANCIAL STRATEGY (MTFS)

The aim of the MTFS is to ensure a stable and sustainable financial position that will allow the council to achieve its vision and strategic objectives. It reflects the impact of central government funding decisions, analysis of advice and information from various relevant organisations and the impacts of the national and local economic context. It provides a robust financial framework to support achievement of the council's overall objectives and delivery of services.

The Local Government Finance settlement finalised on the 6 February 2020 only confirmed funding until 2020/21, this alongside the ongoing consultations in grant funding, Comprehensive Spending Review, Business Rates Retention, and the Fair Funding Review mean there is considerable uncertainty regarding Local Government funding over the medium term. The MTFS therefore includes various assumptions on future funding which is based on Government announcements made to date.

Given the uncertainties of the economic environment and the anticipated scale of the expenditure reductions required, there are inevitably significant risks involved in delivering balanced budgets over the medium term. Key strategic risks are;

- Included in the Corporate Risk Register;
- Regularly reported to Audit Committee; and
- Reviewed through updated Budget and MTFS Strategy reports to Cabinet.

The most immediate risk to the budget process prior to the Covid-19 outbreak continues to be non-delivery of the approved savings and placement pressures in Children's Social Care, which are mitigated by spend controls, transformational cost reduction programmes and close monitoring by SLT and by the Leader and the portfolio holders for Finance and Leisure, Health & Adult Services and Schools & Children's Services.

The Council is faced with an uncertain financial climate over the medium to long term which presents a high risk to the authority and there remains potential for further, as yet unrecognised, risks. For this reason, a prudent approach to the level of reserves held by the Council remains sensible and necessary. The Chief Finance Officer, as the Council's Section 151 Officer, is required to state whether the reserves are adequate as part of the annual budget setting process.

The Council's MTFS is continually under review and builds in projections for the MTFS period and beyond as further details and analysis become available. These updates are regularly reviewed by SLT and the portfolio holder and updates on the financial environment the Council is operating in are provided in Budget Strategy reports to Cabinet. Any sustainability impacts will be considered before final decisions are taken on whether or not to implement each proposal.

The table below summarises the MTFS forecast (including budget gap) for the period 2020/21 to 2023/24 prior to the Covid-19 outbreak as at February 2020.

| MTFS 2020/21 to 2023/24 | 2020/21 £m | 2021/22 £m | 2022/23 £m | 2023/24 £m |
|---|---|---|---|---|
| | | | | |
| **Funding** | **(247.953)** | **(248.107)** | **(249.511)** | **(250.929)** |
| | | | | |
| **Net Services Expenditure** | **183.820** | **180.935** | **179.383** | **178.726** |
| | | | | |
| Inflation | 2.745 | 7.645 | 12.645 | 17.645 |
| Contingency | 1.000 | 2.000 | 3.000 | 3.000 |
| Corporate Items | 18.019 | 26.027 | 33.609 | 41.308 |
| Treasury Management | 39.190 | 38.811 | 40.460 | 41.460 |
| Grants Held Centrally | (26.705) | (24.248) | (24.248) | (24.248) |
| Levies | 29.884 | 30.043 | 30.293 | 30.593 |
| **Net Centrally Held Budgets** | **64.133** | **80.278** | **95.759** | **109.758** |
| | | | | |
| **Net Budget Requirement** | **247.953** | **261.213** | **275.142** | **288.484** |
| | | | | |
| Contributions to/(from) reserves | 0.000 | 0.000 | 0.000 | 0.000 |
| | | | | |
| **Net Budget Requirement after Reserves** | **247.953** | **261.213** | **275.142** | **288.484** |
| | | | | |
| Forecasted Budget Gap - Incremental | 0.000 | 13.106 | 12.525 | 11.924 |
| Forecasted Budget Gap - Cumulative | 0.000 | 13.106 | 25.631 | 37.555 |

In October 2020, a Budget Strategy and MTFS 2021/22 to 2023/24 update was presented to cabinet, identifying the significant challenges faced by the Council, including continuing uncertainty of the level of support from Central Government over the medium term and an increased demand for services alongside the potential impact of COVID-19 into future years. Due to the unprecedented financial uncertainty the 2021/22 budget gap has been modelled using three scenario case set out below with the 'realistic' case, £27.730m, being taken forward as the updated budget gap for 2021/22.

| 2021/22 MTFS Scenario Planning | Optimistic Case £m | Realistic Case £m | Pessimistic Case £m |
|---|---|---|---|
| **Net Service Expenditure** | **0.000** | **0.000** | **0.000** |
| Demographic | 6.217 | 9.092 | 10.484 |
| Inflationary Pressures | 0.290 | 0.580 | 1.662 |
| New Service | 1.916 | 2.070 | 2.539 |
| Grant Loss | 1.052 | 1.052 | 1.255 |
| Service Income pressures | 0.603 | 0.883 | 2.201 |
| Savings | 0.411 | 0.576 | 1.873 |
| **Service Growth** | **10.488** | **14.252** | **20.014** |
| Levies | 0.489 | 0.539 | 0.539 |
| Corporate Items including Treasury Management, Inflation and Contingency | 0.660 | 2.499 | 4.018 |
| New Homes Bonus Grant | (1.000) | 0.597 | 0.597 |
| **Net Centrally Held Budgets** | **0.149** | **3.634** | **5.154** |
| **Contributions to reserves** | 3.500 | 3.500 | 19.419 |
| **Net Budget Requirement** | **14.137** | **21.385** | **44.586** |
| **Funding** | **4.183** | **6.344** | **7.285** |
| **Indicative Budget Gap (October 2020)** | **18.320** | **27.730** | **51.871** |

## COVID-19

Whilst the outbreak of the Covid-19 pandemic had only a minor impact on the 2019/20 budget, the 2020/21 Budget and the 2021/22 to 2023/24 MTFS were set in February 2020, when there was considerable financial uncertainty post financial year 2020/21 and prior to the Covid-19 pandemic.

At July 2020 Cabinet, a Budget Statement Report was presented to Cabinet to provide the first financial update since the outbreak of the Covid-19 pandemic, which covered budget pressures, government funding allocations, and actions to mitigate some of the new budget pressures.

## BUDGET PRESSURES

The Covid-19 pandemic has brought unprecedented challenges alongside some remarkable responses. This global health pandemic has seen Ealing Council act swiftly to support its residents, customers and businesses, working tirelessly to ensure that it can support the community with activities ranging from leading a pan London approach to procuring PPE, to food provision and support for the clinically vulnerable through to leading the way nationally in its distribution of grants and reliefs to over 5,000 businesses. As to be expected from such a crisis, this has unfortunately resulted in financial pressures.

The scale of net pressure as a direct result of Covid-19 faced by Ealing as at November is estimated to be £16.248m in 2020/21, the gross pressure is estimated to be c.£72.475m. The gross pressure, is made up of three main areas:

- Expenditure Pressures c.£31.145m
- Savings unachievable in-year c.£8.732m
- Income across all sources c.£32.598m

## FUNDING

The Covid-19 pandemic has had a significant impact on the financial position of all Local Authorities nationally, Government responded over March and April 2020, by providing £3.2 billion of emergency grant funding and over £5 billion of cashflow support to support local authorities through Covid-19. On 2 July 2020, the Secretary of State announced a new set of support measures, including a further £500 million of un-ringfenced funding to respond to spending pressures.

As at November the Council is expecting to receive in £33.703m of funding from government in relation to Covid-19 to offset in-year 2020/21 budget pressures, which includes the £18.807m allocation of the overall £3.2bn emergency Covid-19 funding to Local Government, announced by Government in March and April.

Alongside these announcements the Council has also received £68.212m of small businesses and retail, hospitality & leisure grant, to pass on to qualifying businesses within the borough, in addition the Council is also responsible for processing expanded retail and nursery business rates discounts, which the Council estimates to be refunded its £17.395m share.

## MITIGATIONS

Councils are required to deliver a balanced budget each year ensuring that the projected expenditure and commitments can be matched by the available resources in year. As is to be expected, the new Covid-19 driven pressures, estimated as a result of the international health pandemic gives rise to a real challenge in the Council's ability to achieve a balanced budget in the absence of further firm and extensive funding commitments from Government.

The Council's reserve balances have reduced year on year and whilst prudent and appropriate for the typical budgetary requirements and normal challenges faced by Ealing, they are not meant to nor have the capacity to deal with an international crisis on this scale, nor should reserves be fully depleted without very careful consideration of the impact on future years. As at 31 March 2020 the Council held £23.732m of un-ringfenced reserves.

In response to this unprecedented challenge it is necessary for the Council to consider and implement a set of measures that look to deliver a balanced budget, currently these include:

- Spend control measures for 2020/21
- Targeted reviews – to include capital programme re-profiling

However, the circumstances faced currently as a result of the pandemic are so remarkable in their breadth, scale and severity of impact across all financial areas that there is a very high likelihood that such measures will not be sufficient to address the challenge, and that only a further announcement of Government adequate funding will allow this to be achieved.

# FINANCIAL STATEMENTS

The Accounts and Audit Regulations 2015 set out the statutory deadlines for an authority to publish both the unaudited Statement of Accounts by 31 May and audited Statement of Accounts by 31 July. In recognition of the impact of the Covid-19 pandemic on the availability of finance staff resource to prepare the statement of accounts, The Ministry of Housing, Communities and Local Government (MHCLG) laid before Parliament the Accounts and Audit Regulations (Coronavirus) (Amendment) 2020 to extend the statutory deadlines to the 31 August 2020 for the publication of the unaudited Statement of Accounts and 30 November 2020 for the audited Statement of Accounts.

The Statement of Accounts provide an overview of the Council's financial position for 2019/20. The 2019/20 set of accounts conform to the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code), which is based on International Financial Reporting Standards (IFRSs).

The Council has not prepared Group Accounts in 2019/20 as its interests in other companies are below the materiality threshold to the Council's accounts.

The layout and purpose of each statement is as follows:

## EXPLANATORY STATEMENTS

- **Statement of Responsibilities** - explains the responsibilities of the Council and its Chief Financial Officer in relation to the Council's financial affairs and the Statement of Accounts.

## CORE STATEMENTS

- **Comprehensive Income and Expenditure** Statement – The comprehensive income and expenditure statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or rents). Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the expenditure and funding analysis and the movement in reserves statement.

- **Movement in Reserves Statement** – The movement in reserves statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The net increase/decrease line shows the statutory general fund balance and Housing Revenue Account (HRA) balance movements in the year following those adjustments.

- **Balance Sheet** - The balance sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the movement in reserves statement line 'adjustments between accounting basis and funding basis under regulations'.

- **Cash Flow Statement** – The cash flow statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

## NOTES TO THE CORE FINANCIAL STATEMENTS

All the notes to the core statements above are collected in one place. Later in this document there is an explanation of the policies used in the preparation of the figures in these accounts, especially changes made during the year.

## OTHER STATEMENTS

**The Collection Fund and notes** – this statement reflects the Council's statutory obligation to maintain a separate Collection Fund for its transactions as a billing authority in relation to Council Tax and Non-Domestic Rates.

**Housing Revenue Account and notes** – this statement shows the in-year economic cost of providing houses services in accordance with generally accepted accounting practices.

**Pension Fund Accounts** – these show the contributions to and benefits paid from the Pension Fund and identifies the investments which make up the assets of the fund.

## ACCOUNTING POLICIES

The specific principles, bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements.

## GLOSSARY

At the end of the booklet there is a glossary which explains some of the technical terms used in these accounts.

## FURTHER INFORMATION

Although the accounts are relatively complex to read, a result of the requirement to comply with the reporting obligations, I hope that you find them useful and informative in helping you to understand how the Council manages its finances in delivering services for residents. If you have any questions or comments on the council's accounts or their presentation, please e-mail finalaccounts@ealing.gov.uk or write to the Chief Finance Officer, Ealing Council, Perceval House, 14-16 Uxbridge Road, Ealing W5 2HL.

# STATEMENT OF RESPONSIBILITIES

The Council's Statement of Accounts has been produced under the CIPFA/LASAAC Code of Practice on Local Authority Accounting based on International Financial Reporting Standards (IFRS).

## THE COUNCIL'S RESPONSIBILITIES

The Council is required:

- To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council I exercise that role as the Chief Finance Officer.
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts.

## THE CHIEF FINANCIAL OFFICER'S RESPONSIBILITIES

The Chief Finance Officer (Section 151 finance officer) is responsible for the preparation of the Council's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain (‘the Code'), is required to give a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2020.

In preparing this Statement of Accounts I have:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code;
- Kept proper accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

## CERTIFICATE OF CHIEF FINANCIAL OFFICER

I certify that the Statement of Accounts presents a true and fair view of the financial position of the London Borough of Ealing as at 31 March 2020 and its income and expenditure for the year then ended, and that the Pension Fund accounts set out a true and fair view of the net assets of the London Borough of Ealing Pension Fund as at 31 March 2020 and its income and expenditure for the year then ended.

**Ross Brown**
Chief Financial Officer (Section 151 Officer)
03 March 2021

## CERTIFICATE OF THE CHAIR OF THE AUDIT COMMITTEE

I certify that these accounts were agreed as per the delegated authority agreed by Audit Committee at its meeting held on 25th November 2020.

**Councillor Murtagh**
Chair of the Audit Committee
03 March 2021

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

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### OPINION

In our opinion the financial statements of London Borough of Ealing ('the Authority'):

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

We have audited the financial statements which comprise:

- the Balance Sheet;
- the Comprehensive Income and Expenditure Statement;
- the Movement in Reserves Statement;
- the Cash Flow Statement;
- the Housing Revenue Account Income and Expenditure Statement;
- the Movement on the Housing Revenue Account Statement;
- the Collection Fund Account; and
- the related notes 1 to 34 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 (2019/20).

### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### EMPHASIS OF MATTER - MATERIAL UNCERTAINTY RELATED TO THE VALUATION OF COUNCIL'S DWELLINGS AND OTHER LAND AND BUILDINGS

We draw attention to notes 4 and 9, which describes the effects of the uncertainties created by the coronavirus (COVID-19) pandemic on the valuation of the Council's dwellings and other land and buildings.

As noted by the Council's external valuer, the pandemic has caused extensive disruptions to businesses and economic activities and the uncertainties created have increased the estimation uncertainty over the valuation of the Council's dwellings and other land and buildings at the balance sheet date. Our opinion is not modified in respect of this matter.

## CONCLUSIONS RELATING TO GOING CONCERN

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

## OTHER INFORMATION

The Chief Financial Officer is responsible for the 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. Our opinion on the financial statements does not cover the other information and 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 respect of these matters.

## CHIEF FINANCIAL OFFICER'S RESPONSIBILITIES

As explained more fully in the Chief Financial Officer's responsibilities statement, the Chief Financial Officer is responsible for: the preparation of the financial statements in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

## REPORT ON OTHER LEGAL AND REGULATORY MATTERS

### REPORT ON THE AUTHORITY'S ARRANGEMENTS FOR SECURING ECONOMY, EFFICIENCY AND EFFECTIVENESS IN ITS USE OF RESOURCES

### CONCLUSION

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

### RESPECTIVE RESPONSIBILITIES IN RESPECT OF OUR REVIEW OF ARRANGEMENTS FOR SECURING ECONOMY, EFFICIENCY AND EFFECTIVENESS IN THE USE OF RESOURCES

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2019 as to whether London Borough of Ealing had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether London Borough of Ealing put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

### MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

The Code of Audit Practice requires us to report to you if:

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014; or
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

## CERTIFICATE OF COMPLETION OF THE AUDIT

We certify that we have completed the audit of the accounts of London Borough of Ealing in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

## USE OF OUR REPORT

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Jonathan Gooding (Appointed auditor)
For and on behalf of Deloitte LLP
St Albans, United Kingdom
03 March 2021

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF EALING ON THE PENSION FUND FINANCIAL STATEMENTS OF THE LONDON BOROUGH OF EALING PENSION FUND

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### OPINION

In our opinion, the Pension Fund financial statements of London Borough of Ealing Pension Fund (the 'Pension Fund') on pages 96 to 116:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2020 and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

We have audited the financial statements on pages 96 to 116 which comprise:

- the Fund Account;
- the Net Assets Statement; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

### 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 for the audit of the financial statements section of our report.

We are independent of London Borough of Ealing and the Pension Fund it administers in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

## OTHER INFORMATION

The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the London Borough of Ealing's statement of accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and 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 respect of these matters.

## CHIEF FINANCIAL OFFICER'S RESPONSIBILITIES

As explained more fully in the Chief Financial Officer's responsibilities statement, the Chief Financial Officer is responsible for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting on the assumption that the functions of the Pension Fund will continue in operational existence for the foreseeable future.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

## USE OF OUR REPORT

This report is made solely to the members of London Borough of Ealing as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the London Borough of Ealing, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the London Borough of Ealing, as a body, for our audit work, for this report, or for the opinions we have formed.

Jonathan Gooding (Appointed auditor)
For and on behalf of Deloitte LLP
St. Albans, United Kingdom
03 March 2021

# 2. Core Financial Statements

# Core Financial Statements

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

| | | Restated 31 March 2019 | | | 31 March 2020 | | |
|---|---|---|---|---|---|---|---|
| **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT** | **Note** | **Gross Expenditure £000s** | **Gross Income £000s** | **Net Expenditure £000s** | **Gross Expenditure £000s** | **Gross Income £000s** | **Net Expenditure £000s** |
| **Continuing Services** | | | | | | | |
| Chief Executive Directorate | * | 74,336 | (13,665) | 60,671 | 68,009 | (16,029) | 51,980 |
| Children & Schools | * | 408,452 | (349,424) | 59,028 | 421,532 | (355,923) | 65,609 |
| Adults & Public Health | * | 155,017 | (62,571) | 92,446 | 144,733 | (62,221) | 82,512 |
| Place | * | 270,730 | (178,363) | 92,367 | 286,187 | (174,962) | 111,225 |
| Housing Benefits | | 256,291 | (250,093) | 6,198 | 228,080 | (222,120) | 5,960 |
| Council Wide Other | | 4,680 | (4,328) | 352 | 2,616 | (517) | 2,099 |
| **Cost of Services** | | **1,169,506** | **(858,444)** | **311,062** | **1,151,157** | **(831,772)** | **319,385** |
| **Other Operating Expenditure & Income** | | | | | | | |
| Precepts and Levies | | 14,583 | - | 14,583 | 13,324 | - | 13,324 |
| Payments to the Government Housing Capital Receipts Pool | | 1,521 | - | 1,521 | 1,522 | - | 1,522 |
| (Gains)/Losses on Disposal of Non-Current Assets | | (2,461) | - | (2,461) | (17,955) | - | (17,955) |
| | | **13,643** | **-** | **13,643** | **(3,109)** | **-** | **(3,109)** |
| **Financing and Investment Income & Expenditure** | | | | | | | |
| Interest Payable and Similar Charges | | 35,442 | - | 35,442 | 36,270 | - | 36,270 |
| Net Interest on the Net Defined Benefit Liability (Asset) | | 13,024 | - | 13,024 | 14,039 | - | 14,039 |
| Interest Receivable and Similar Income | | - | (3,983) | (3,983) | - | (4,894) | (4,894) |
| Impairment Losses | | - | - | - | 3,947 | - | 3,947 |
| | | **48,466** | **(3,983)** | **44,483** | **54,256** | **(4,894)** | **49,362** |
| **Taxation and Non-Specific Grants** | | | | | | | |
| Council Tax Income | | - | (132,578) | (132,578) | - | (138,588) | (138,588) |
| Non-Domestic Rates Income and Expenditure | | - | (98,636) | (98,636) | - | (73,659) | (73,659) |
| Business Rates Top-Up | | - | (6,747) | (6,747) | - | (21,236) | (21,236) |
| Non-Ringfenced Government Grants | 26 | - | (23,502) | (23,502) | - | (37,757) | (37,757) |
| Capital Grants and Contributions | 26 | - | (53,530) | (53,530) | - | (31,235) | (31,235) |
| | | **-** | **(314,993)** | **(314,993)** | **-** | **(302,475)** | **(302,475)** |
| | | | | | | | |
| **(Surplus) / Deficit on Provision of Services** | | **1,231,615** | **(1,177,420)** | **54,195** | **1,202,304** | **(1,139,141)** | **63,163** |
| (Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets | 9 | | | (54,096) | | | (55,832) |
| Remeasurement of the Net Defined Benefit Liability / (Asset) | 31 | | | 64,439 | | | (64,825) |
| **Other Comprehensive (Income) / Expenditure** | | | | **10,343** | | | **(120,657)** |
| | | | | | | | |
| **Total Comprehensive (Income) / Expenditure** | | | | **64,538** | | | **(57,494)** |

*The 2018/19 Cost of Services figures have been restated to reflect the new management reporting format in 2019/20. The overall 2018/19 Cost of Services remains the same.

# MOVEMENT IN RESERVES STATEMENT

| | Revenue Reserves | | | | Capital Reserves | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **MOVEMENT IN RESERVES STATEMENT** | **General Fund £000s** | **General Fund Earmarked Reserves £000s** | **Housing Revenue Account £000s** | **Housing Revenue Account Earmarked Reserves £000s** | **Major Repairs Reserve** | **Capital Receipts Reserve £000s** | **Capital Grants Unapplied £000s** | **Total Usable Reserves £000s** | **Revaluation Reserve £000s** | **Capital Adjustment Account £000s** | **Deferred Capital Receipts £000s** | **Collection Fund Adjustment Account £000s** | **Financial Instruments Adjustment Account** | **Accumulated Absences Account £000s** | **Pensions Reserve £000s** | **Total Unusable Reserves £000s** | **Total Authority Reserves £000s** |
| **Balance at 31 March 2018** | **15,472** | **82,692** | **4,925** | **5,000** | **-** | **30,583** | **11,692** | **150,364** | **363,601** | **827,892** | **731** | **6,004** | **(1,534)** | **(5,717)** | **(498,173)** | **692,804** | **843,168** |
| | | | | | | | | | | | | | | | | | |
| **Movement in Reserves during 2018/19** | | | | | | | | | | | | | | | | | |
| **Total Comprehensive Income & Expenditure** | (42,278) | **-** | (11,917) | **-** | **-** | **-** | **-** | **(54,195)** | 54,096 | - | - | - | - | - | (64,439) | **(10,343)** | **(64,538)** |
| Adjustments Between Accounting Basis & Funding Basis Under Regulations (Note 7) | 38,768 | - | 16,021 | - | **-** | 14,322 | 8,221 | **77,332** | - | (37,202) | - | (1,041) | 27 | (17) | (39,099) | (77,332) | **-** |
| **Net Increase/(Decrease) before Transfers to Reserves** | **(3,510)** | **-** | **4,104** | **-** | **-** | **14,322** | **8,221** | **23,137** | **54,096** | **(37,202)** | **-** | **(1,041)** | **27** | **(17)** | **(103,538)** | **(87,675)** | **(64,538)** |
| Transfers to/from Reserves | 3,948 | (4,272) | (4,104) | 4,104 | - | - | 324 | **-** | (10,880) | 10,880 | - | - | - | - | - | - | **-** |
| **Increase/(Decrease) in Year 2018/19** | **438** | **(4,272)** | **-** | **4,104** | **-** | **14,322** | **8,545** | **23,137** | **43,216** | **(26,322)** | **-** | **(1,041)** | **27** | **(17)** | **(103,538)** | **(87,675)** | **(64,538)** |
| | | | | | | | | | | | | | | | | | |
| **Balance at 31 March 2019** | **15,910** | **78,420** | **4,925** | **9,104** | **-** | **44,905** | **20,237** | **173,501** | **406,817** | **801,570** | **731** | **4,963** | **(1,507)** | **(5,734)** | **(601,711)** | **605,129** | **778,630** |
| | | | | | | | | | | | | | | | | | |
| **Movement in Reserves during 2019/20** | | | | | | | | | | | | | | | | | |
| **Total Comprehensive Income & Expenditure** | (37,213) | **-** | (25,950) | **-** | **-** | **-** | **-** | **(63,163)** | 55,832 | - | - | - | - | - | 64,825 | **120,657** | **57,494** |
| Adjustments Between Accounting Basis & Funding Basis Under Regulations (Note 7) | 42,627 | - | 28,935 | - | - | (8,036) | 5,436 | **68,962** | - | (33,101) | - | (4,728) | 28 | (433) | (30,728) | (68,962) | **-** |
| **Net Increase/(Decrease) before Transfers to Reserves** | **5,414** | **-** | **2,985** | **-** | **-** | **(8,036)** | **5,436** | **5,799** | **55,832** | **(33,101)** | **-** | **(4,728)** | **28** | **(433)** | **34,097** | **51,695** | **57,494** |
| Transfers to/from Reserves | (5,406) | 5,406 | (2,985) | 2,985 | - | - | - | **-** | (7,585) | 7,585 | - | - | - | - | - | - | **-** |
| **Increase/(Decrease) in Year 2019/20** | **9** | **5,406** | **-** | **2,985** | **-** | **(8,036)** | **5,436** | **5,800** | **48,247** | **(25,516)** | **-** | **(4,728)** | **28** | **(433)** | **34,097** | **51,695** | **57,495** |
| | | | | | | | | | | | | | | | | | |
| **Balance at 31 March 2020** | **15,919** | **83,826** | **4,925** | **12,089** | **-** | **36,869** | **25,673** | **179,301** | **455,064** | **776,053** | **731** | **236** | **(1,479)** | **(6,167)** | **(567,614)** | **656,824** | **836,125** |

## BALANCE SHEET

| BALANCE SHEET | Note | 31st March 2019 £000s | 31st March 2020 £000s |
|---|---|---|---|
| Property, Plant & Equipment | 9 | 1,959,582 | 1,997,288 |
| Intangible Assets | 9 | 2,078 | 1,512 |
| Heritage Assets | 11 | 2,741 | 2,741 |
| Long-Term Investments | 12a | 2,992 | 2,995 |
| Long-Term Debtors | 12a | 26,112 | 28,781 |
| **Long-term Assets** | | **1,993,505** | **2,033,317** |
| Short-Term Investments | 12a | 177,623 | 161,640 |
| Current Assets Held for Sale | | 4,305 | 4,305 |
| Short-Term Debtors | 13 | 88,279 | 90,575 |
| Cash and Cash Equivalents | 14 | 54,227 | 77,730 |
| **Current Assets** | | **324,434** | **334,250** |
| Short-Term Borrowings | 12a | (22,192) | (42,836) |
| Short-Term Creditors* | 15 | (128,199) | (138,948) |
| Short-Term Provisions | 16 | (18,119) | (12,776) |
| Grants Receipts in Advance - Revenue* | 26 | (17,934) | (12,248) |
| **Current Liabilities** | | **(186,444)** | **(206,808)** |
| Long-Term Borrowings | 12a | (611,164) | (619,407) |
| Long-Term Creditors | 12a | (128,242) | (129,849) |
| Grants Receipts in Advance - Capital | 26 | (6,538) | (3,353) |
| Long-Term Provisions | 16 | (5,210) | (4,411) |
| Pensions Liability | 31 | (601,711) | (567,614) |
| **Long- term Liabilities** | | **(1,352,865)** | **(1,324,634)** |
| **Net Assets** | | **778,630** | **836,125** |
| Represented by: | | | |
| **Usable Reserves** | | | |
| General Fund | | (15,910) | (15,919) |
| Earmarked Reserves | 8 | (78,420) | (83,826) |
| Housing Revenue Account | | (4,925) | (4,925) |
| Capital Receipts Reserve | 7 | (44,906) | (36,869) |
| Capital Grants Unapplied | 7 | (20,236) | (25,673) |
| Housing Revenue Account Earmarked Reserves | 8 | (9,104) | (12,089) |
| Housing Revenue Account Major Repairs Reserve | | - | - |
| | | **(173,501)** | **(179,301)** |
| **Unusable Reserves** | | | |
| Revaluation Reserve | 18a | (406,817) | (455,064) |
| Capital Adjustment Account | 18b | (801,570) | (776,053) |
| Deferred Capital Receipts | 18d | (731) | (731) |
| Collection Fund Adjustment Account | 18f | (4,963) | (236) |
| Financial Instruments Adjustment Account | 18e | 1,507 | 1,479 |
| Accumulated Absences Account | 18g | 5,734 | 6,167 |
| Pension Reserve | 18c | 601,711 | 567,614 |
| | | **(605,129)** | **(656,824)** |
| **Total Reserves** | | **(778,630)** | **(836,125)** |

*In 2019/20 the Grants Receipts in Advance - Revenue are reported as a separate category in the balance sheet. In 2018/19, the balance was reported as Short-Term Creditors

Ross Brown
Chief Finance Officer
03 March 2021

Councillor Murtagh
Audit Committee Chair
03 March 2021

## CASH FLOW STATEMENT

| CASH FLOW STATEMENT | Note | 2018/19 £000s | 2019/20 £000s |
|---|---|---|---|
| Net (Surplus) / Deficit on the Provision of Services | | 54,195 | 63,163 |
| Adjustments to Net (Surplus) / Deficit on the Provision of Services for Non-Cash Movements | 19a | (214,049) | (143,199) |
| Adjustments for Items Included in Net (Surplus) / Deficit on the Provision of Services that are Investing or Financing Activities | 19a | 106,217 | 64,990 |
| **Net Cash Inflows from Operating Activities** | | **(53,637)** | **(15,046)** |
| Investing Activities | 19b | 98,407 | 23,027 |
| Financing Activities | 19c | (52,106) | (31,484) |
| **Net (Increase) or Decrease in Cash and Cash Equivalents** | | **(7,336)** | **(23,503)** |
| Cash and Cash Equivalents at the Beginning of the Reporting Period | | (46,891) | (54,227) |
| **Cash and Cash Equivalents at the End of the Reporting Period** | 14 | **(54,227)** | **(77,730)** |

# 3. Notes to the Accounts

# Notes to Core Financial Statements

# Note 1 Accounting Standards Issued, Not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new accounting standard that has been issued but not yet adopted.

Accounting Standards that have been issued but not yet adopted, include:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015–2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.
- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendment to line item specifications for the net assets statement as detailed in Section 6.5, paragraph 6.5.3.6 b).
- IFRS 16 Leases has been deferred to the 2021/22 Code and will apply to reporting periods beginning on or after 1 January 2021

# Note 2 Critical judgements in applying accounting policies

In applying the accounting policies set out in Section 5, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

## FUNDING

There is a high degree of uncertainty about future levels of funding for local government. However, the authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

## SCHOOLS

The Council is required to take a view on which school assets are recognised on the Council's Balance Sheet. The Council has not recognised Academies. The Council has recognised all maintained schools, including foundation schools. The liabilities relating to the PFI schemes which include two Foundation Schools remain on balance sheet as the Council is the liable party.

# Note 3 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. Two types of events can be identified:

a) 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.

b) Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are 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.

The statement of accounts was authorised for issue by the Chief Finance Officer on 03 March 2021. 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 at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. This includes any amendments following the audit of the accounts.

# Note 4 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 the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|---|---|---|
| Pensions Liability | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected return on pension fund assets. A firm of actuaries is engaged to provide the Council with expert advice about the assumptions to be applied and these are documented within the disclosure note on retirement benefits. | The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £25,582m. However, the assumptions interact in complex ways. |
| Property, Plant and Equipment | The Council employs RICS qualified valuers (Lambert Smith Hampton) to identify the most appropriate valuation techniques to determine fair value for all Council dwellings, land and buildings. All valuations are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's valuation experts work closely with finance officers on a regular basis regarding all valuation matters.<br><br>As at the valuation date, the Council's valuer consider that they can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. The current response to Covid-19 means that they are faced with an unprecedented set of circumstances on which to base a judgement. The valuations are therefore reported on the basis of 'material valuation uncertainty' per the RICS Red Book Global. | Significant changes in any of the unobservable inputs used in the techniques used would result in a significantly lower or higher fair value measurement for these assets. |

## GOING CONCERN

The Accounting Code (Standard IAS 1) requires management to make an assessment of the Council's ability to continue as a going concern and to disclose any material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. The Council discloses that the Accounts have been prepared on a going concern basis and that the Council will continue in existence for the foreseeable future.

This assumption is made because the local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers at the discretion of Central Government). If an authority were in financial difficulty, the prospects are that alternative arrangements might be made by Central Government; either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.

The Code states that transfers of services under combinations of public sector bodies (for example a local government reorganisation) do not require the presumption of going concern. However, if there are material concerns about the financial health of the authority, this would be raised as part of the statutory responsibilities of the Section 151 Officer and by the external auditors as part of the accounts audit process.

# Note 5 Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

| | 2019/20 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Table 5a** | **Outturn as Reported to the Executive £000s** | **Adjustments to Management Reporting (EFA Note 1) £000s** | **Net Expenditure Chargeable to the General Fundand HRA Balance £000s** | **Adjustments for Capital Purposes (EFA Note 2) £000s** | **Net Change for Pensions Adjustments (EFA Note 3) £000s** | **Other Statutory Differences (EFA Note 4) £000s** | **Adjustments between the Funding and Accounting Basis (see note 7) £000s** | **Net Expenditure in the Comprehensive Income and Expenditure Statement £000s** |
| **Continuing Services** | | | | | | | | |
| Chief Executive Directorate | **36,162** | 1,916 | **38,078** | 4,989 | 8,922 | (9) | **13,902** | **51,980** |
| Children & Schools | **64,477** | (12,663) | **51,814** | 11,507 | 1,885 | 403 | **13,795** | **65,609** |
| Adults & Public Health | **83,825** | (4,320) | **79,505** | 1,210 | 1,788 | 9 | **3,007** | **82,512** |
| Place | **13,318** | 6,514 | **19,832** | 87,269 | 4,094 | 30 | **91,393** | **111,225** |
| Housing Benefits | **5,960** | - | **5,960** | - | - | - | **-** | **5,960** |
| Council Wide Other | **5,399** | (3,300) | **2,099** | - | - | - | **-** | **2,099** |
| **Net Cost of Services** | **209,141** | **(11,853)** | **197,288** | 104,975 | 16,689 | 433 | **122,097** | **319,385** |
| Other Income and Expenditure | **39,013** | (244,701) | **(205,688)** | (69,273) | 14,039 | 4,700 | **(50,534)** | **(256,222)** |
| **(Surplus) or Deficit on Provision of Services** | **248,154** | **(256,554)** | **(8,400)** | 35,702 | 30,728 | 5,133 | **71,563** | **63,163** |
| Opening General Fund and HRA Balance 1 April 2019 | | | **(108,359)** | | | | | |
| Less/Plus (Surplus) or Deficit on General Fund and HRA Balance In-Year | | | (8,400) | | | | | |
| Reserve Transfers | | | - | | | | | |
| Closing General Fund and HRA Balance at 31 March 2020 | | | **(116,759)** | | | | | |

| | Restated 2018/19 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Table 5b** | **Outturn as Reported to the Executive £000s** | **Adjustments to Management Reporting (EFA Note 1) £000s** | **Net Expenditure Chargeable to the General Fund and HRA Balance £000s** | **Adjustments for Capital Purposes (EFA Note 2) £000s** | **Net Change for Pensions Adjustments (EFA Note 3) £000s** | **Other Statutory Differences (EFA Note 4) £000s** | **Adjustments between the Funding and Accounting Basis (see note 7) £000s** | **Net Expenditure in the Comprehensive Income and Expenditure Statement £000s** |
| **Continuing Services** | | | | | | | | |
| Chief Executive Directorate* | **36,700** | 1,797 | **38,497** | 3,345 | 18,730 | 99 | **22,174** | **60,671** |
| Children & Schools* | **54,852** | (13,078) | **41,774** | 15,866 | 1,653 | (265) | **17,254** | **59,028** |
| Adults & Public Health* | **91,032** | (2,171) | **88,861** | 1,756 | 1,768 | 60 | **3,584** | **92,445** |
| Place* | **16,921** | 455 | **17,376** | 70,946 | 3,924 | 122 | **74,992** | **92,368** |
| Housing Benefits* | **5,947** | 251 | **6,198** | - | - | - | **-** | **6,198** |
| Council Wide Other* | **4,668** | (4,316) | **352** | - | - | - | **-** | **352** |
| **Net Cost of Services** | **210,120** | **(17,062)** | **193,058** | 91,913 | 26,075 | 16 | **118,004** | **311,062** |
| Other Income and Expenditure* | **41,434** | (235,086) | **(193,652)** | (77,253) | 13,024 | 1,014 | **(63,215)** | **(256,867)** |
| **(Surplus) or Deficit on Provision of Services** | **251,554** | **(252,148)** | **(594)** | 14,660 | 39,099 | 1,030 | **54,789** | **54,195** |
| Opening General Fund and HRA Balance 1 April 2018 | | | **(108,088)** | | | | | |
| Less/Plus (Surplus) or Deficit on General Fund and HRA Balance In-Year | | | (594) | | | | | |
| Reserve Transfers | | | 324 | | | | | |
| Closing General Fund Balance and HRA at 31 March 2019 | | | **(108,358)** | | | | | |

*The 2018/19 Cost of Services figures have been restated to reflect the new management reporting format in 2019/20. The Council moved from 5 to 3 Directorates, and Children & Schools, and Adults & Public Health have been split for reporting purposes. The overall 18/19 Cost of Services remains the same.

## EFA NOTE 1: ADJUSTMENTS TO MANAGEMENT REPORTING

This column adjusts the outturn figures reported to management for items chargeable to the General Fund for:

**Reserves** – the removal of transfers to/from reserves included in the management outturn report as these are not shown on the face of the Comprehensive Income and Expenditure Statement.

**Investment Properties and Financing & Investment Income & Expenditure** – the reallocation of Investment Properties and Financing & Investment Income & Expenditure to/from the Net Cost of Services to Other Operating Income and Expenditure.

## EFA NOTE 2: ADJUSTMENT FOR CAPITAL PURPOSES

Adjustments for capital purposes – this column adds in the depreciation and impairment and revaluation gains and losses in the service line, and for:

**Other Operating Expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

**Financing and Investment Income and Expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

**Taxation and Non-Specific Grant Income and Expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

## EFA NOTE 3: NET CHANGES FOR THE PENSIONS ADJUSTMENTS

Net change for the removal of pension contributions and the addition of *IAS 19 Employee Benefits* pension related expenditure and income:

For **Services** this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.

For **Financing and Investment Income and Expenditure** – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

## EFA NOTE 4: OTHER STATUTORY ADJUSTMENTS

Other statutory adjustments between amounts debited / credited to the Comprehensive Income and Expenditure Statement and amounts payable / receivable to be recognised under statute:

For **Financing and Investment Income and Expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

For **Taxation and Non-Specific Grant Income and Expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

# Note 6 Expenditure and Income Analysed by Nature

| Table 6a | Chief Executive Directorate | Children & Schools | Adults & Public Health | Place | Housing Benefits | Council Wide Other | Other Income and Expenditure | Outturn as Reported to the Executive £000s | Adjustments to Management Reporting (EFA Note 1) £000s | Net Expenditure Chargeable to the General Fund and HRA Balance £000s | Adjustments between the Funding and Accounting Basis (see note 7) £000s | Net Expenditure in the Comprehensive Income and Expenditure Statement £000s |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2019/20 | | | | | | | | | | | |
| Fees, Charges and Other Service Income | (13,150) | (21,894) | (35,956) | (91,835) | - | (517) | - | **(163,352)** | (87,067) | **(250,419)** | - | **(250,419)** |
| Interest and Investment Income | - | - | - | - | - | - | (4,713) | **(4,713)** | (181) | **(4,894)** | - | **(4,894)** |
| Government Grants and Contributions | (3,047) | (112,718) | (26,266) | (9,549) | (222,120) | - | (28,927) | **(402,627)** | (234,342) | **(636,969)** | (34,617) | **(671,586)** |
| Income from Council Tax | - | - | - | - | - | - | - | **-** | (143,028) | **(143,028)** | 4,441 | **(138,587)** |
| Income from Business Rates | - | - | - | - | - | - | - | **-** | (73,947) | **(73,947)** | 288 | **(73,659)** |
| **Total Income** | **(16,197)** | **(134,612)** | **(62,222)** | **(101,384)** | **(222,120)** | **(517)** | **(33,640)** | **(570,692)** | **(538,565)** | **(1,109,257)** | **(29,888)** | **(1,139,145)** |
| Employee Benefits Expenses | 40,517 | 41,915 | 19,590 | 29,118 | 188 | 2,718 | - | **134,046** | 227,353 | **361,399** | 31,160 | **392,559** |
| Other Service Expenses | 12,429 | 157,319 | 128,459 | 89,888 | 227,892 | 1,716 | 17,158 | **634,861** | 13,191 | **648,052** | - | **648,052** |
| Depreciation, Amortisation and Impairment | - | - | - | - | - | - | - | **-** | - | **-** | 114,631 | **114,631** |
| Capital Expenditure Financed from Revenue Balances | 63 | - | - | 481 | - | 1,602 | 997 | **3,143** | 2,359 | **5,502** | (5,502) | **-** |
| Revenue Expenditure Funded from Capital Under Statute & De-minimis | - | - | - | - | - | - | - | **-** | - | **-** | 9,289 | **9,289** |
| Interest & MRP Payments | - | - | - | - | - | - | 31,070 | **31,070** | 28,306 | **59,376** | (18,490) | **40,886** |
| Precepts and Levies | - | - | - | - | - | - | 13,709 | **13,709** | (385) | **13,324** | - | **13,324** |
| Payments to Housing Capital Receipts Pool | - | - | - | - | - | - | - | **-** | - | **-** | 1,522 | **1,522** |
| (Gain) or Loss on Disposal of Non-Current Assets | - | - | - | - | - | - | - | **-** | - | **-** | (17,955) | **(17,955)** |
| Posting of HRA Resources from Revenue to the MRR | - | - | - | - | - | - | - | **-** | 13,204 | **13,204** | (13,204) | **-** |
| **Total Expenditure** | **53,009** | **199,234** | **148,049** | **119,487** | **228,080** | **6,036** | **62,934** | **816,829** | **284,028** | **1,100,857** | **101,451** | **1,202,308** |
| Contributions to/from Reserves | (650) | (145) | (2,002) | (4,785) | - | (120) | 9,719 | **2,017** | (2,017) | **-** | - | **-** |
| **(Surplus) or Deficit on the Provision of Services** | **36,162** | **64,477** | **83,825** | **13,318** | **5,960** | **5,399** | **39,013** | **248,154** | **(256,554)** | **(8,400)** | **71,563** | **63,163** |

| | Restated 2018/19 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Table 6b** | **Chief Executive Directorate*** | **Children & Schools*** | **Adults & Public Health*** | **Place*** | **Housing Benefits*** | **Council Wide Other*** | **Other Income and Expenditure*** | **Outturn as Reported to the Executive £000s** | **Adjustments to Management Reporting (EFA Note 1) £000s** | **Net Expenditure Chargeable to the General Fund and HRA Balance £000s** | **Adjustments between the Funding and Accounting Basis (see note 7) £000s** | **Net Expenditure in the Comprehensive Income and Expenditure Statement £000s** |
| Fees, Charges and Other Service Income | (10,228) | (18,725) | (33,900) | (101,281) | - | (4,223) | - | **(168,357)** | (82,939) | **(251,296)** | - | **(251,296)** |
| Interest and Investment Income | - | - | - | - | - | - | (3,802) | **(3,802)** | (181) | **(3,983)** | - | **(3,983)** |
| Government Grants and Contributions | (3,438) | (105,365) | (28,671) | (7,165) | (250,093) | (105) | (15,568) | **(410,405)** | (226,994) | **(637,399)** | (53,530) | **(690,929)** |
| Income from Council Tax | - | - | - | - | - | - | - | **-** | (132,278) | **(132,278)** | (299) | **(132,577)** |
| Income from Business Rates | - | - | - | - | - | - | - | **-** | (99,977) | **(99,977)** | 1,340 | **(98,637)** |
| **Total Income** | **(13,666)** | **(124,090)** | **(62,571)** | **(108,446)** | **(250,093)** | **(4,328)** | **(19,370)** | **(582,564)** | **(542,369)** | **(1,124,933)** | **(52,489)** | **(1,177,422)** |
| Employee Benefits Expenses | 38,948 | 39,972 | 19,870 | 28,174 | - | 2,585 | - | **129,549** | 223,476 | **353,025** | 39,116 | **392,141** |
| Other Service Expenses | 13,165 | 138,452 | 133,895 | 93,947 | 256,290 | 3,263 | 29,112 | **668,124** | 14,771 | **682,895** | - | **682,895** |
| Depreciation, Amortisation and Impairment | - | - | - | - | - | - | - | **-** | - | **-** | 91,993 | **91,993** |
| Capital Expenditure Financed from Revenue Balances | - | - | - | 1,775 | - | 3,891 | - | **5,666** | 12 | **5,678** | (5,679) | **(1)** |
| Revenue Expenditure Funded from Capital Under Statute & De-minimis | - | - | - | - | - | - | - | **-** | - | **-** | 15,504 | **15,504** |
| Interest & MRP Payments | - | - | - | - | - | - | 30,173 | **30,173** | 23,901 | **54,074** | (18,632) | **35,442** |
| Precepts and Levies | - | - | - | - | - | - | - | **-** | 14,583 | **14,583** | - | **14,583** |
| Payments to Housing Capital Receipts Pool | - | - | - | - | - | - | - | **-** | - | **-** | 1,521 | **1,521** |
| (Gain) or Loss on Disposal of Non-Current Assets | - | - | - | - | - | - | - | **-** | - | **-** | (2,461) | **(2,461)** |
| Posting of HRA Resources from Revenue to the MRR | - | - | - | - | - | - | - | **-** | 14,085 | **14,085** | (14,085) | **-** |
| **Total Expenditure** | **52,113** | **178,424** | **153,765** | **123,896** | **256,290** | **9,739** | **59,285** | **833,512** | **290,828** | **1,124,340** | **107,277** | **1,231,617** |
| Contributions to/from Reserves | (1,747) | 518 | (162) | 1,471 | (250) | (743) | 1,519 | **606** | (606) | **-** | - | **-** |
| **(Surplus) or Deficit on the Provision of Services** | **36,700** | **54,852** | **91,032** | **16,921** | **5,947** | **4,668** | **41,434** | **251,554** | **(252,147)** | **(593)** | **54,788** | **54,195** |

*The 2018/19 Cost of Services figures have been restated to reflect the new management reporting format in 2019/20. The Council moved from 5 to 3 Directorates, and Children & Schools, and Adults & Public Health have been separated for reporting purposes. The overall 18/19 Cost of Services remains the same.

# Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against.

## GENERAL FUND BALANCE

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

## HOUSING REVENUE ACCOUNT BALANCE

The HRA balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

## MAJOR REPAIRS RESERVE

The authority is required to maintain the major repairs reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

## CAPITAL RECEIPTS RESERVE

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance of the reserve shows the resources that have yet to be applied for these purposes at the year-end.

## CAPITAL GRANTS UNAPPLIED

The Capital Grants Unapplied Reserve holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and / or the financial year in which this can take place.

| Table 7a - 2019/20 | Usable Reserves | | | | | | Unusable Reserves | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | General Fund Balance £000s | Housing Revenue Account £000s | Major Repairs Reserve £000s | Capital Receipts Reserve £000s | Capital Grants Unapplied £000s | Movement in Usable Reserves £000s | Revaluation Reserve £000s | Capital Adjustment Account £000s | Deferred Capital Receipts £000s | Collection Fund Adjustment Account £000s | Financial Instruments Adjustment Account £000s | Accumulated Absences Account £000s | Pensions Reserve £000s | Movement in Unusable Reserves £000s | Total Movement in Reserves |
| **Adjustments to the Revenue Resources** | | | | | | | | | | | | | | | |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements: | | | | | | | | | | | | | | | |
| Pensions Costs (transferred to (or from) the Pension Reserve) | 28,207 | 2,521 | - | - | - | 30,728 | - | - | - | - | - | - | (30,728) | (30,728) | - |
| Financial Instruments (transferred to the Financial Instruments Adjustments Account) | (28) | - | - | - | - | (28) | - | - | - | - | 28 | - | - | 28 | - |
| Council Tax & NDR (transfers to (or from) the Collection Fund Adjustment Account | 4,728 | - | - | - | - | 4,728 | - | - | - | (4,728) | - | - | - | (4,728) | - |
| Holiday Pay (transferred to the Accumulated Absences Reserve) | 455 | (22) | - | - | - | 433 | - | - | - | - | - | (433) | - | (433) | - |
| Reversal of Entries Included in the Surplus or Deficit on the Provision of Services in Relation to Capital Expenditure (these items are charged to the Capital Adjustment Account or Capital Grants Unapplied) | 29,340 | 72,379 | - | - | 12,813 | 114,532 | - | (114,532) | - | - | - | - | - | (114,532) | - |
| **Total Adjustments to Revenue Resources** | **62,702** | **74,878** | **-** | **-** | **12,813** | **150,393** | **-** | **(114,532)** | **-** | **(4,728)** | **28** | **(433)** | **(30,728)** | **(150,393)** | **-** |
| **Adjustments between Revenue and Capital Resources** | | | | | | | | | | | | | | | |
| Transfer of Non-Current Asset Sale Proceeds from Revenue to the Capital Receipts Reserve | - | (30,380) | - | 30,380 | - | - | - | - | - | - | - | - | - | - | - |
| Administrative Costs of Non-Current Asset Disposals (funded by a contribution from the Capital Receipts Reserve) | 7 | - | - | (7) | - | - | - | - | - | - | - | - | - | - | - |
| Payments to the Government Housing Receipts Pool (funded by a transfer from the Capital Receipts Reserve) | 1,522 | - | - | (1,522) | - | - | - | - | - | - | - | - | - | - | - |
| Posting of HRA Resources from Revenue to the Major Repairs Reserve | - | (13,204) | 13,204 | - | - | - | - | - | - | - | - | - | - | - | - |
| Statutory Provision for the Repayment of Debt transfer from the Capital Adjustment Account | (18,461) | - | - | - | - | (18,461) | - | 18,461 | - | - | - | - | - | 18,461 | - |
| Capital Expenditure Financed from Revenue Balances (transfer to the Capital Adjustment Account) | (3,143) | (2,359) | - | - | - | (5,502) | - | 5,502 | - | - | - | - | - | 5,502 | - |
| **Total Adjustments between Revenue and Capital Resources** | **(20,075)** | **(45,943)** | **13,204** | **28,851** | **-** | **(23,963)** | **-** | **23,963** | **-** | **-** | **-** | **-** | **-** | **23,963** | **-** |
| **Adjustments to Capital Resources** | | | | | | | | | | | | | | | |
| Use of the Capital Receipts Reserve to Finance New Capital Expenditure | - | - | - | (37,423) | - | (37,423) | - | 37,423 | - | - | - | - | - | 37,423 | - |
| Use of the Major Repairs Reserve to Finance New Capital Expenditure | - | - | (13,204) | - | - | (13,204) | - | 13,204 | - | - | - | - | - | 13,204 | - |
| Application of Unapplied Capital Grants to Finance New Capital Expenditure | - | - | - | - | (7,377) | (7,377) | - | 7,377 | - | - | - | - | - | 7,377 | - |
| Cash Payments in Relation to Long-Term Debtor Loans | - | - | - | 536 | - | 536 | - | (536) | - | - | - | - | - | (536) | - |
| **Total Adjustments to Capital Resources** | **-** | **-** | **(13,204)** | **(36,887)** | **(7,377)** | **(57,468)** | **-** | **57,468** | **-** | **-** | **-** | **-** | **-** | **57,468** | **-** |
| **Total Adjustments** | **42,627** | **28,935** | **-** | **(8,036)** | **5,436** | **68,962** | **-** | **(33,101)** | **-** | **(4,728)** | **28** | **(433)** | **(30,728)** | **(68,962)** | **-** |

| | Usable Reserves | | | | | | Unusable Reserves | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Table 7b - 2018/19** | **General Fund Balance £000s** | **Housing Revenue Account £000s** | **Major Repairs Reserve £000s** | **Capital Receipts Reserve £000s** | **Capital Grants Unapplied £000s** | **Movement in Usable Reserves £000s** | **Revaluation Reserve £000s** | **Capital Adjustment Account £000s** | **Deferred Capital Receipts £000s** | **Collection Fund Adjustment Account £000s** | **Financial Instruments Adjustment Account £000s** | **Accumulated Absences Account £000s** | **Pensions Reserve £000s** | **Movement in Unusable Reserves £000s** | **Total Movement in Reserves** |
| **Adjustments to the Revenue Resources** | | | | | | | | | | | | | | | |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements: | | | | | | | | | | | | | | | |
| Pensions Costs (transferred to (or from) the Pension Reserve) | 36,743 | 2,356 | - | - | - | 39,099 | - | - | - | - | - | - | (39,099) | (39,099) | - |
| Financial Instruments (transferred to the Financial Instruments Adjustments Account) | (27) | - | - | - | - | (27) | - | - | - | - | 27 | - | - | 27 | - |
| Council Tax & NDR (transfers to (or from) the Collection Fund Adjustment Account | 1,041 | - | - | - | - | 1,041 | - | - | - | (1,041) | - | - | - | (1,041) | - |
| Holiday Pay (transferred to the Accumulated Absences Reserve) | (43) | 60 | - | - | - | 17 | - | - | - | - | - | (17) | - | (17) | - |
| Reversal of Entries Included in the Surplus or Deficit on the Provision of Services in Relation to Capital Expenditure (these items are charged to the Capital Adjustment Account or Capital Grants Unapplied) | 26,682 | 77,511 | - | - | 17,708 | 121,901 | - | (121,901) | - | - | - | - | - | (121,901) | - |
| **Total Adjustments to Revenue Resources** | **64,396** | **79,927** | **-** | **-** | **17,708** | **162,031** | **-** | **(121,901)** | **-** | **(1,041)** | **27** | **(17)** | **(39,099)** | **(162,031)** | **-** |
| **Adjustments between Revenue and Capital Resources** | | | | | | | | | | | | | | | |
| Transfer of Non-Current Asset Sale Proceeds from Revenue to the Capital Receipts Reserve | (4,402) | (48,284) | - | 52,686 | - | - | - | - | - | - | - | - | - | - | - |
| Administrative Costs of Non-Current Asset Disposals (funded by a contribution from the Capital Receipts Reserve) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Payments to the Government Housing Receipts Pool (funded by a transfer from the Capital Receipts Reserve) | 1,521 | - | - | (1,521) | - | - | - | - | - | - | - | - | - | - | - |
| Posting of HRA Resources from Revenue to the Major Repairs Reserve | - | (14,085) | 14,085 | - | - | - | - | - | - | - | - | - | - | - | - |
| Statutory Provision for the Repayment of Debt transfer from the Capital Adjustment Account | (18,568) | (37) | - | - | - | (18,605) | - | 18,605 | - | - | - | - | - | 18,605 | - |
| Capital Expenditure Financed from Revenue Balances (transfer to the Capital Adjustment Account) | (4,179) | (1,500) | - | - | - | (5,679) | - | 5,679 | - | - | - | - | - | 5,679 | - |
| **Total Adjustments between Revenue and Capital Resources** | **(25,628)** | **(63,906)** | **14,085** | **51,165** | **-** | **(24,284)** | **-** | **24,284** | **-** | **-** | **-** | **-** | **-** | **24,284** | **-** |
| **Adjustments to Capital Resources** | | | | | | | | | | | | | | | |
| Use of the Capital Receipts Reserve to Finance New Capital Expenditure | - | - | - | (36,843) | - | (36,843) | - | 36,843 | - | - | - | - | - | 36,843 | - |
| Use of the Major Repairs Reserve to Finance New Capital Expenditure | - | - | (14,085) | - | - | (14,085) | - | 14,085 | - | - | - | - | - | 14,085 | - |
| Application of Unapplied Capital Grants to Finance New Capital Expenditure | - | - | - | - | (9,487) | (9,487) | - | 9,487 | - | - | - | - | - | 9,487 | - |
| **Total Adjustments to Capital Resources** | **-** | **-** | **(14,085)** | **(36,843)** | **(9,487)** | **(60,415)** | **-** | **60,415** | **-** | **-** | **-** | **-** | **-** | **60,415** | **-** |
| **Total Adjustments** | **38,768** | **16,021** | **-** | **14,322** | **8,221** | **77,332** | **-** | **(37,202)** | **-** | **(1,041)** | **27** | **(17)** | **(39,099)** | **(77,332)** | **-** |

# Note 8 Movements In Earmarked 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 in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score 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 in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

| | | 2018/19 | | | 2019/20 | | |
|---|---|---|---|---|---|---|---|
| **Transfers to/from Earmarked Reserves**<br>**Earmarked Reserves** | **Balance at 31 March 2018 £000s** | **Transfers In £000s** | **Transfers Out £000s** | **Balance at 31 March 2019 £000s** | **Transfers In £000s** | **Transfers Out £000s** | **Balance at 31 March 2020 £000s** |
| **Specific Reserves** | | | | | | | |
| Corporate - Ealing Civic Improvement Fund | **(4,237)** | (884) | 2,417 | **(2,704)** | (942) | 2,301 | **(1,345)** |
| Corporate - Insurance Reserve | **(5,268)** | (453) | - | **(5,721)** | - | - | **(5,721)** |
| Corporate - Covid-19 Grant | **-** | - | - | **-** | (9,504) | - | **(9,504)** |
| Corporate - Invest to Save Reserve | **(6,657)** | (3,685) | 7,633 | **(2,709)** | (470) | 804 | **(2,375)** |
| Corporate - Business Rates Pool Equalisation Fund | **-** | (3,227) | - | **(3,227)** | (45) | 992 | **(2,280)** |
| Corporate - Other Reserves | **(8,938)** | (1,477) | 1,267 | **(9,148)** | (7,980) | 8,628 | **(8,500)** |
| Corporate - Economic Volatility Reserve | **(2,979)** | (3,196) | 3,106 | **(3,069)** | (1,499) | - | **(4,568)** |
| Social Care Transformation Reserve | **(551)** | - | 200 | **(351)** | (167) | 351 | **(167)** |
| Service - Dedicated Schools Grant | **-** | (2,251) | - | **(2,251)** | (5,520) | 8,380 | **609** |
| Service – Others Reserves | **(7,912)** | (822) | 3,051 | **(5,683)** | (8,066) | 6,971 | **(6,778)** |
| Parking Places Reserve Account | **(7,024)** | (1,638) | 3,334 | **(5,328)** | (293) | 2,074 | **(3,547)** |
| PFI Reserves | **(24,338)** | (798) | 1,857 | **(23,279)** | (1,952) | 2,160 | **(23,071)** |
| | **(67,904)** | **(18,431)** | **22,865** | **(63,470)** | **(36,438)** | **32,661** | **(67,247)** |
| School Balances (ring-fenced) | **(14,788)** | (1,038) | 875 | **(14,951)** | (5,603) | 3,975 | **(16,579)** |
| **Total General Fund** | **(82,692)** | **(19,469)** | **23,740** | **(78,421)** | **(42,041)** | **36,636** | **(83,826)** |
| | | | | **-** | | | **-** |
| **HRA Reserves** | | | | **-** | | | **-** |
| Major Repairs Reserve | **-** | (14,085) | 14,085 | **-** | (13,204) | 13,204 | **-** |
| Estate Regeneration Delivery Service | **(5,000)** | (4,104) | - | **(9,104)** | (2,985) | - | **(12,089)** |
| Repairs and Maintenance Reserve | **-** | | - | **-** | - | - | **-** |
| **Total HRA** | **(5,000)** | **(18,189)** | **14,085** | **(9,104)** | **(16,189)** | **13,204** | **(12,089)** |

# **Note 9** Property, Plant & Equipment

* The two figures in each of the tables below, totalling £58.767m surplus in 2019/20 (£54.096m surplus in 2018/19), reflect the deficit or surplus on revaluation that appears at the bottom of the Comprehensive Income and Expenditure Statement.

| **Property, Plant & Equipment Movements in 2019/20** | **Council Dwellings £000s** | **Other Land & Buildings £000s** | **Other Land & Buildings (PFI) £000s** | **Vehicles, Plant & Equipment £000s** | **Infrastructure Assets £000s** | **Infrastructure Assets (PFI) £000s** | **Community Assets £000s** | **Surplus Assets £000s** | **Assets Under Construction £000s** | **Total Property, Plant & Equipment £000s** | **Intangible Assets £000s** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | | | | | | |
| **At 1 April 2019** | **850,985** | **733,095** | **109,130** | **109,288** | **251,162** | **31,977** | **49,448** | **5,253** | **42,387** | **2,182,725** | **4,628** |
| Additions | 40,866 | 12,156 | 214 | 551 | 11,631 | - | 2,947 | 9 | 39,967 | **108,341** | 15 |
| Donations | - | - | - | - | - | - | - | - | - | **-** | - |
| * Revaluation increases/(decreases) recognised in the Revaluation Reserve | (7,154) | 38,245 | - | - | - | - | 4,278 | 89 | - | **35,458** | - |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (49,904) | (5,862) | - | - | - | - | (17,265) | - | - | **(73,031)** | - |
| Derecognition - disposals | (2,666) | - | - | - | - | - | - | - | - | **(2,666)** | - |
| Derecognition - other | (5,456) | (1,661) | - | - | - | - | - | - | (2,718) | **(9,835)** | - |
| Other Reclassifications | 5,632 | 3,450 | - | 3,303 | 962 | - | - | - | (13,347) | **-** | - |
| Other movements | - | - | - | - | - | - | - | - | - | **-** | - |
| **At 31 March 2020** | **832,303** | **779,423** | **109,344** | **113,142** | **263,755** | **31,977** | **39,408** | **5,351** | **66,289** | **2,240,992** | **4,643** |
| **Accumulated Depreciation and Impairment** | | | | | | | | | | | |
| **At 1 April 2019** | **(365)** | **(6,066)** | **(9,646)** | **(92,851)** | **(107,524)** | **(6,691)** | **-** | **-** | **-** | **(223,143)** | **(2,550)** |
| Depreciation charge | (12,683) | (14,795) | (1,859) | (4,363) | (8,293) | (639) | - | (100) | - | **(42,732)** | (581) |
| * Depreciation written out to the Revaluation Reserve | 12,100 | 8,174 | - | - | - | - | - | 100 | - | **20,374** | - |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | 579 | 1,311 | - | - | - | - | - | - | - | **1,890** | - |
| Impairment losses/reversals to Surplus/Deficit on Provision of Services | (175) | - | - | - | - | - | - | - | - | **(175)** | - |
| Derecognition - disposals | - | - | - | - | - | - | - | - | - | **-** | - |
| Derecognition - other | 4 | 78 | - | - | - | - | - | - | - | **82** | - |
| **At 31 March 2020** | **(540)** | **(11,298)** | **(11,505)** | **(97,214)** | **(115,817)** | **(7,330)** | **-** | **-** | **-** | **(243,704)** | **(3,131)** |
| **Net Book Value** | | | | | | | | | | | |
| At 31 March 2020 | **831,763** | **768,125** | **97,839** | **15,928** | **147,938** | **24,647** | **39,408** | **5,351** | **66,289** | **1,997,288** | **1,512** |
| At 31 March 2019 | **850,620** | **727,029** | **99,484** | **16,437** | **143,638** | **25,286** | **49,448** | **5,253** | **42,387** | **1,959,582** | **2,078** |

| Property, Plant & Equipment Comparative Movements in 2018/19 | Council Dwellings £000s | Other Land & Buildings £000s | Other Land & Buildings (PFI) £000s | Vehicles, Plant & Equipment £000s | Infrastructure Assets £000s | Infrastructure Assets (PFI) £000s | Community Assets £000s | Surplus Assets £000s | Assets Under Construction £000s | Total Property, Plant & Equipment £000s | Intangible Assets £000s |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | | | | | | |
| **At 1 April 2018** | **841,688** | **717,087** | **134,184** | **107,383** | **239,073** | **31,977** | **9,929** | **4,335** | **74,744** | **2,160,400** | **3,341** |
| Additions | 51,252 | 12,168 | 86 | 1,768 | 12,089 | - | 1,556 | 38 | 25,073 | **104,030** | 277 |
| Donations | - | - | - | - | - | - | - | - | - | **-** | - |
| * Revaluation increases/(decreases) recognised in the Revaluation Reserve | 13,911 | 19,185 | (2,621) | - | - | - | - | 999 | - | **31,474** | - |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (56,951) | (3,672) | - | - | - | - | - | (119) | - | **(60,742)** | - |
| Derecognition - disposals | (3,206) | (5,435) | - | - | - | - | - | - | - | **(8,641)** | - |
| Derecognition - other | (10,564) | (9,698) | (22,519) | - | - | - | - | - | - | **(42,781)** | - |
| Assets reclassified (to)/from Held for Sale | - | - | - | - | - | - | - | - | - | **-** | - |
| Other Reclassifications | 14,856 | 3,460 | - | 141 | - | - | 37,963 | - | (57,430) | **(1,010)** | 1,010 |
| Other movements | (1) | - | - | (4) | - | - | - | - | - | **(5)** | |
| **At 31 March 2019** | **850,985** | **733,095** | **109,130** | **109,288** | **251,162** | **31,977** | **49,448** | **5,253** | **42,387** | **2,182,725** | **4,628** |
| **Accumulated Depreciation and Impairment** | | | | | | | | | | | |
| **At 1 April 2018** | **(575)** | **(7,267)** | **(17,057)** | **(88,085)** | **(98,986)** | **(6,035)** | **-** | **(61)** | **-** | **(218,066)** | **(2,225)** |
| Depreciation charge | (13,546) | (15,805) | (3,084) | (4,766) | (8,538) | (656) | - | (68) | - | **(46,463)** | (325) |
| * Depreciation written out to the Revaluation Reserve | 5,523 | 8,625 | 8,446 | - | - | - | - | 28 | - | **22,622** | - |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | 7,881 | 7,504 | - | - | - | - | - | 101 | - | **15,486** | - |
| Impairment losses/reversals to Surplus/Deficit on Provision of Services | 50 | - | - | - | - | - | - | - | - | **50** | - |
| Derecognition - disposals | 1 | 555 | - | - | - | - | - | - | - | **556** | - |
| Derecognition - other | 301 | 322 | 2,049 | - | - | - | - | - | - | **2,672** | - |
| **At 31 March 2019** | **(365)** | **(6,066)** | **(9,646)** | **(92,851)** | **(107,524)** | **(6,691)** | **-** | **-** | **-** | **(223,143)** | **(2,550)** |
| **Net Book Value** | | | | | | | | | | | |
| At 31 March 2019 | **850,620** | **727,029** | **99,484** | **16,437** | **143,638** | **25,286** | **49,448** | **5,253** | **42,387** | **1,959,582** | **2,078** |
| At 31 March 2018 | **841,113** | **709,820** | **117,127** | **19,298** | **140,087** | **25,942** | **9,929** | **4,274** | **74,744** | **1,942,334** | **1,116** |

## DEPRECIATION

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

- Council dwellings – 60-80 years
- Other Operating buildings – 40-60 years
- Vehicles, plant, and equipment - 5-15 years
- Infrastructure Assets – 10-75 years
- Intangible Assets – 5-10 years

## REVALUATIONS

The Council carries out a rolling programme that ensures that all property, plant and equipment required to be measured at fair value is revalued at least every five years. This includes Council Dwellings, Other Land & Buildings, Community Assets and Surplus Assets. Council Dwellings are valued annually. Valuations of land and buildings (including Council Dwellings) were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant and equipment are based on historic cost.

As at the valuation date, the Council's valuer consider that they can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. The current response to Covid-19 means that they are faced with an unprecedented set of circumstances on which to base a judgement. The valuations are therefore reported on the basis of 'material valuation uncertainty' per the RICS Red Book Global.

The significant assumptions applied in estimating the current values of property, plant and equipment are:

- Non-specialised properties occupied by the Council or used for the purpose of service delivery, have been valued on the basis of Existing Use Value (EUV),
- Specialised properties, for which there is no recognised market, have been valued by the Depreciated Replacement Cost (DRC) method,
- Surplus assets have been valued on the basis of Fair Value (FV).

| **Revaluations** | **Council Dwellings £000s** | **Other Land & Buildings £000s** | **Other Land & Buildings (PFI) £000s** | **Vehicles, Plant & Equipment £000s** | **Infrastructure Assets £000s** | **Infrastructure Assets (PFI) £000s** | **Community Assets £000s** | **Surplus Assets £000s** | **Assets Under Construction £000s** | **Total £000s** |
|---|---|---|---|---|---|---|---|---|---|---|
| Carried at historical cost | | | 29,379 | 15,928 | 147,938 | 24,647 | 12,528 | | 66,289 | 296,709 |
| Valued at current value as at: | | | | | | | | | | - |
| 31 March 2020 | 831,763 | 215,703 | | | | | 26,880 | 2,744 | | 1,077,090 |
| 31 March 2019 | | 217,161 | 68,460 | | | | | 636 | | 286,257 |
| 31 March 2018 | | 171,229 | | | | | | | | 171,229 |
| 31 March 2017 | | 60,463 | | | | | | | | 60,463 |
| 31 March 2016 | | 103,569 | | | | | | 1,971 | | 105,540 |
| **Total Cost or Valuation** | **831,763** | **768,125** | **97,839** | **15,928** | **147,938** | **24,647** | **39,408** | **5,351** | **66,289** | **1,997,288** |

# Note 10 Capital Commitments

At 31 March 2020, the Council has significant commitments for future capital expenditure in 2020/21 and future years budgeted to cost £80.913m. Similar commitments at 31 March 2019 were £41.196m. The commitments are:

| Service | Commitments at 31st March 2019 £000s | Commitments at 31st March 2020 £000s |
|---|---|---|
| ADULTS SERVICES | 103 | - |
| BUILT ENVIRONMENT | 1,178 | 1,361 |
| CHILDREN & FAMILIES | 1,456 | 272 |
| COUNCIL WIDE | 61 | 86 |
| ENVIRONMENT & LEISURE | 2,437 | 1,662 |
| HOUSING (GENERAL FUND) | 213 | 620 |
| HRA | 14,652 | 72,172 |
| ICT & PROPERTY SERVICES | 190 | 53 |
| PUBLIC HEALTH | - | - |
| REGENERATION | 9,625 | 1,445 |
| SAFER COMMUNITIES | 744 | 264 |
| SCHOOLS SERVICE | 10,537 | 2,976 |
| **Total Commitments** | **41,196** | **80,911** |

# Note 11 Heritage Assets

## RECONCILIATION OF THE CARRYING VALUE OF HERITAGE ASSETS HELD BY THE COUNCIL

| Heritage Assets Movements in 2019/20 | Martinware £000s | Mace and Badge £000s | Furniture £000s | Art collections £000s | Others £000s | Total Property, Plant & Equipment £000s |
|---|---|---|---|---|---|---|
| Cost or Valuation | | | | | | |
| At 1 April 2019 | 1,288 | 632 | 315 | 155 | 351 | 2,741 |
| **At 31 March 2020** | **1,288** | **632** | **315** | **155** | **351** | **2,741** |

| Heritage Assets Movements in 2018/19 | Martinware £000s | Mace and Badge £000s | Furniture £000s | Art collections £000s | Others £000s | Total Property, Plant & Equipment £000s |
|---|---|---|---|---|---|---|
| Cost or Valuation | | | | | | |
| At 1 April 2018 | 1,288 | 632 | 315 | 155 | 351 | 2,741 |
| **At 31 March 2019** | **1,288** | **632** | **315** | **155** | **351** | **2,741** |

The Council has a number of heritage assets, comprising of the Council's art collection, ceramics, figurine and other antiques and civic regalia. These assets are held at insurance valuations which are based on market values. The latest valuations range from 2007-2012.

Additionally, there is a World War II underground bunker at one of the borough's schools. It is the opinion of the Council that obtaining a valuation for the bunker would be disproportionate in relation to the benefits derived by users of the financial statements. This heritage asset is therefore not included on the balance sheet, although it is likely that this would have no monetary value as no market would exist for the sale of the asset.

# **Note 12** Financial Instruments

## CATEGORIES OF FINANCIAL INSTRUMENTS (12A)

The following categories of financial instrument are carried in the Balance Sheet.

| | Restated 31 March 2019* | | | | | 31 March 2020 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Non-Current | | Current | | | Non-Current | | Current | | |
| **FINANCIAL ASSETS** | **Investments £000s** | **Debtors £000s** | **Investments £000s** | **Debtors £000s** | **Total £000s** | **Investments £000s** | **Debtors £000s** | **Investments £000s** | **Debtors £000s** | **Total £000s** |
| Amortised Cost | 855 | 26,029 | 231,005 | 70,763 | 328,652 | 859 | 28,694 | 238,528 | 65,669 | 333,750 |
| Fair value through other comprehensive income | 2,136 | - | - | - | 2,136 | 2,136 | - | - | - | 2,136 |
| Fair value through Profit and Loss | - | - | - | - | - | - | - | - | - | - |
| **Total Financial Assets** | **2,992** | **26,029** | **231,005** | **70,763** | **330,788** | **2,995** | **28,694** | **238,528** | **65,669** | **335,886** |
| Non-Financial Assets | - | 83 | - | 17,516 | 17,599 | - | 87 | - | 24,906 | 24,993 |
| **Total** | **2,992** | **26,112** | **231,005** | **88,279** | **348,387** | **2,995** | **28,781** | **238,528** | **90,575** | **360,879** |

| | Restated 31 March 2019* | | | | | 31 March 2020 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Non-Current | | Current | | | Non-Current | | Current | | |
| **FINANCIAL LIABILITIES** | **Borrowings £000s** | **Creditors £000s** | **Borrowings £000s** | **Creditors £000s** | **Total £000s** | **Borrowings £000s** | **Creditors £000s** | **Borrowings £000s** | **Creditors £000s** | **Total £000s** |
| Financial liabilities at amortised cost | (611,164) | (111,157) | (22,192) | (87,683) | (832,196) | (619,407) | (106,078) | (42,836) | (86,817) | (855,138) |
| Financial liabilities at fair value through profit and loss | - | - | - | - | - | - | - | - | - | - |
| **Total Financial Liabilities** | **(611,164)** | **(111,157)** | **(22,192)** | **(87,683)** | **(832,196)** | **(619,407)** | **(106,078)** | **(42,836)** | **(86,817)** | **(855,138)** |
| Non-Financial Liabilities | - | (17,084) | - | (40,516) | (57,600) | - | (23,771) | - | (52,131) | (75,903) |
| **Total** | **(611,164)** | **(128,241)** | **(22,192)** | **(128,199)** | **(889,796)** | **(619,407)** | **(129,849)** | **(42,836)** | **(138,948)** | **(931,041)** |

*Following a review of Financial Instruments, some debtor and creditor balances have been reclassified between Financial Instruments and Non-Financial Instruments. This has led to a restatement of the 18/19 categorisation in the above table, however the total debtor and creditor balances are unchanged. The above table therefore shows a meaningful comparative between the 2018/19 and 2019/20 Financial Instrument balances.

## CARRYING VALUE

Under accounting requirements, the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

### FAIR VALUE

Fair value has been measured by:
• Direct reference to published price quotations in an active market; and/or
• Estimating using a valuation technique

### MARKET LOANS

Market loans (LOBOs) of £61m have been included in long term borrowing but have a call date in the next 12 months.

## FINANCIAL INSTRUMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (12B)

| FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AND EXPENDITURE | Nominal £000s | Fair Value £000s | Change in fair value during 2018/19 £000s | Dividends £000s |
|---|---|---|---|---|
| Broadway Living Ltd Shares | 2,136 | 2,136 | 0 | 0 |

The Authority has a shareholding in Broadway Living Ltd (representing 100% of the company's Capital). The shares are carried at cost of £2.136m and have not been valued as a fair value cannot be measured reliably. The company was formed in March 2014 and has no established trading history. There are also no established companies with similar aims in the Authority's area whose shares are traded, and which might provide comparable market data. The Authority has no current intention to dispose of the shareholding.

## INCOME, EXPENSE, GAINS AND LOSSES (12C)

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

| | Restated 2018/19* | | 2019/20 | |
|---|---|---|---|---|
| INCOME, EXPENSES, GAINS & LOSSES | Surplus or Deficit on the Provision of services £000s | Other Comprehensive Income and Expenditure £000s | Surplus or Deficit on the Provision of services £000s | Other Comprehensive Income and Expenditure £000s |
| **Net gains/losses on:** | | | | |
| Financial liabilities measured at amortised cost | | | | 3,947 |
| **Total net gains/losses** | **-** | **-** | **-** | **3,947** |
| **Interest Revenue:** | | | | |
| Financial Assets Measured at Amortised Cost | (3,984) | - | (4,894) | |
| **Total Interest Revenue** | **(3,984)** | **-** | **(4,894)** | **-** |
| **Interest Expense** | **35,442** | **-** | **36,270** | **-** |

*Interest expense has been restated to include interest expenses relating to PFIs.

## FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (12D)

Basis for recurring fair value measurements:

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

Some of the authority's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

**FINANCIAL ASSETS MEASURED at FAIR VALUE**

| Recurring Fair Value Measurements | Input Level in Fair Value Hierarchy | Valuation Technique Used to Measure Fair Value | As At 31 March 2019 | As At 31 March 2020 |
|---|---|---|---|---|
| **Fair value through Other Comprehensive Income** | | | | |
| Equity Shareholding in Broadway Living Ltd | Level 3 | Acquisition amount | 2,136 | 2,136 |
| **Total** | | | **2,136** | **2,136** |

**Equity shareholding in Broadway Living Ltd**

The Council's shareholding in Broadway Living Ltd - the shares in this company are not traded in the active market and fair value of £2.136m is the acquisition amount at the current time as no assessment of its future trading prospects can be made with reasonable certainty.

## THE FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES THAT ARE NOT MEASURED AT FAIR VALUE (BUT FOR WHICH FAIR VALUE DISCLOSURES ARE REQUIRED) (12E)

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB payable, PWLB premature repayment rates have been applied to provide the fair value under PWLB debt redemption procedures;

- For non-PWLB loans payable, PWLB premature repayment rates have been applied to provide the fair value under PWLB debt;

- For loans receivable prevailing benchmark market rates have been used to provide the fair value;

- No early repayment or impairment is recognised;

- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;

- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

| FINANCIAL LIABILITIES | Restated 31 March 2019* | | 31 March 2020 | |
|---|---|---|---|---|
| | Carrying Amount £000s | Fair Value £000s | Carrying Amount £000s | Fair Value £000s |
| PWLB debt | (533,096) | (771,898) | (546,142) | (891,338) |
| Non-PWLB debt | (90,866) | (154,858) | (90,853) | (178,989) |
| Short term borrowing | (9,393) | (9,398) | (25,248) | (24,869) |
| **Total Borrowings** | **(633,355)** | **(936,154)** | **(662,243)** | **(1,095,196)** |
| PFI, service concessions and finance | (115,185) | (115,185) | (110,505) | (110,505) |
| Trade Creditors | (83,655) | (83,655) | (82,390) | (82,390) |
| **Financial Liabilities** | **(832,196)** | **(1,134,995)** | **(855,138)** | **(1,288,091)** |

*The 18/19 figures have been restated to include PFI and trade creditors.

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2020) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £891.3m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken as at 31 March 2020. The difference between the carrying amount and the fair value measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

| FINANCIAL ASSETS | Restated 31 March 2019* | | 31 March 2020 | |
|---|---|---|---|---|
| | Carrying Amount £000s | Fair Value £000s | Carrying Amount £000s | Fair Value £000s |
| Cash and cash equivalents | 53,381 | 29,420 | 76,888 | 76,888 |
| Short term investments | 177,624 | 177,624 | 161,640 | 161,640 |
| Long term investments | 855 | 2,060 | 859 | 1,803 |
| Long term debtors | 26,029 | 53,144 | 28,694 | 48,554 |
| Short term debtors | 70,763 | 70,763 | 65,669 | 65,669 |
| **Total Assets** | 328,652 | 333,011 | 333,750 | 354,554 |

*The 18/19 figures have been restated to include cash and cash equivalents and to recategorize long term investments and long-term debtors.

The fair value of the assets is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future gain (based on economic conditions at 31 March 2020) arising from a commitment to pay interest to lenders above current market rates.

Short-term investments & borrowing, long-term debtors and short-term debtors & creditors are all carried at cost as this is a fair approximation of their value.

## FAIR VALUE HIERARCHY FOR FINANCIAL ASSETS AND FINANCIAL LIABILITIES THAT ARE NOT MEASURED AT FAIR VALUE (12F)

| RECURRING FAIR VALUE MEASUREMENTS USING: | 31 March 2020 | | | |
|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) £000 | Other Significant Observable Inputs (Level 2) £000 | Significant Unobservable Inputs (Level 3) £000 | TOTAL £000 |
| **Financial Liabilities** | | | | |
| *Financial Liabilities Held at Amortised Cost:* | | | | |
| PWLB | - | (891,338) | - | (891,338) |
| Non-PWLB | - | (178,989) | - | (178,989) |
| Short term debt | - | (19,869) | - | (19,869) |
| **Total** | **-** | **(1,090,196)** | **-** | **(1,090,196)** |
| **Financial assets** | | | | |
| Financial assets held at amortised cost | - | 49,683 | - | 49,683 |
| **Total** | **-** | **49,683** | **-** | **49,683** |

| RECURRING FAIR VALUE MEASUREMENTS USING: | 31 March 2019 | | | |
|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) £000 | Other Significant Observable Inputs (Level 2) £000 | Significant Unobservable Inputs (Level 3) £000 | TOTAL £000 |
| **Financial Liabilities** | | | | |
| *Financial Liabilities Held at Amortised Cost:* | | | | |
| PWLB | - | (771,898) | - | (771,898) |
| Non-PWLB | - | (154,858) | - | (154,858) |
| Short term debt | - | (9,398) | - | (9,398) |
| **Total** | **-** | **(936,154)** | **-** | **(936,154)** |
| **Financial assets** | | | | |
| Financial assets held at amortised cost | - | 54,463 | - | 54,463 |
| **Total** | **-** | **54,463** | **-** | **54,463** |

# Note 13 Debtors

The short-term debtors shown in the table below are net of impairment allowance for doubtful debts.

| Short-Term Debtors | Restated 31 March 2019* £000s | 31 March 2020 £000s |
|---|---|---|
| Gross Trade Receivables | 72,368 | 70,092 |
| less Trade Receivables Impairment Allowance | (20,477) | (21,955) |
| **Net Trade Receivables** | **51,891** | **48,137** |
| **Pre-Payments** | **1,043** | **2,478** |
| Gross NNDR Payers | 10,334 | 8,484 |
| less NNDR Payers Impairment Allowance | (4,261) | (3,805) |
| **Net NNDR Payers** | **6,073** | **4,679** |
| Gross Council Tax Payers | 14,178 | 15,039 |
| less Council Tax Payers Impairment Allowance | (7,137) | (8,226) |
| **Net Council Tax Payers** | **7,041** | **6,813** |
| **Collection Fund Preceptors** | **-** | **-** |
| Gross Rent Arrears (including Housing Benefit overpayments) | 56,060 | 53,263 |
| less Rent Arrears Impairment Allowance | (43,234) | (44,777) |
| **Net Housing Benefit** | **12,826** | **8,486** |
| Gross Other Receivables | 10,576 | 21,147 |
| less Other Receivables Impairment Allowance | (1,171) | (1,165) |
| **Net Other Receivables** | **9,405** | **19,982** |
| **Total Short-Term Debtors** | **88,279** | **90,575** |

*The 2018/19 balances have been restated by type of debt, rather than be type of customer.

The gross total of the short-term debtors as at the 31 March 2020 is £170.50m (31 March 2019 was £164.56m).

# Note 14 Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

| Cash and Cash Equivalents | 31 March 2019 £000s | 31 March 2020 £000s |
|---|---|---|
| Bank Current Accounts | (8,743) | 12,672 |
| Short-Term Deposits | 29,420 | 29,950 |
| Cash Held by the Council | 846 | 841 |
| School Bank Accounts | 32,704 | 34,267 |
| **Total Cash and Cash Equivalents** | **54,227** | **77,730** |

# Note 15 Creditors

| Short-Term Creditors | Restated 31 March 2019* £000s | 31 March 2020 £000s |
|---|---|---|
| Trade Payables | (73,629) | (76,217) |
| Receipts in Advance | (2,079) | (4,433) |
| NNDR Payers | (8,296) | (4,317) |
| Council Tax Payers | (9,681) | (10,594) |
| Collection Fund Preceptors | (11,778) | (18,860) |
| Ealing Pension Fund | (2,907) | (3,181) |
| Other Payables | (19,829) | (21,346) |
| **Total** | **(128,199)** | **(138,948)** |

*The 2018/19 balances have been restated by type of creditor, rather than by type of supplier. Grants Receipts in Advance – Revenue are now shown in note 26.

# Note 16 Provisions

| Current Provisions | Insurance Provision £000s | Non-Domestic Rate Appeals | Other Provisions £000s | Total £000s |
|---|---|---|---|---|
| **Balance at 1 April 2018** | **(1,613)** | **(5,054)** | **(4,512)** | **(11,179)** |
| Transfers In | (327) | (5,779) | (2,599) | **(8,705)** |
| Transfers Out | 773 | - | 992 | **1,765** |
| **Balance at 31 March 2019** | **(1,167)** | **(10,833)** | **(6,119)** | **(18,119)** |

| Current Provisions | Insurance Provision £000s | Non-Domestic Rate Appeals | Other Provisions £000s | Total £000s |
|---|---|---|---|---|
| **Balance at 1 April 2019** | **(1,167)** | **(10,833)** | **(6,119)** | **(18,119)** |
| Transfers In | (11) | - | (537) | **(548)** |
| Transfers Out | 45 | 2,708 | 3,138 | **5,891** |
| **Balance at 31 March 2020** | **(1,133)** | **(8,125)** | **(3,518)** | **(12,776)** |

| Long-Term Provisions | Insurance Provision £000s | Other Provisions £000s | Total £000s |
|---|---|---|---|
| **Balance at 1 April 2018** | **(2,579)** | **(439)** | **(3,018)** |
| Transfers In | (133) | (2,060) | **(2,193)** |
| Transfers Out | | | **-** |
| **Balance at 31 March 2019** | **(2,712)** | **(2,499)** | **(5,211)** |

| Long-Term Provisions | Insurance Provision £000s | Other Provisions £000s | Total £000s |
|---|---|---|---|
| **Balance at 1 April 2019** | **(2,712)** | **(2,499)** | **(5,211)** |
| Transfers In | | (1,200) | **(1,200)** |
| Transfers Out | | 2,000 | **2,000** |
| **Balance at 31 March 2020** | **(2,712)** | **(1,699)** | **(4,411)** |

Provisions have been made in the current and previous financial years to set aside amounts to meet future expenditure. These provisions are made at the point where a given liability arises but where the expenditure relating to the liability has not yet been made. The balance on the provisions account therefore reflects the balance of unpaid known liabilities which have already been charged to the Council's revenue account. When the liability is paid the expenditure is charged against the provision. The provisions shown above includes the items detailed below:

## CLAIMS AND SELF-INSURANCE PROVISION

This provision is used to provide funding to cover liability claims, risk management and "all risks" cover for specified equipment in Council establishments. On the basis of professional advice from the Council's insurance brokers, officers are of the view that all known insurance risks are provided for.

## NON-DOMESTIC RATES APPEALS

This provision has been set up to cover potential losses following successful appeals by Business Ratepayers resulting in a reduction in their rateable values and consequent reduction in the collectable amounts.

## LONG LEASE PROPERTY COMPENSATION PROVISION

The Council purchased the leaseholds of certain properties during the 1950s and 1960s as part of slum clearance programmes. The leases on these properties are now coming to an end. The long lease property compensation provision has been set up to cover costs to be incurred by the Council in respect of dilapidations to these properties.

## DISREPAIR CASES

This provision relates to abnormal costs incurred for legal expenses and other costs associated with disrepair cases.

## COMPULSORY PURCHASE ORDER

This provision has been set aside to fund costs flowing from the Compulsory Purchase Order for relevant development.

## OLDER PERSONS PFI MEDIATION & LEGAL LIABILITY

This provision has been set aside to cover the backdated and ongoing uplift element flowing from a legal case.

## CHILDREN & SCHOOLS PROVISION

This provision relates to Children with Disabilities to cover placements (including SEN) or movement in placements which may not have been recognised or recorded on the Council's social care, SEN and finance systems at year-end.

# Note 17 Usable Reserves

Movements in the authority's usable reserves are detailed in the Movement in Reserves Statement, Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations and Note 8 Movements in Earmarked Reserves.

# Note 18 Unusable Reserves

| Unusable Reserves | 2018/19 £000s | 2019/20 £000s |
|---|---|---|
| Revaluation reserve | (406,817) | (457,999) |
| Capital Adjustment Account | (801,570) | (776,053) |
| Deferred Capital Receipts Reserve | (731) | (731) |
| Collection Fund Adjustment Account | (4,964) | (236) |
| Financial Instruments Adjustment Account | 1,507 | 1,479 |
| Accumulated Absences Account | 5,734 | 6,167 |
| Pensions Reserve | 601,711 | 567,614 |
| **Total Unusable Reserves** | **(605,130)** | **(659,759)** |

## REVALUATION RESERVE (NOTE 18A)

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 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.

| Revaluation Reserve | 2018/19 £000s | 2019/20 £000s |
|---|---|---|
| **Balance at 1 April** | **363,601** | **406,817** |
| Upward revaluation of assets | 54,096 | 55,832 |
| Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | - | - |
| **Surplus or (deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services** | **54,096** | **55,832** |
| Difference between fair value depreciation and historical cost depreciation | (1,042) | (5,536) |
| Accumulated gains on assets sold or scrapped | (9,838) | (2,049) |
| **Amounts written off to the Capital Adjustment Account** | **(10,880)** | **(7,585)** |
| **Balance at 31 March** | **406,817** | **455,064** |

## CAPITAL ADJUSTMENT ACCOUNT (NOTE 18B)

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or subsequent costs 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 subsequent costs.

The account contains accumulated gains and losses on investment properties that have yet to be consumed by the Council.

The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

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| **Capital Adjustment Account** | **2018/19 £000s** | **2019/20 £000s** |
|---|---|---|
| **Balance at 1 April** | **827,892** | **801,570** |
| Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | | |
| Charges for depreciation and impairment of non-current | (46,787) | (43,313) |
| Charges for impairment of long-term debtor capital loans | 50 | (175) |
| Revaluation losses on property, plant and equipment | (45,256) | (71,142) |
| Amortisation of intangible assets | - | - |
| Revenue expenditure funded from capital under statute | (15,371) | (9,144) |
| De-mininis Capital Expenditure | (134) | (145) |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (50,225) | (12,417) |
| **Sub-total** | **(157,723)** | **(136,336)** |
| Adjusting amounts written out of the Revaluation Reserve | 10,880 | 7,585 |
| **Net written out amount of the cost of non-current assets consumed in the year** | **(146,843)** | **(128,751)** |
| Capital financing applied in the year: | | |
| Use of Capital Receipts Reserve to finance new capital expenditure | 36,843 | 37,423 |
| Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | 35,822 | 21,804 |
| Application of grants to capital financing from the Capital Grants Unapplied Account | 9,487 | 7,377 |
| Use of the Major Repairs Reserve to Finance New Capital | 14,085 | 13,204 |
| Statutory provision for the financing of capital investment charged against the General Fund Balance | 18,605 | 18,461 |
| Capital expenditure charged against the General Fund Balance | 5,679 | 5,502 |
| **Capital financing applied in the year** | **120,521** | **103,771** |
| Cash Payments in Relation to Long-Term Debtor Loans | - | (537) |
| **Balance at 31 March** | **801,570** | **776,053** |

## PENSIONS RESERVE (NOTE 18C)

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 eventually pay any pensions for which it is directly responsible. The credit 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.

| **Pensions Reserve** | **2018/19 £000s** | **2019/20 £000s** |
|---|---|---|
| **Balance at 1 April** | **(498,173)** | **(601,711)** |
| Remeasurements of the net defined benfit liability / (asset) | (64,439) | 64,825 |
| 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 | (70,695) | (64,209) |
| Employer's pensions contributions and direct payments to pensioners payable in year | 31,596 | 33,481 |
| **Balance at 31 March** | **(601,711)** | **(567,614)** |

## DEFERRED CAPITAL RECEIPTS RESERVE (NOTE 18D)

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

| **Deferred Capital Receipts Reserve** | **2018/19 £000s** | **2019/20 £000s** |
|---|---|---|
| **Balance at 1 April** | **731** | **731** |
| Transfer of deferred loan repayments in respect of long-term debtors credited to the Comprehensive Income and Expenditure Statement | - | - |
| Transfer to the Capital Receipts Reserve upon receipt of cash | - | - |
| Transfers between reserves (Capital Adjustment Account) | - | - |
| **Balance at 31 March** | **731** | **731** |

## FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT (NOTE 18E)

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.

| **Financial Instruments Adjustment Account** | **2018/19 £000s** | **2019/20 £000s** |
|---|---|---|
| **Balance at 1 April** | **(1,534)** | **(1,507)** |
| Amount by which finance costs charged to the comprehensive income and expenditure statement are different from finance costs chargeable in the year in accordance with statutory requirements | 27 | 28 |
| **Balance at 31 March** | **(1,507)** | **(1,479)** |

## COLLECTION FUND ADJUSTMENT ACCOUNT (NOTE 18F)

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Non-Domestic Rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

| Collection Fund Adjustment Account | 2018/19 £000s | 2019/20 £000s |
|---|---|---|
| **Balance at 1 April** | **6,004** | **4,963** |
| Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements | (1,041) | (4,728) |
| **Balance at 31 March** | **4,963** | **236** |

## ACCUMULATED ABSENCES ACCOUNT (NOTE 18G)

The Accumulated Absences 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 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

| Accumulated Absences Account | 2018/19 £000s | 2019/20 £000s |
|---|---|---|
| **Balance at 1 April** | **(5,717)** | **(5,734)** |
| Settlement or cancellation of accrual made at the end of the preceding year | 5,717 | 5,734 |
| Amounts accrued at the end of the current year | (5,734) | (6,167) |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (17) | (433) |
| **Balance at 31 March** | **(5,734)** | **(6,167)** |

# Note 19 Cash Flow Statements

## OPERATING ACTIVITIES (NOTE 19A)

The cash flows for operating activities include the following items:

| | 2018/19 £000s | 2019/20 £000s |
|---|---|---|
| Interest Received | (3,811) | (4,682) |
| Interest Paid | 23,391 | 24,330 |

| **The (Surplus)/Deficit on the Provision of Services has been Adjusted for the Following Non-Cash Movements:** | **2018/19 £000s** | **2019/20 £000s** |
|---|---|---|
| Depreciation and Amortisations | (46,787) | (43,313) |
| Impairment and Downward Valuations | (45,206) | (71,317) |
| (Increase)/Decrease in Impairment for Bad Debts | (14,905) | (3,648) |
| (Increase)/Decrease in Creditors | (31,920) | (6,071) |
| Increase/(Decrease) in Debtors | 23,242 | 18,586 |
| Movement in Pension Liability | (39,099) | (30,728) |
| Carrying Amount of Non-Current Assets and Non-Current Assets Held for Sale, Sold or Derecognised | (50,225) | (12,418) |
| **Other Non-Cash Items Charged to the Net (Surplus) or Deficit on the Provision of Services** | | |
| (Increase)/Decrease in Provisions | (9,132) | 6,143 |
| (Increase)/Decrease in Accumulated Absences | (17) | (433) |
| **Net cash flows from operating activities** | **(214,049)** | **(143,199)** |

| **The (Surplus)/Deficit on the Provision of Services has been Adjusted for the Following Items that are Investing and Financing Activities:** | **2018/19 £000s** | **2019/20 £000s** |
|---|---|---|
| Proceeds from Short-Term (Not Considered to be Cash Equivalents) and Long-Term Investments (Includes Investments in Associates, Joint Ventures and Subsidiaries) | - | - |
| Proceeds from the Sale of Property Plant and Equipment, Investment Property and Intangible Assets | 52,687 | 30,373 |
| Grant Receipts for the Financing of New Capital Expenditure | 53,530 | 34,617 |
| **Net cash flows from operating activities** | **106,217** | **64,990** |

## INVESTING ACTIVITIES (NOTE 19B)

The cash flows for investing activities include the following items:

| **Investing Activities** | **2018/19 £000s** | **2019/20 £000s** |
|---|---|---|
| Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets | 111,412 | 103,734 |
| Purchase of Short-Term and Long-Term Investments | 1,484,364 | 1,397,630 |
| Payments for Other Long Term Loans | 894 | 3,620 |
| (Proceeds) From the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets | (52,687) | (30,373) |
| (Proceeds) from Short-Term and Long-Term Investments | (1,386,434) | (1,413,830) |
| (Proceeds) from Other Long-Term Loans | (590) | (951) |
| Grant (Receipts) for the Financing of New Capital Expenditure | (58,552) | (36,803) |
| **Net cash flows from investing activities** | **98,407** | **23,027** |

## FINANCING ACTIVITIES (NOTE 19C)

The cash flows for financing activities include the following items:

| Financing Activities | 2018/19 £000s | 2019/20 £000s |
|---|---|---|
| Cash (Receipts) of Short-Term and Long-Term Borrowing | (115,475) | (53,648) |
| Cash (Receipts) from Other Short-Term and Long-Term Liabilities | 351 | 999 |
| Cash Payments for the Reduction of Outstanding Liabilities Relating to Finance Leases and on-Balance Sheet PFI Contracts | 4,950 | 4,681 |
| Repayments of Short-Term and Long-Term Borrowing | 47,761 | 24,528 |
| Repayments of Other Short-Term and Long-Term Liabilities | (324) | (962) |
| Billing Authorities - Council Tax and NDR Adjustments | 10,631 | (7,082) |
| **Net cash flows from financing activities** | **(52,106)** | **(31,484)** |

# **Note 20** Reconciliation of liabilities arising from Financing Activities

| | | | Non-Cash Changes | | |
|---|---|---|---|---|---|
| | **1 April 2019 £000s** | **Financing Cash Flows £'000s** | **Acquisition £'000s** | **Other £'000s** | **31 March 2020 £000s** |
| Long-Term Borrowings - PWLB | (521,609) | (8,271) | | | (529,880) |
| Long-Term Borrowings - Other | (89,555) | 28 | | | (89,527) |
| Short-Term Borrowings - PWLB | (6,702) | (5,027) | | | (11,729) |
| Short-Term Borrowings - Other | (15,489) | (15,618) | | | (31,107) |
| **Total Liabilities from Financing Activities** | **(633,355)** | **(28,888)** | **-** | **-** | **(662,243)** |

| | | | Non-Cash Changes | | |
|---|---|---|---|---|---|
| | **1 April 2018 £000s** | **Financing Cash Flows £'000s** | **Acquisition £'000s** | **Other £'000s** | **31 March 2019 £000s** |
| Long-Term Borrowings - PWLB | (428,311) | (93,298) | | | (521,609) |
| Long-Term Borrowings - Other | (91,500) | 1,945 | | | (89,555) |
| Short-Term Borrowings - PWLB | (12,734) | 6,032 | | | (6,702) |
| Short-Term Borrowings - Other | (33,152) | 17,662 | | | (15,489) |
| **Total Liabilities from Financing Activities** | **(565,697)** | **(67,659)** | **-** | **-** | **(633,355)** |

# **Note 21** Members' Allowances

The total of the allowances paid to the Members of the Council in 2019/20 was £1.025m (£1.020m in 2018/19).

# Note 22 Officers' Remuneration

The remuneration of senior employees, which is defined as those who are members of the Strategic Leadership Team, those holding statutory posts, or those whose remuneration is £150,000 or more per year, is set out below. Salary, (including Fees and Allowances) includes elements such as market supplements and honoraria. No payments were made for bonuses, benefits in kind & expense allowances in either year.

| 2019/20<br>Post | Salary (including fees and allowances) | Compensation for loss of office | Total remuneration (excluding pension contributions) | Pension contributions | Total |
|---|---|---|---|---|---|
| Chief Executive (Paul Najsarek) | 184,542 | | 184,542 | 36,170 | 220,712 |
| Executive Director for Children and Adults | 141,021 | | 141,021 | 27,640 | 168,661 |
| Executive Director Place | 141,021 | | 141,021 | 27,640 | 168,661 |
| Chief Finance Officer | 136,550 | | 136,550 | 26,617 | 163,167 |
| Director of ICT (CIO) and Property Services | 116,550 | | 116,550 | 22,844 | 139,394 |
| Director of Legal and Democratic Services | 116,550 | | 116,550 | 22,844 | 139,394 |
| Director of HR and OD | 113,028 | | 113,028 | 22,153 | 135,181 |
| Director of Strategy and Engagement | 110,271 | | 110,271 | 21,613 | 131,884 |
| Director of Public Health (a) | 122,371 | | 122,371 | - | 122,371 |
| Director of Public Health (b) | 36,441 | | 36,441 | 7,225 | 43,666 |
| Director of Public Health (c) | 12,160 | | 12,160 | 2,383 | 14,543 |
| Director of Public Health (c) | 12,160 | | 12,160 | 2,383 | 14,543 |

(a) The Director of Public Health role was filled by agency staff from 01/04/19-09/07/2019. The same agency staff member has covered maternity leave from 04/11/19
(b) The Director of Public Health was appointed on 10/07/2019
(c) 2 staff members acted into the role between 01/08/2019-03/11/2019 to cover maternity leave

| 2018/19<br>Post | Salary (including fees and allowances) | Compensation for loss of office | Total remuneration (excluding pension contributions) | Pension contributions | Total |
|---|---|---|---|---|---|
| Chief Executive- Paul Najsarek | 180,921 | | 180,921 | 35,460 | 216,381 |
| Executive Director for Corporate Resources (a) | 131,479 | 109,059 | 240,538 | 24,679 | 265,216 |
| Executive Director for Regeneration & Housing (b) | 120,832 | | 120,832 | 23,683 | 144,515 |
| Executive Director for Environment and Customer Services | 138,255 | | 138,255 | 27,098 | 165,353 |
| Executive Director for Children and Adults | 138,255 | | 138,255 | 27,098 | 165,353 |
| Director of Public Health (c) | 10,187 | | 10,187 | 1,465 | 11,652 |
| Director of Public Health(agency) (c) | 99,559 | | 99,559 | | 99,559 |
| Executive Director of Place (d) | 18,516 | | 18,516 | 3,629 | 22,145 |
| Director of Finance(e) | 116,774 | | 116,774 | 22,878 | 139,652 |
| Chief Finance Officer (e) | 12,987 | | 12,987 | 2,702 | 15,689 |
| Director of Legal Services (f) | 10,202 | | 10,202 | 2,000 | 12,201 |
| Director of Strategy and Engagement(f) | 8,324 | | 8,324 | 1,771 | 10,095 |
| Director of HR(f) | 9,653 | | 9,653 | 1,892 | 11,544 |
| Director of ICT and Property Services (f) | 9,417 | | 9,417 | 1,846 | 11,263 |

(a) The role of Executive Director for Corporate Resources was deleted on 26/02/2019
(b) The role of Executive Director for Regeneration and Housing was deleted on 11/02/2019
(c) The Director of Public Health left the role on 13/05/2018 and was replaced by agency staff
(d) The Executive Director of Place was appointed on 12/02/2019
(e) The Director of Finance role was deleted on 26/02/19 and the post holder was appointed as Chief Finance Officer role on 12/02/2019
(f) This role reports to the Chief Executive from 27/02/19

The rate of pension contribution is 19.6% for 2018/19 and 19.6% for 2019/20.

The number of employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) is shown below.

| | 2018/19 | | 2019/20 | |
|---|---|---|---|---|
| **Table 22b** | **Employee** | **Employee** | **Employee** | **Employee** |
| £50,000 - £54,999 | 215 | 85 | 256 | 125 |
| £55,000 - £59,999 | 137 | 48 | 158 | 47 |
| £60,000 - £64,999 | 87 | 29 | 102 | 25 |
| £65,000 - £69,999 | 48 | 13 | 48 | 27 |
| £70,000 - £74,999 | 37 | 26 | 27 | 17 |
| £75,000 - £79,999 | 23 | 13 | 24 | 17 |
| £80,000 - £84,999 | 16 | 9 | 17 | 8 |
| £85,000 - £89,999 | 13 | 5 | 12 | 14 |
| £90,000 - £94,999 | 12 | 3 | 9 | 1 |
| £95,000 - £99,999 | 3 | 0 | 4 | - |
| £100,000 - £104,999 | 7 | 2 | 5 | 1 |
| £105,000 - £109,999 | 3 | 4 | 3 | 1 |
| £110,000 - £114,999 | 2 | 5 | - | 4 |
| £115,000 - £119,999 | 1 | 0 | - | 5 |
| £120,000 - £124,999 | 1 | 0 | - | - |
| £125,000 - £129,999 | 0 | 1 | - | - |
| £130,000 - £134,999 | 2 | 0 | 3 | 1 |
| £135,000 - £139,999 | 0 | 3 | - | 2 |
| £140,000 - £144,999 | 0 | 0 | 1 | 1 |
| £145,000 - £149,999 | 0 | 0 | - | - |
| Greater Than £150,000 | 2 | 2 | - | 1 |
| **Total** | **609** | **248** | **669** | **297** |

# **Note 23** Termination Benefits

The numbers of exit packages with total cost per band and total cost of redundancies are set out in the table below:

| | 2018/19 | | | | 2019/20 | | | |
|---|---|---|---|---|---|---|---|---|
| **Exit package cost band (including special payments)** | **Number of compulsory departures** | **Number of other departures agreed** | **Total number of exit packages by cost band** | **Total cost of exit packages £000** | **Number of compulsory departures** | **Number of other departures agreed** | **Total number of exit packages by cost band** | **Total cost of exit packages £000** |
| £0 - £20,000 | 19 | 22 | 41 | 353 | 13 | 15 | 28 | 248 |
| £20,001 - £40,000 | 7 | 4 | 11 | 283 | 1 | 9 | 10 | 296 |
| £40,001 - £60,000 | 3 | - | 3 | 136 | 3 | 1 | 4 | 206 |
| £60,001 - £80,000 | 1 | 3 | 4 | 283 | 1 | - | 1 | 77 |
| £80,001 - £100,000 | - | 2 | 2 | 179 | 1 | 3 | 4 | 366 |
| £100,001 - £150,000 | 2 | 1 | 3 | 388 | - | - | - | - |
| Greater Than £150,001 | - | 1 | 1 | 496 | - | - | - | - |
| **Total** | **32** | **33** | **65** | **2,118** | **19** | **28** | **47** | **1,194** |

Termination benefits consist of redundancy payments to employees and pension strain costs payable to the Ealing Pension Fund, which arise from an employee retiring earlier than anticipated on the grounds of redundancy, without an actuarial reduction of their pension.

# Note 24 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 provided by the Council's external auditors:

| External Audit Costs | 2018/19 £000 | 2019/20 £000 |
|---|---|---|
| Fees payable to Deloitte LLP with regard to external audit services carried out by the appointed auditor for the year | 128 | 178 |
| Fees payable to Deloitte LLP with regard to external audit services carried out for previous financial years | | 113 |
| Fees payable to KPMG with regard to external audit services carried out for previous financial years | 12 | - |
| Fees payable to Deloitte LLP for the certification of grant claims and returns for the year | 36 | 48 |
| **Total** | **176** | **339** |

# Note 25 Dedicated Schools Grant

| Dedicated Schools Grant | 2018/19 Total £000 | Central Expenditure £000 | Individual Schools Budget | 2019/20 Total £000 |
|---|---|---|---|---|
| Final DSG for the year before Academy Recoupment | 324,837 | | | (326,229) |
| Academy Figure Recouped | (58,391) | | | 63,907 |
| Total DSG After Academy Recoupment | 266,447 | | | (262,322) |
| Brought forward from previous year | 624 | | | (2,251) |
| Carry forward agreed in advance | - | | | |
| Agreed initial budgeted distribution in year | 267,071 | (45,937) | (218,636) | (264,573) |
| In year adjustments | - | | | |
| Final budgeted distribution | 267,071 | (45,937) | (218,636) | (264,573) |
| Less actual central expenditure | (50,340) | 44,836 | | 44,836 |
| Less Actual ISB deployed to schools | (214,481) | | 220,347 | 220,347 |
| Plus Local Authority Contribution | - | | | |
| Carry Forward | 2,250 | (1,101) | 1,711 | 610 |

# Note 26 Grant Income

The following grants and contributions were credited to the Comprehensive Income and Expenditure Statement.

| Table a - Grant Income | 2018/19 £000 | 2019/20 £000 |
|---|---|---|
| **Credited to Services** | | |
| Dedicated Schools Grant | (266,859) | (262,321) |
| Housing Benefit | (252,012) | (222,718) |
| Public Health Grant | (24,300) | (23,658) |
| Private Finance Initiative Grant | (15,806) | (15,806) |
| Pupil Premium | (12,254) | (11,625) |
| Sixth Form Funding Grant | (10,396) | (9,332) |
| Teachers Pay and Pensions Grants | (1,050) | (6,860) |
| Universal Free School Meals | (4,733) | (4,036) |
| Unaccompanied Asylum Seeking Children | (1,934) | (2,800) |
| Flexible Homelessness Support Grant | (1,367) | (2,422) |
| PE and Sports Grant | (1,279) | (1,274) |
| 16-19 Bursary Grant | (140) | (253) |
| Year 7 Catch Up Grant | (166) | (175) |
| Dedicated Schools Grant from other Authorities | (1,145) | (794) |
| Other Grants | (13,708) | (13,901) |
| Disabled Facilities Grant (Capital) | - | (3,381) |
| **Total** | **(607,149)** | **(581,356)** |
| **Credited to Taxation and Non-Specific Grant Income** | | |
| Revenue Support Grant | - | - |
| Non-ringfenced Government Grants | | |
| Adult Social Care Support | (886) | (2,422) |
| Improved Better Care Fund | (8,924) | (10,889) |
| Winter Pressures | - | (1,418) |
| New Homes Bonus | (4,582) | (4,121) |
| Business Rates Compensation Grant (S31) | (7,934) | (8,831) |
| Levy Surplus Account Grant | (1,164) | (259) |
| EU Exit Funding | - | (210) |
| Covid-19 Grants | - | (9,568) |
| Other | (12) | (39) |
| Capital Grants and Contributions | | |
| Schools Capital Grants (DfE) | (18,484) | (14,092) |
| TfL Grant | (3,338) | (7,403) |
| GLA Housing Grant (HRA) | (3,568) | (4,442) |
| GLA Housing Zone Grant | (5,583) | - |
| Disabled Facilities Grant | (3,620) | - |
| Football Foundation | (3,795) | - |
| Other Contributions | (7,954) | (3,063) |
| Other Capital Grants | (7,188) | (2,236) |
| **Total** | **(77,032)** | **(68,993)** |

In accordance with The Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 capital grants which are used to finance capital expenditure are now recognised in the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement.

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

## CURRENT LIABILITIES

| Table b - Revenue Grants Receipts in Advance | Balance 31 March 2018 £000 | Receipts 2018/19 £000 | Applied 2018/19 £000 | Balance 31 March 2019 £000 | Receipts 2019/20 £000 | Applied 2019/20 £000 | Reclassified to Debtors 2019/20 £000 | Balance 31 March 2020 £000 |
|---|---|---|---|---|---|---|---|---|
| Housing Benefit Subsidy | (4,535) | (257,234) | 251,530 | (10,239) | (191,862) | 207,768 | (5,667) | - |
| Dedicated Schools Grant | (1,059) | (266,451) | 267,136 | (374) | (269,914) | 269,251 | - | (1,037) |
| Pupil Premium | (36) | (12,471) | 12,471 | (36) | (12,113) | 11,806 | - | (343) |
| 6th Form Funding | (89) | (11,446) | 11,446 | (89) | (9,585) | 9,585 | - | (89) |
| Flexible Homelessness Support Grant | - | (5,801) | 1,050 | (4,750) | - | (4,037) | - | (8,787) |
| Other | (1,735) | (3,137) | 2,426 | (2,446) | (3,825) | 4,279 | - | (1,992) |
| **Total** | **(7,454)** | **(556,540)** | **546,060** | **(17,934)** | **(487,299)** | **498,652** | **(5,667)** | **(12,248)** |

## LONG-TERM LIABILITIES

| Table c - Capital Grants Receipts in Advance | Balance 31 March 2018 | Receipts 2018/19 £000 | Applied 2018/19 £000 | Balance 31 March 2019 | Receipts 2019/20 £000 | Applied 2019/20 £000 | Balance 31 March 2020 |
|---|---|---|---|---|---|---|---|
| Disabled Facilities Grant | (296) | (3,423) | 3,620 | (99) | (3,282) | 3,381 | - |
| Local Implementation Plan | (86) | (4,906) | 4,675 | (317) | (8,189) | 8,223 | (283) |
| Council New Build | 599 | (4,167) | 3,568 | - | (4,421) | 4,421 | - |
| Schools Capital Grants | (9,359) | (13,373) | 18,681 | (4,051) | (705) | 1,704 | (3,052) |
| Other | (238) | (4,456) | 2,623 | (2,071) | 911 | 1,142 | (18) |
| **Total** | **(9,380)** | **(30,325)** | **33,167** | **(6,538)** | **(15,686)** | **18,871** | **(3,353)** |

| Table d - S106 Receipts in Advance | Balance 31 March 2018 | Receipts 2018/19 £000 | Applied 2018/19 £000 | Balance 31 March 2019 | Receipts 2019/20 £000 | Applied 2019/20 £000 | Balance 31 March 2020 |
|---|---|---|---|---|---|---|---|
| S106 Agreements | (21,109) | (2,057) | 6,082 | (17,084) | (10,111) | 3,424 | (23,771) |
| **Total** | **(21,109)** | **(2,057)** | **6,082** | **(17,084)** | **(10,111)** | **3,424** | **(23,771)** |

# Note 27 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 with related parties provides transparency which 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.

## CENTRAL GOVERNMENT

The UK Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides a significant amount of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from Government departments are set out in the Grant Income Note 26.

Significant transactions with Government Departments, precepting and levying bodies, joint arrangements with other bodies, local authorities and the Council's Pension Fund are shown and declared elsewhere in the financial statements. The Council charged the Pension Fund £0.900m (£1.021m in 2018/19) for expenses incurred in administering the fund. The Council owed the Pension Fund £3.181m at 31 March 2020 (£2.907m at 31 March 2019).

## ELECTED MEMBERS

Members of the Council have direct control over the Councils financial and operating policies. The total of members' allowance paid in 2019/20 is shown above in Note 21. Information relating to Councillors has been obtained from their individual Declarations of Interest. The significant declarations are:

- Three Councillors are on the Mortlake Crematorium Board for the year ended 31st March 2020. The board has £2.743m (£2.393m at 31st March 2019) invested with the Council. Mortlake also purchased accountancy, internal audit and payroll services from the Council, at a total cost of £16k (£19k in 2018/19).
- Four Members let properties in the borough and one member is the Director of a Property company in the borough.
- One Councillor is on the West London Waste Authority (WLWA) Board for the year ended 31st March 2020. In 2019/20 the Council paid a levy of £11.980m (£13.206m in 2018/19) and loaned a total of £15.864m (£16.137m in 2018/19) to WLWA. As at 31st March 2020 Ealing held £17.5m (£7m in 2018/19) from WLWA to invest on their behalf.
- A number of Members and Officers have made declarations of their interests in voluntary organisations which receive grants through Council decisions and in positions as school governors. Records of their interests are shown in publicly available records, particularly in the Register of Members Interest which is available on the Council website.

## REGISTERS OF MEMBERS/OFFICERS INTERESTS

Members of the Council are required by section 30 of the Localism Act 2011 and the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012, to disclose outside interests and these are recorded in a register (details of these disclosures are recorded on the Council's website) and the Code of Conduct for Members operated by the Council requires Members to disclose any related interests they have, and to take no part in meetings or decisions on issues which pertain to those related interests.

A register of chief officers' interests has been established in which their outside interests are recorded. Officers are required to comply with a Code of Conduct for officers and to declare interests and remove themselves from activities which may be a conflict of interests, including procurement.

## COUNCIL OFFICERS

Chief Officers of the Council also hold positions in other organisations. Individual returns are completed by relevant officers of the Council.

- In 2019/20 the Director of Growth and Sustainability and the Director of Community Development acted as Directors of Broadway Living. Broadway Living is a wholly owned subsidiary which was set up to build homes over a range of tenures to assist in meeting the borough's current and future housing demand.
- In 2019/20 the Director of Customer Service and the Director of Strategy and Engagement acted as Directors of Greener Ealing. The Director of Environment acted as the Council's Shareholder Representative for Greener Ealing. Greener Ealing is a wholly owned subsidiary providing rubbish and recycling services.

## OTHER PUBLIC BODIES (SUBJECT TO COMMON CONTROL BY CENTRAL GOVERNMENT)

London Borough of Ealing and Ealing Clinical Commissioning Group (CCG) have a 5-year agreement between them with a view to establishing a framework and governance arrangement to enable the further integration of health and wellbeing and social care services for adults and children. This arrangement is needed for establishing a pooled fund and thereby accessing the Better Care Fund (BCF) money from the Central Government. The Partners agreed to the establishment of a reporting (or virtual) Pooled Fund for the Better Care Fund, with different arrangements for the various other Services included within the s75 Agreement.

The total BCF funding between the partners is £113.929m in 2019/20 (LBE Contribution £79.400m and CCG Contribution £34.529m). This is a 'virtual pool' and unlike many other S75 agreements the Council will not physically hold the CCG share, nor will it spend money on behalf of the CCG. In 2019/20, the BCF plan decreased by £1.242m due to major reorganisations of schemes in 19/20. The financial monitoring goes to the Joint Management Team (the membership of which is set out in the S75 Agreement) on a monthly basis.

Ealing Council and Ealing Clinical Commissioning Group entered into a formal Section 75 pooled budget arrangement for Community Equipment Services with effect from 1 November 2003. Ealing Council is the lead for the arrangement. The costs are shown in the table below:

| | 2018/19 £000 | 2019/20 £000 |
|---|---|---|
| Community Equipment Costs | 2,944 | 3,029 |
| Funding : | | |
| Ealing Council | (1,516) | (1,515) |
| Ealing Clinical Commissioning Group | (1,428) | (1,514) |
| Total Funding | (2,944) | (3,029) |

## ENTITIES CONTROLLED OR SIGNIFICANTLY INFLUENCED BY THE AUTHORITY

The Council has interests in other companies that have the nature of subsidiaries and associates. As the Council's interests in these companies are not material to the Council's accounts, these interests are not consolidated into the Council's own accounts. As a result, the Council has not prepared group accounts in 2019/20.

## Broadway Living Limited

The Council has a wholly owned subsidiary (Broadway Living Ltd) which was incorporated on 26 March 2014 to provide more affordable homes over a range of tenures to assist in meeting the borough's current and future housing demand.

The company earns income through renting its own residential properties. Broadway Living Ltd had 44 residential properties across two developments, Eastcote Lane and Ruislip Road, which has a total approximate valuation of £10.5m assets at 31 March 2020 (at 31 March 2019 these assets were valued at £10.4m), in addition during 2019/20 the company had £3.5m of assets under construction. The Council provided Broadway Living with loans amounting to £10.7m (2018/19: £8.0m) and a share premium of £2.136m from Broadway Living Ltd (in 2018/19: £2.136m).

Broadway Living presented its audited company accounts for 2018/19 to its Board in December 2019. The company made a net loss of £301,941 in 2018/19 (in 2017/18: a net loss of £472,867).

## Future Ealing Limited

The Council entered into a PFI agreement in 2010/11 for the provision of a new school under the Building Schools for the Future (BSF) scheme. The special purpose vehicle (SPV) company set up for this contract, Future Ealing Phase 1 Limited was owned jointly by the Council and Balfour Beatty Education, with the Council having a 20% stake in the company. In addition to this, the Council has invested £0.600m into Future Ealing Phase 1 Limited's working capital which is shown as a short-term investment in these accounts. In 2016, Balfour Beatty sold their interest in the SPV to Amber Infrastructure Ltd who are now the primary shareholder.

The financial figures of the company show that the sums involved are not material to the Council's accounts - this will continue to be monitored going forward. The assets and liabilities acquired under the PFI scheme will be recognised in the Council's single entity accounts in line with other PFI schemes and the Council's accounting policies.

## Greener Ealing Limited

The Council has a wholly owned Local Authority Trading Company (Greener Ealing Limited) which was incorporated on 2 August 2019. Greener Ealing is an Environmental Services company, providing waste, recycling and street cleansing service to the Council.

Throughout the 2019/20 financial year, Greener Ealing was dormant and commenced trading in July 2020, prior to this the Council had incurred £0.551m set up costs as at 31 March 2020 which are held as a debtor by the Council on the balance sheet.

# Note 28 Capital Expenditure and Capital Financing

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

| Capital Expenditure and Capital Financing | 2018/19 £000 | 2019/20 £000 |
|---|---|---|
| **Opening Capital Financing Requirement** | **776,421** | **775,711** |
| Capital Investment: | | |
| Property, plant and equipment | 104,306 | 108,356 |
| Intangible Assets | - | |
| Long Term Debtor Loans | - | 2,668 |
| Revenue expenditure funded from capital under statute | 15,371 | 9,144 |
| De minimis Capital Expenditure | 134 | 145 |
| Sources of finance: | | |
| Capital receipts | (36,843) | (37,423) |
| Government grants and other contributions | (45,309) | (29,181) |
| Major Repairs Reserve | (14,085) | (13,204) |
| Sums set aside from revenue: | | |
| Direct revenue contributions | (5,679) | (5,502) |
| Minimum Revenue Provision | (18,605) | (18,461) |
| **Closing Capital Financing Requirement** | **775,711** | **792,253** |
| Explanation of movements in year: | | |
| (Decrease) / Increase in underlying need to borrow (unsupported by Government financial assistance) | (710) | 16,542 |
| **Increase / (decrease) in Capital Financing Requirement** | **(710)** | **16,542** |

# Note 29 Leases

## AUTHORITY AS LESSEE

### Operating Leases

The Council uses various assets acquired under operating leases including office accommodation, photocopiers and vehicles.

The future minimum lease payments on this lease in future years are:

| Table a - Operating Lease - Other Land and Buildings | 31 March 2019 £000s | 31 March 2020 £000s |
|---|---|---|
| Not later than one year | 1,568 | 1,952 |
| Later than one year and not later than five years | 5,709 | 5,783 |
| Later than five years | 1,796 | 2,210 |
| **Minimum lease payments** | **9,073** | **9,945** |

| Table b - Vehicles, Plant & Equipment | 31 March 2019 £000s | 31 March 2020 £000s |
|---|---|---|
| Not later than one year | 267 | 431 |
| Later than one year and not later than five years | 449 | 762 |
| Later than five years | - | - |
| **Minimum lease payments** | **716** | **1,193** |

## Finance Leases

The Council has no vehicles at end 2019/20 (0 – 2018/19) held under finance leases including items that are lease arrangements embedded within contracts.

The assets acquired under these leases were carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

| Table c - Finance Lease - Balance Sheet value | 31 March 2019 £000s | 31 March 2020 £000s |
|---|---|---|
| **Value at 1 April** | 512 | - |
| Additions | - | - |
| Revaluations | - | - |
| Depreciation | (512) | - |
| Disposals | - | - |
| **Value at 31 March** | **-** | **-** |

# AUTHORITY AS LESSOR

## Operating Leases

The Council leases out property under operating leases for the following purposes:

- For the provision of community services, such as sports facilities, tourism services and community centres.
- For economic development purposes to provide suitable affordable accommodation for local businesses.

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

| Table d - Property | 31 March 2019 £000s | 31 March 2020 £000s |
|---|---|---|
| Not later than one year | 1,023 | 1,503 |
| Later than one year and not later than five years | 2,737 | 4,474 |
| Later than five years | 8,951 | 9,898 |
| **Minimum lease payments** | **12,711** | **15,875** |

# Note 30 Private Finance Initiative (PFI)

PFI is a mechanism involving a partnership agreement with an external body in order to generate investment in council services. In return for this investment the Council pays an annual fee.
The Council has entered into a number of PFI commitments as shown below. These schemes all meet the criteria outlined in the accounting policies and the assets and liabilities are therefore on the Council's balance sheet.

## EALING SCHOOLS' PFI

In December 2002 the Council entered into a design, build, finance and operate contract with Ealing Schools' Partnership Ltd for the provision of school buildings and services for Brentside High, Downe Manor Primary, Gifford Primary and Ravenor Primary. The contract is for 27 years. The value of the unitary charge in 2019/20 was £6.2m (2018/19 £5.9m).

In July 2005 the Council entered into a design, build, finance and operate contract with Seafort Ealing Ltd for the provision of school buildings and services for Featherstone Primary, Acton High and Greenford High. The contract is for 25 years. The value of the unitary charge in 2019/20 was £9.1m (2018/19 £9.1m).

## STREET LIGHTING PFI

The project involves the renewal and upgrading of street lighting across Ealing. Southern Electric Contracting Ltd has taken over the responsibility for the management, design, installation, ongoing repairs and maintenance of the borough's entire street lighting stock from 1st August 2005.

The 25-year contract includes a major capital investment programme for the replacement and renewal of over 20,000 items of highway electrical equipment, with a capital replacement value in excess of £20m. Ealing Council is funding the PFI project with the help of a £25m central government grant.

The PFI lamp column replacement programme was completed in 2010/11. The value of the Unitary charge in 2019/20 was £4.5m (2018/19 £4.4m).

## CAREHOME FOR OLDER PEOPLES PFI

The PFI project is for a total of 31.5 years and involves the building and development of 4 new resource centres for Older People including residential and nursing care placements to replace 5 in-house homes. A PFI credit equivalent to £24m at 2001 prices will be paid over 25 years and used to fund the project with Ealing Care Alliance. The building of the homes was fully completed in 2009.

The value of the Unitary charge in 2019/20 was £13.9m (2018/19 £13.3m).

There are four homes, Elm Lodge, opened on the 8th August 2006 with a capacity of 75 beds, Martin House, opened on the 25th February 2008 with a capacity of 77 beds, Sycamore Lodge, opened on the 13th March 2008 with a capacity of 75 beds and Chestnut Lodge, opened on 28th July 2009 with a capacity of 64 beds. Ongoing care costs will be funded through original placement budgets.

## BUILDING SCHOOLS FOR THE FUTURE (BSF) PFI

On 15 December 2010 the Council entered into a BSF PFI contract with Balfour Beatty Education. This contract provides for new building construction of Dormers Wells High School, followed by ongoing facilities management and lifecycle works over 25 years.

The main work completed in August 2012 and service availability began in September 2012. The value of the unitary charge in 2019/20 was £5.0m (2018/19 £5.0m).

## PRIVATE FINANCE INITIATIVE (PFI) PAYMENTS DUE

| | 2019/20 | | | | | |
|---|---|---|---|---|---|---|
| **To Write Down Liability** | **Schools 1 £000** | **Schools 2 £000** | **Street Lighting £000** | **Care Homes £000** | **BSF £000** | **Total £000** |
| within 1 year | 703 | 1,945 | 933 | 617 | 844 | **5,042** |
| between 2 to 5 years | 4,066 | 8,305 | 4,970 | 2,528 | 3,426 | **23,295** |
| between 6 to 10 years | 7,809 | 14,851 | 8,414 | 5,535 | 5,890 | **42,499** |
| between 11 to 15 years | 2,944 | 9,647 | - | 8,101 | 8,281 | **28,973** |
| between 16 to 20 years | - | - | - | 3,437 | 7,258 | **10,695** |
| between 21 to 25 years | - | - | - | - | - | **-** |
| **Total** | **15,522** | **34,748** | **14,317** | **20,218** | **25,699** | **110,504** |

| | 2018/19 | | | | | |
|---|---|---|---|---|---|---|
| **To Write Down Liability** | **Schools 1 £000** | **Schools 2 £000** | **Street Lighting £000** | **Care Homes £000** | **BSF £000** | **Total £000** |
| within 1 year | 419 | 1,778 | 899 | 838 | 747 | **4,681** |
| between 2 to 5 years | 3,512 | 7,929 | 4,493 | 2,087 | 3,315 | **21,335** |
| between 6 to 10 years | 7,356 | 13,629 | 8,239 | 5,270 | 5,498 | **39,992** |
| between 11 to 15 years | 4,654 | 13,191 | 1,585 | 7,321 | 7,723 | **34,474** |
| between 16 to 20 years | - | - | - | 5,540 | 9,162 | **14,703** |
| between 21 to 25 years | - | - | - | - | - | **-** |
| **Total** | **15,940** | **36,527** | **15,216** | **21,055** | **26,446** | **115,185** |

| | 2019/20 | | | | | |
|---|---|---|---|---|---|---|
| **Interest Charges** | **Schools 1 £000** | **Schools 2 £000** | **Street Lighting £000** | **Care Homes £000** | **BSF £000** | **Total £000** |
| within 1 year | 910 | 2,897 | 1,250 | 1,533 | 2,328 | **8,918** |
| between 2 to 5 years | 3,131 | 9,951 | 4,075 | 5,771 | 8,556 | **31,484** |
| between 6 to 10 years | 2,277 | 7,971 | 2,227 | 5,734 | 8,709 | **26,918** |
| between 11 to 15 years | 229 | 1,421 | - | 3,346 | 5,641 | **10,637** |
| between 16 to 20 years | - | - | - | 349 | 1,380 | **1,729** |
| between 21 to 25 years | - | - | - | - | - | **-** |
| **Total** | **6,547** | **22,240** | **7,552** | **16,733** | **26,614** | **79,686** |

| | 2018/19 | | | | | |
|---|---|---|---|---|---|---|
| **Interest Charges** | **Schools 1 £000** | **Schools 2 £000** | **Street Lighting £000** | **Care Homes £000** | **BSF £000** | **Total £000** |
| within 1 year | 935 | 3,046 | 1,329 | 1,596 | 2,395 | **9,300** |
| between 2 to 5 years | 3,337 | 10,612 | 4,467 | 5,930 | 8,857 | **33,202** |
| between 6 to 10 years | 2,709 | 9,107 | 2,971 | 6,133 | 9,207 | **30,127** |
| between 11 to 15 years | 502 | 2,521 | 114 | 3,900 | 6,341 | **13,378** |
| between 16 to 20 years | - | - | - | 769 | 2,210 | **2,979** |
| between 21 to 25 years | - | - | - | - | - | **-** |
| **Total** | **7,482** | **25,286** | **8,880** | **18,329** | **29,010** | **88,986** |

| | 2019/20 | | | | | |
|---|---|---|---|---|---|---|
| **Service Charges & Lifecycle Costs** | **Schools 1 £000** | **Schools 2 £000** | **Street Lighting £000** | **Care Homes £000** | **BSF £000** | **Total £000** |
| within 1 year | 1,671 | 2,162 | 1,836 | 6,961 | 1,022 | **13,652** |
| between 2 to 5 years | 5,940 | 9,760 | 7,031 | 28,144 | 4,798 | **55,673** |
| between 6 to 10 years | 6,335 | 12,198 | 9,452 | 34,286 | 6,376 | **68,647** |
| between 11 to 15 years | 1,488 | 5,274 | - | 34,107 | 7,053 | **47,922** |
| between 16 to 20 years | - | - | - | 9,880 | 3,947 | **13,827** |
| between 21 to 25 years | - | - | - | - | - | **-** |
| **Total** | **15,434** | **29,394** | **18,319** | **113,378** | **23,196** | **199,721** |

| | 2018/19 | | | | | |
|---|---|---|---|---|---|---|
| **Service Charges & Lifecycle Costs** | **Schools 1 £000** | **Schools 2 £000** | **Street Lighting £000** | **Care Homes £000** | **BSF £000** | **Total £000** |
| within 1 year | 1,931 | 2,180 | 1,792 | 6,677 | 1,052 | **13,632** |
| between 2 to 5 years | 6,289 | 9,475 | 7,116 | 28,427 | 4,608 | **55,914** |
| between 6 to 10 years | 6,357 | 12,284 | 8,884 | 34,151 | 6,269 | **67,945** |
| between 11 to 15 years | 2,789 | 7,635 | 2,319 | 34,333 | 6,911 | **53,987** |
| between 16 to 20 years | - | - | - | 16,467 | 5,408 | **21,875** |
| between 21 to 25 years | - | - | - | - | - | **-** |
| **Total** | **17,366** | **31,575** | **20,111** | **120,054** | **24,247** | **213,353** |

## MOVEMENTS IN PFI ASSETS AND LIABILITIES

| **Assets:** | **Assets at 1 April 2018 £000** | **Movement In Year £000** | **Assets at 31 March 2019 £000** | **Movement In Year £000** | **Assets at 31 March 2020 £000** |
|---|---|---|---|---|---|
| Ealing Schools' 1 PFI - Ealing Schools' Partnership Ltd | 39,094 | (95) | 38,999 | (581) | 38,418 |
| Ealing Schools' 2 PFI - Seafort Ealing Ltd** | 50,031 | (20,797) | 29,234 | (629) | 28,605 |
| Street Lighting PFI - EDF / Southern Electric | 25,942 | (656) | 25,286 | (639) | 24,647 |
| Resource Centre for Older People PFI - Ealing Care Alliance | 28,001 | 3,249 | 31,250 | (437) | 30,813 |
| Building Schools for the Future - Future Ealing Limited * | - | - | - | - | - |
| **Total** | **143,068** | **(18,299)** | **124,769** | **(2,285)** | **122,484** |

* Dormers Wells High converted to Academy in 2017/18
** Acton High as part of PFI2 converted to Academy in 2018/19

| **Liabilities:** | **Liabilities at 1 April 2018 £000** | **Movement In Year £000** | **Liabilities at 31 March 2019 £000** | **Movement In Year £000** | **Liabilities at 31 March 2020 £000** |
|---|---|---|---|---|---|
| Ealing Schools' 1 PFI - Ealing Schools' Partnership Ltd | (16,522) | 581 | (15,940) | 419 | (15,521) |
| Ealing Schools' 2 PFI - Seafort Ealing Ltd | (38,030) | 1,503 | (36,527) | 1,778 | (34,749) |
| Street Lighting PFI - EDF / Southern Electric | (16,043) | 827 | (15,216) | 899 | (14,317) |
| Resource Centre for Older People PFI - Ealing Care Alliance | (21,833) | 778 | (21,055) | 837 | (20,218) |
| Building Schools for the Future - Future Ealing Limited | (27,124) | 677 | (26,446) | 747 | (25,699) |
| **Total** | **(119,552)** | **4,366** | **(115,184)** | **4,680** | **(110,504)** |

# **Note 31** Defined Benefit Pension Schemes

## PARTICIPATION IN PENSION SCHEMES (31A)

As part of the terms and conditions of employment of its officers, the authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

At 31 March 2020 the Council's principal pension arrangement for its employees was the Ealing Pension Fund, which is part of the Local Government Pension Scheme (LGPS). The LGPS is a funded defined benefit pension arrangement for local authorities and related employers and is governed by statute (principally now the Local Government Pension Scheme Regulations 2013).

The Ealing Council pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions board Ealing Council. Policy is determined in accordance with the Pensions Fund Regulations.

## RISKS

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, discount rate, bond yields, market prices and the performance of investments held by the scheme.

These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and HRA the amounts required by statute as described in the accounting policies note.

## TRANSACTIONS RELATING TO POST-EMPLOYMENT BENEFITS (31B)

The cost of retirement benefits in the reported cost of services is recognised when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made 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 and Housing Revenue Account 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.

| **Table 31b** | **2018/19 £000s** | **2019/20 £000s** |
|---|---|---|
| Comprehensive Income and Expenditure Statement | | |
| *Cost of Services:* | | |
| Current service costs | 41,102 | 43,706 |
| Administration Costs | 522 | 961 |
| Past service costs and settlements and curtailments | 16,047 | 5,503 |
| *Financing and Investment Income and Expenditure* | | |
| Net interest expense | 13,023 | 14,039 |
| **Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services** | **70,694** | **64,209** |
| *Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement* | | |
| Remeasurement of the net defined benefit liability comprising :- | | |
| Return on plan assets | 64,439 | (93,841) |
| Actual gains and losses arising on changes in demographic assumptions | - | 69,544 |
| Actual gains and losses arising on changes in financial assumptions | - | 40,621 |
| Other | | 48,501 |
| **Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement** | **135,133** | **129,034** |
| *Movement in Reserves Statement* | | |
| Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code | (70,694) | (64,209) |
| *Actual amount charged against the General Fund Balance for pensions in the year:* | | |
| Employers' contributions payable to the scheme | 31,596 | 33,481 |

## PENSIONS ASSETS AND LIABILITIES RECOGNISED IN THE BALANCE SHEET (31C)

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

| **Table 31c i)** | **2018/19 £000s** | **2019/20 £000s** |
|---|---|---|
| Present Value of the defined benefit obligation | (1,740,817) | (1,638,722) |
| Fair value of plan assets | 1,139,106 | 1,071,108 |
| **Sub-total** | **(601,711)** | **(567,614)** |
| Other movements in the liability / (asset) | - | - |
| **Net Liability arising from defined benefit obligation** | **(601,711)** | **(567,614)** |

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets:

| **Table 31c. ii)** | **2018/19 £000s** | **2019/20 £000s** |
|---|---|---|
| **Opening fair value of scheme assets** | **1,092,610** | **1,139,106** |
| Interest Income | 29,429 | 27,332 |
| Remeasurement gain/(loss) on the return on plan assets | 22,889 | (93,841) |
| Contributions from employer | 31,596 | 33,481 |
| Contributions from employees into the scheme | 9,493 | 9,347 |
| Benefits paid | (46,389) | (43,356) |
| Other | (522) | (961) |
| **Closing fair value of scheme assets** | **1,139,106** | **1,071,108** |

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation):

| **Table 31c. iii)** | **2018/19 £000s** | **2019/20 £000s** |
|---|---|---|
| **Opening balance at 1 April** | **(1,590,784)** | **(1,740,817)** |
| Current service cost | (41,102) | (43,706) |
| Interest cost | (42,452) | (41,371) |
| Contributions from scheme participants | (9,493) | (9,347) |
| Remeasurement (gains) and losses:- | | |
| Experience (gains) / loss | - | 48,501 |
| Actuarial (gains) and losses from changes in financial assumptions | (87,328) | 40,621 |
| Actuarial (gains) and losses from changes in demographic assumptions | - | 69,544 |
| Benefits paid | 46,389 | 43,356 |
| Past Service Cost | (14,101) | (4,051) |
| Losses / (gains) on curtailments | (1,946) | (1,452) |
| Liabilities extinguished on settlements | - | |
| **Closing balance at 31 March** | **(1,740,817)** | **(1,638,722)** |

## STATEMENTS LOCAL GOVERNMENT PENSION SCHEME ASSETS COMPRISED (31D)

| **Table 31d Fair Value of Scheme Assets** | **2018/19 £000s** | **2019/20 £000s** |
|---|---|---|
| **Cash & Cash Equivalents** | **87,939** | **57,412** |
| **Bonds** | | |
| UK Corporate | 273,385 | 273,989 |
| **Sub-total Bonds** | **273,385** | **273,989** |
| **Property** | | |
| Property | 83,724 | 107,218 |
| **Sub-total Property** | **83,724** | **107,218** |
| **Private Equity** | | |
| UK | 206,862 | 182,838 |
| Overseas | 487,196 | 449,651 |
| **Sub-total Private Equity** | **694,058** | **632,489** |
| | | |
| **Total Assets** | **1,139,106** | **1,071,108** |

## POOLED PROPERTY

As a result of the COVID-19 outbreak, which has caused extensive disruption to businesses and economic activities on a global level in all sectors, the property valuers valuing the underlying assets within the three pooled property funds, have reported their valuation on the basis of 'material valuation uncertainty'. The declaration does not mean that the valuation cannot be relied upon but it does mean that less certainty, and a higher degree of caution, should be attached to the valuation of the property than would normally be the case. Additionally, all three pooled property funds had suspended trading as at 31 March 2020. The effect of this is to require these assets to be moved from a fair value hierarchy level 2 to level 3 as at 31 March 2020. In September 2020, the material uncertainty and suspended trading were removed from these funds.

## BASIS FOR ESTIMATING ASSETS AND LIABILITIES (31E)

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

The Local Government Pension Scheme has been estimated by Mercer Limited, an independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the scheme as at 1 April 2019.

The significant assumptions used by the actuary have been:

| **Table 31e i)** | **2018/19** | **2019/20** |
|---|---|---|
| Mortality assumptions: | | |
| Longevity at 65 for current pensioners: | | |
| Men current | 23.3 | 22.9 |
| Women current | 26.2 | 25.0 |
| Longevity at 65 for future pensioners: | | |
| Men future | 25.5 | 24.5 |
| Women future | 28.5 | 26.9 |
| Rate of inflation - CPI | 2.20% | 2.10% |
| Rate of increase in salaries | 3.45% | 3.35% |
| Rate of increase in pensions | 2.30% | 2.20% |
| Rate for discounting scheme liabilities | 2.40% | 2.40% |

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have 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.

The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated.

The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method.

The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

| Table 31e ii) | Increase in Assumptions £000s | Decrease in Assumptions £000s |
|---|---|---|
| Longevity (increase or decrease in 1 Year) | 43,984 | (43,984) |
| Rate of Inflation (increase or decrease by 0.1%) | 25,988 | (25,988) |
| Rate of increase in salaries (increase or decrease by 0.1%) | 2,419 | (2,419) |
| Rate of discounting scheme liabilities (increase or decrease by 0.1%) | (25,582) | 25,582 |

## IMPACT ON THE AUTHORITY'S CASH FLOWS (31F)

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 14 years. Funding levels are monitored on an annual basis.

The latest triennial valuation of the Fund was carried out by Mercer, the Fund's Actuary, as at 31 March 2019 in accordance with the Funding Strategy Statement of the Fund and Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008. The next triennial valuation is due to be completed on 31 March 2022.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014.

The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The authority anticipated to pay £24.5m expected contributions to the scheme in 2020/2021.

The weighted average duration of the defined benefit obligation for scheme members is 16 years, 2019/20 (17 years 2018/19).

# Note 32 Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme administered by the Teachers Pensions Agency (TPA), and those employees working in public health that transferred in from the NHS are members of the NHS Pension Scheme. These provide employees with defined benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

Although both schemes are unfunded, they use a notional fund as the basis for calculating the employer's contribution rate to be paid by all local education authorities/NHS bodies. However, it is not possible for the Council to identify a share of the underlying assets and liabilities of either scheme attributable to its own employees. For the purposes of this statement of accounts they are therefore accounted for on the same basis as a defined contribution scheme.

### TEACHERS PENSION AGENCY

In 2019/20 the Council has paid £18.4m (2018/19 - £14.26m) to the Teachers Pensions Agency in respect of teachers' retirement benefits, which represented 16.48% of pensionable pay between April to Aug 2019 and 23.68% between Sep 2019 and March 2020 (16.48% 2018/19). At 31 March 2020 the pension contributions due to the scheme in respect of the salaries were £1.75m (£1.19m as at 31 March 2019).

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the teachers' scheme. In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases.

### NHS PENSION SCHEME

In 2019/20 the Council has paid £0.022m (2018/19 Outturn – £0.023m) to the NHS Pension Scheme in respect of public health employees' retirement benefits, which represented 14.3% of their pensionable pay for the year (14.3% in 2018/19). At 31 March 2020 the pension contributions due to the scheme in respect of the March 2020 salaries were £0.002m (£0.002m as at 31 March 2019).

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the NHS Pension Scheme.

# **Note 33** Contingent Liabilities

As at 31 March 2020, the Council had the following material contingent liabilities:

- £1.2m relating to a legal case that is progressing through contractual mediation and expert determination.
- An unidentified sum, likely to be above £0.5m, in relation to a works contract dispute where the Council could be liable for remedial work and consequential costs.
- The Council has a number of employment disputes where they could be ordered to pay compensation but is unable to state the expected liability and has not made provision in the accounts due to the inherent uncertainties surrounding their outcome.

# **Note 34** Nature and Extent of Risks arising from Financial Instruments

### THE FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES THAT ARE NOT MEASURED AT FAIR VALUE (BUT FOR WHICH FAIR VALUE DISCLOSURES ARE REQUIRED) (34A)

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available. Risk management is carried out by a central treasury team under policies approved by the Full Council in the annual treasury management strategy report. The procedures for risk management are set out through a legal framework underpinned by the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall, these procedures require the Council to manage risk actively. The annual treasury management strategy for 2019/20, which incorporates the prudential indicators was approved by Council on 26 February 2019 and is available on the Council's website.

The authority's activities expose it to a variety of financial risks, including:

- Credit Risk – the possibility that other parties might fail to pay amounts due to the authority
- Liquidity Risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- Re-Financing Risk - the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market Risk – the possibility that financial loss may 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 is available on the Authority's website.

The Council invests its cash balances on the basis of prudence first and returns second. As part of this prudent approach officers keep a daily watch on the Council's investments, drawing upon the advice of experts in the field whilst remaining cognisant of emerging economic themes that may pose risks from other sources including the financial press. This includes subscribing to the creditworthiness service provided by Link Asset Services.

The authority's credit risk management practices are set out in the Annual Investment Strategy, with particular regard to determining whether the credit risk of financial instruments has increased significantly since initial recognition.

The Annual Investment Strategy requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with either Fitch, Moody's or Standard & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and durations with a financial institution located in each category.

This Council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

The full Investment Strategy for 2019/20 was approved by Full Council on 26/02/19 and is available on the Council's website.

The Council's maximum exposure to credit risk in relation to its investments in financial institutions of £219.9m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31st March 2020 that this was likely to crystallise.

## AMOUNTS ARISING FROM EXPECTED CREDIT LOSSES (34B)

The council has reviewed all financial assets and determined that the credit risk exposure on investments has been reviewed and calculated on a 12-month basis, which has been deemed immaterial for the financial assets held as at 31 March 2020.

## CREDIT RISK EXPOSURE (34C)

The table below shows the Council's Exposure to Credit Risk at 31 March 2020. This this is not the recognised credit losses but outlines the exposure only:

| | Credit Risk Rating | Gross Carrying Amount £000 |
|---|---|---|
| 12-Month Expected Credit Losses | A | 29,950 |
| | Other | 12,205 |

The above does not include short term investments with Local Authorities or Central Government as the Code does not allow a loss allowance to be recognised since statutory provisions prevent default.

## COLLATERAL AND OTHER CREDIT ENHANCEMENTS (34D)

Collateral – During the reporting period the council held no collateral as security.

## LIQUIDITY RISK (34E)

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Treasury Management Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets 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 maturity analysis of financial assets, excluding sums due from customers, is as follows:

| | Restated 31 March 2019* £000 | 31 March 2020 £000 |
|---|---|---|
| **Investments Outstanding:** | | |
| Local Authorities | 148,394 | 161,606 |
| Debt Management Office | 24,200 | - |
| UK Banks and Building Society | 58,391 | 76,888 |
| Other | 875 | 893 |
| **Total Investments outstanding** | **231,860** | **239,387** |
| | | |
| Less than 1 year | 231,004 | 238,494 |
| Between 1 and 2 years | - | - |
| Between 2 and 5 years | - | - |
| Between 5 and 10 years | 256 | 269 |
| More than 10 years | 600 | 624 |
| **Total Investments outstanding** | **231,860** | **239,387** |

*18/19 has been restated to include cash and cash equivalents
All trade payables are paid in less than one year.

## REFINANCING & MATURITY RISK (34F)

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer-term financial liabilities and longer-term financial assets.

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 to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Council's policy is to ensure that not more than 20% of loans are due to mature within any financial year through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Council in the Treasury Management Strategy):

| | Approved minimum limits | Approved maximum limits | 31 March 2019 £000s | 31 March 2020 £000s |
|---|---|---|---|---|
| **Loans Outstanding:** | | | | |
| Public Works Loans Board | | | (528,311) | (546,142) |
| Market Debt | | | (88,000) | (90,853) |
| Temporary Borrowing | | | - | (5,000) |
| Other | | | (9,393) | (20,248) |
| **Total Loans outstanding** | | | **(625,704)** | **(662,243)** |
| | | | | |
| Less than 1 year | 0% | 10% | (16,095) | (42,866) |
| Between 1 and 2 years | 0% | 20% | (11,729) | (17,765) |
| Between 2 and 5 years | 0% | 20% | (44,187) | (42,412) |
| Between 5 and 10 years | 0% | 20% | (66,043) | (60,440) |
| More than 10 years | 30% | 90% | (487,650) | (498,760) |
| **Total Loans outstanding** | | | **(625,704)** | **(662,243)** |

In the more than 10 years category, there are £61m of market loans Lenders Option Borrowers Option (LOBOs) which have call dates in the next 12 months, i.e. the lender has the option to call the loan. The risk exposure and options for restructuring these loans are carried out on an ongoing basis. The maturity analysis of financial liabilities is outlined above and this falls within the maximum and minimum limits for fixed as agreed in the Treasury Management strategy.

## MARKET RISK (34G)

**Interest Rate Risk**

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will 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.

**Price Risk**

The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds.

However, it does have shareholdings to the value of £2.136m in Broadway Living Ltd. Whilst these holdings are generally illiquid, the Council is exposed to gains or losses arising from movements in the price of the shares.

As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead it only acquires shareholdings in return for "open book" arrangements with the company concerned so that the Council can monitor factors that might cause a fall in the value of specific shareholdings.

The shares have all been elected/classified as Fair Value through Other Comprehensive Income, meaning that all movements in price will impact on gains and losses recognised in the Financial Instrument Revaluation Reserve.

**Foreign Exchange Risk**

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

# 4. Supplementary Accounts and Explanatory Notes

# Housing Revenue Account

The HRA income and expenditure statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis upon which rents are raised, is shown in the movement on the Housing Revenue Account statement.

## INCOME AND EXPENDITURE STATEMENT

| HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT | Notes | 2018/19 £000 | 2019/20 £000 |
|---|---|---|---|
| **Expenditure** | | | |
| Repairs and Maintenance | | 13,869 | 13,654 |
| Supervision and management | | 23,906 | 25,028 |
| Rent, rates, taxes and other charges | | 1 | 81 |
| Depreciation and impairment of non-current assets | 6 | 62,641 | 63,267 |
| Debt Management Costs | | 34 | 24 |
| Movement in the allowance for bad debts | | 425 | - |
| Revenue expenditure funded from capital under statute | | 6,881 | 3,538 |
| **Total Expenditure** | | **107,757** | **105,592** |
| **Income** | | | |
| Dwelling rents | | (57,069) | (57,045) |
| Non-dwelling rents | | (851) | (989) |
| Charges for services and facilities | | (5,257) | (5,109) |
| Contributions towards expenditure | | (2,255) | (2,343) |
| **Total Income** | | **(65,433)** | **(65,485)** |
| **Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement** | | **42,324** | **40,107** |
| HRA services' share of Corporate and Democratic Core | | 278 | 278 |
| HRA share of other amounts included in the whole authority Cost of services but not allocated to specific services | | 1,852 | 1,855 |
| **Net Cost of HRA Services** | | **44,453** | **42,240** |
| (Gain) or loss on disposal of HRA fixed assets | | (27,639) | (19,128) |
| Interest payable and similar charges | | 6,843 | 7,505 |
| Interest and investment income | | (181) | (181) |
| Pension Interest cost and expected return on pension assets | | 1,096 | 1,192 |
| Capital grants and contributions receivable | | (12,656) | (5,677) |
| **(Surplus) or deficit for the year on HRA services** | | **11,916** | **25,950** |

## MOVEMENTS ON THE HRA STATEMENT

| **Movement on the HRA Statement** | **2018/19 £000** | **2019/20 £000** |
|---|---|---|
| Balance on the HRA at the end of the previous reporting period | 4,926 | 4,926 |
| | | |
| Surplus or (deficit) for the year on the HRA Income and Expenditure Statement | (11,916) | (25,950) |
| Adjustments between accounting basis and funding basis under statute | 16,021 | 28,935 |
| **Net increase or decrease before transfers to or from reserves** | **4,104** | **2,985** |
| Transfers to or from reserves | (4,104) | (2,985) |
| **Increase or decrease in year on the HRA** | **-** | **-** |
| **Balance on the HRA at the end of the current year** | **4,926** | **4,926** |

## ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER STATUTE

| **Adjustments between accounting basis and funding basis under statute** | **2018/19 £000** | **2019/20 £000** |
|---|---|---|
| Holiday Pay (transferred to the Accumulated Absences Reserve) | 60 | (22) |
| Net gain or loss on sale of non-current assets | (27,639) | (19,128) |
| Pensions Costs (transferred to (or from) the Pension Reserve) | 2,356 | 2,521 |
| Capital Expenditure Financed from Revenue Balances (transfer to the Capital Adjustment Account) | (1,500) | (2,359) |
| Statutory Provision for the Repayment of Debt transfer from the Capital Adjustment Account) | (37) | - |
| Posting of HRA Resources from Revenue to the Major Repairs Reserve | (14,085) | (13,204) |
| Reversal of Entries Included in the Surplus or Deficit on the Provision of Services in Relation to Capital Expenditure (these items are charged to the Capital Adjustment Account or Capital Grants Unapplied) | 56,866 | 61,127 |
| **Total Adjustments** | **16,021** | **28,935** |

# Notes to the Housing Revenue Account

## Note 1 Housing Stock Units

The Council's stock of dwellings increased during the year from 11,743 to 11,851, a net increase of 108 dwellings. This increase is due to new builds from regeneration programmes. In addition to the units listed below, the Council also owns the freehold on 4,838 flats with leaseholders paying service charges and contributing towards the cost of major works to the block.

The number of dwelling units at the end of the year was made up as follows:

| | 31 March 2019 | Movement during the year | | | 31 March 2020 |
|---|---|---|---|---|---|
| **Stock type** | **Units** | **RTB Disposals** | **Other Disposals** | **Acquisitions** | **Units** |
| Flats | 8,753 | (20) | (170) | 141 | 8,704 |
| Houses | 2,817 | (14) | (10) | 16 | 2,809 |
| Temporary Accommodation (Hostels) | 114 | - | - | 150 | 264 |
| Shared Ownership | 40 | - | - | 15 | 55 |
| Short Leases | 19 | - | - | - | 19 |
| Long Leases | - | - | - | - | - |
| **Total Dwellings Units** | **11,743** | **(34)** | **(180)** | **322** | **11,851** |

## Note 2 Non-current Assets Valuation

| | 31 March 2019 | 2019/20 | | | 31 March 2020 |
|---|---|---|---|---|---|
| **Non-current Assets Valuation** | **Total Non-Current Assets £000s** | **Council Dwellings £000s** | **Non-Dwellings £000s** | **Assets Under Construction £000s** | **Total Non-Current Assets £000s** |
| **Opening Net Book Value at 1 April** | **895,627** | **850,621** | **25,334** | **15,059** | **891,014** |
| Revaluations | (28,041) | (44,379) | 3,475 | | (40,904) |
| Capital Expenditure | 58,195 | 46,042 | - | 7,452 | 53,494 |
| Disposals | (20,645) | (2,666) | - | | (2,666) |
| Depreciation for the year | (14,085) | (12,683) | (521) | | (13,204) |
| Reclassification | - | | | | - |
| Other movements | (37) | (5,170) | (417) | (3,175) | (8,762) |
| **Closing Net Book Value at 31 March** | **891,014** | **831,765** | **27,871** | **19,336** | **878,972** |

The vacant possession value of dwellings within the HRA as 31st March 2020 is £3,183.6m. The difference between the vacant possession value and the balance sheet value of dwellings within the HRA show the economic cost to government of providing council housing at less than market rents.

# Note 3 Rent and Service Charge Arrears and Provision for Bad Debts

| Rent Arrears | 2018/19 £000 | 2019/20 £000 |
|---|---|---|
| **Tenants:** | | |
| Dwellings | 2,874 | 3,349 |
| Temporary Accommodation (net) | 1,400 | 1,502 |
| Long Leases (net) | 35 | 10 |
| **Total** | **4,308** | **4,861** |
| **Leaseholders:** | | |
| Service Charge - Capital | 2,130 | 1,645 |
| Service Charge - Revenue | 681 | 691 |
| **Total** | **2,811** | **2,336** |

| Provision for Bad or Doubtful Debts | 2018/19 £000 | 2019/20 £000 |
|---|---|---|
| **Tenants:** | | |
| Provision at 1 April | 2,837 | 2,906 |
| Write-offs in year | (367) | (374) |
| Increase in provision | 425 | 668 |
| **Provision at 31 March** | **2,895** | **3,200** |

# Note 4 Major Repairs Reserve

| Major Repairs Reserve (MRR) | 2018/19 £000 | 2019/20 £000 |
|---|---|---|
| **Balance at 1 April** | - | - |
| Depreciation charges for all dwellings | 14,085 | 13,204 |
| Capital projects funded from the MRR | (14,085) | (13,204) |
| Additional Transfer Above Depreciation to MRR allowed under statute | - | |
| **Balance at 31 March** | **-** | **-** |

# Note 5 Capital Receipts

| Capital Receipts | 2018/19 £000 | 2019/20 £000 |
|---|---|---|
| Land | | |
| Council Dwellings | 48,284 | 30,380 |
| Other Receipts | | |
| **Total** | **48,284** | **30,380** |

Local authorities are required to contribute to the Housing Capital Receipt Pool a proportion of receipts generated from the disposal of HRA assets. In 2019/20 £1.5m (2018/19 £1.5m) of receipts was paid into the pool.

# **Note 6** Depreciation and Impairment Charge

| Depreciation and Impairment Charge | 2018/19 £000 | 2019/20 £000 |
|---|---|---|
| **Depreciation Charges** | | |
| Council Dwellings | 13,546 | 12,683 |
| Other Land & Buildings | 480 | 421 |
| Vehicles, Plant, Furniture and Equipment | 60 | - |
| Surplus Assets | - | 100 |
| **Total** | **14,085** | **13,204** |
| **Impairment Charges / Revaluation Losses/(Gains)** | | |
| Dwellings and Other Land and Buildings | 48,519 | 50,063 |
| **Total** | **62,604** | **63,267** |

# **Note 7** Capital Expenditure and Funding

| Capital expenditure and funding | 2018/19 £000 | 2019/20 £000 |
|---|---|---|
| **Total Capital Expenditure** | **65,076** | **57,032** |
| Funded by: | | |
| Borrowing | - | - |
| Capital Receipts | 36,834 | 35,792 |
| Developer Contribution S.106 | 2,302 | 151 |
| Revenue contributions | 1,500 | 2,359 |
| Major Repairs Reserve | 14,085 | 13,204 |
| Leaseholder's Income | 1,326 | 1,084 |
| Capital Grants | 3,568 | 4,442 |
| Other | 5,461 | - |
| **Total** | **65,076** | **57,032** |

# **Note 8** Revenue Expenditure Funded from Capital Under Statute

| Revenue Expenditure Funded from Capital under Statute | 2018/19 £000 | 2019/20 £000 |
|---|---|---|
| Dwellings | - | - |
| Other Properties | 6,880 | 3,538 |
| **Total** | **6,880** | **3,538** |

This represents expenditure that may be capitalised under statutory provisions but does not result in creation of tangible assets. It reflects major external capital works on properties not owned by the council, and grants to assist house purchases in the open market and written out in year.

# Collection Fund Statement

## THE COLLECTION FUND STATEMENT

| COLLECTION FUND 2019/20 | Council Tax £000s | NNDR/ BRS £000s | 31 March 2019 Total £000s | Council Tax £000s | NNDR/ BRS £000s | 31 March 2020 Total £000s |
|---|---|---|---|---|---|---|
| **INCOME** | | | | | | |
| Income from Council Tax Payers | (167,786) | - | (167,786) | (178,962) | - | (178,962) |
| Income Collectable from Business Ratepayers | - | (157,449) | (157,449) | - | (153,069) | (153,069) |
| Income Collectable from Business Ratepayers - BRS | - | (3,901) | (3,901) | - | (4,063) | (4,063) |
| **TOTAL INCOME** | **(167,786)** | **(161,350)** | **(329,136)** | **(178,962)** | **(157,132)** | **(336,093)** |
| **EXPENDITURE** | | | | | | |
| **Precepts & Demands** | | | | | | |
| Local Demand (LBE) | 129,574 | 96,170 | 225,744 | 137,619 | 71,464 | 209,083 |
| Greater London Authority (GLA) | 33,271 | 54,095 | 87,366 | 37,016 | 40,198 | 77,214 |
| Central Government (MHCLG) | - | - | - | - | 37,221 | 37,221 |
| | **162,845** | **150,265** | **313,110** | **174,635** | **148,883** | **323,518** |
| **Contributions Towards Previous Year Estimated Surplus/(Deficit)** | | | | | | |
| Local Demand (LBE) | 2,704 | 1,215 | 3,919 | 5,410 | 1,501 | 6,911 |
| Greater London Authority (GLA) | 700 | 1,315 | 2,015 | 1,389 | 1,257 | 2,646 |
| Central Government (MHCLG) | - | 1,521 | 1,521 | - | 676 | 676 |
| | **3,404** | **4,051** | **7,455** | **6,799** | **3,434** | **10,233** |
| **Charges to the Collection Fund** | | | | | | |
| Transitional Protection Payment (Reveivable)/Payable | - | (2,963) | (2,963) | - | (1,542) | (1,542) |
| Less: Costs of Collection - NNDR | - | 499 | 499 | - | 500 | 500 |
| Less: Write offs of uncollectable amounts | - | 253 | 253 | - | - | - |
| Less: Increase/(Decrease) in Bad Debt Provision | 1,177 | 1,102 | 2,279 | 3,096 | 2,699 | 5,795 |
| Less: Write offs of uncollectable amounts relating to appeals | - | - | - | - | - | - |
| Less: Increase/(Decrease) in Provision for Appeals | - | 8,640 | 8,640 | - | - | - |
| | **1,177** | **7,531** | **8,708** | **3,096** | **1,657** | **4,753** |
| **Business Rate Supplement (BRS)** | | | | | | |
| Payment to Levying Authority (GLA) | - | 3,892 | 3,892 | - | 4,054 | 4,054 |
| Costs of Collection - BRS | - | 10 | 10 | - | 9 | 9 |
| | **-** | **3,902** | **3,902** | **-** | **4,063** | **4,063** |
| | | | | | | |
| **TOTAL EXPENDITURE** | **167,426** | **165,749** | **333,175** | **184,530** | **158,037** | **342,567** |
| **MOVEMENTS ON THE COLLECTION FUND** | | | | | | |
| Opening Fund Balance 1 April | (5,376) | (5,776) | (11,152) | (5,736) | (1,702) | (7,438) |
| Opening Fund Adjustment | - | (325) | (325) | | | - |
| Closing Fund Balance 31 March | (5,736) | (1,702) | (7,438) | (168) | (796) | (964) |
| **MOVEMENT ON FUND BALANCE** | **(360)** | **4,399** | **4,039** | **5,568** | **906** | **6,474** |
| **ANALYSIS OF CLOSING FUNG BALANCE** | | | | | | |
| Ealing Council | (4,572) | (393) | (4,965) | (131) | (105) | (236) |
| Central Government (MHCLG) | - | (731) | (731) | - | (632) | (632) |
| Greater London Authority (GLA) | (1,164) | (578) | (1,742) | (37) | (59) | (96) |
| **CLOSING FUND BALANCE** | **(5,736)** | **(1,702)** | **(7,438)** | **(168)** | **(796)** | **(964)** |

# Notes to the Collection Fund Statement

## Note 1 General

The Collection Fund is an agent's statement that reflects the statutory obligation of billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and Non-Domestic Business Rates (NDR) and its distribution to precepting bodies and the Government. For Ealing the precepting bodies are Central Government (MHCLG) and the Greater London Authority (GLA).

The Council has a statutory requirement to operate a Collection Fund as a separate account to the General Fund. The purpose of the Collection Fund, therefore, is to isolate the income and expenditure relating to Council Tax and Non-Domestic Business Rates. The administration costs associated with the collection process are charged to the General Fund.

## Note 2 Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into nine valuation bands (A to H) for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council for the forthcoming year and dividing this by the Council Tax base (i.e. the equivalent number of Band D dwellings).

The Council Tax base was 115,490 for 2019/20 (113,077 for 2018/19).

The basic amount of Council Tax for a Band D property (£1,512.12 for 2019/20 (£1,440.12 for 2018/19)) is multiplied by the proportion specified for the particular band to give an individual amount due.

### COUNCIL TAX BASE

The Council Tax base for 2019/20 was approved at the Council meeting on 26 February 2019. Details are shown below:

| Band | Estimated No. of properties after discounts, exemptions and council tax support | Ratio | Equivalent No. of Band D properties |
|---|---|---|---|
| A | 2,930 | 6/9 | 1,953 |
| B | 8,144 | 7/9 | 6,334 |
| C | 24,855 | 8/9 | 22,093 |
| D | 37,450 | 9/9 | 37,450 |
| E | 19,916 | 11/9 | 24,342 |
| F | 9,121 | 13/9 | 13,175 |
| G | 6,578 | 15/9 | 10,964 |
| H | 949 | 18/9 | 1,898 |
| **Total Council Tax Base** | **109,943** | | **118,209** |
| Adjustment for actual collection rate | | | 2,719 |
| **Council Tax Base for 2019/20** | | | **115,490** |

# Note 3 Non-Domestic Rates

The Council collects Non-Domestic Business Rates (NDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set by Central Government. The total non-domestic rateable value for the Council's area at 31 March 2020 was £385.3m (£388.4m at 31 March 2019). The national multipliers for 2019/20 were 49.1p for qualifying small businesses (48.0p in 2018/19) and the standard multiplier being 50.4p for all other businesses (49.3p in 2018/19).

Under the Business Rates Retention Scheme, Ealing retains 48% of the business rates that it collects (reflected as a precept). This income is subject to set baselines and limits. The remainder of business rates collected are paid as a precept to Greater London authority (GLA).

NDR surpluses declared by the billing authority in relation to the Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year.

# Note 4 Business Rates Supplements

Since 2010/11 the GLA has raised a levy under the Business Rates Supplement Act 2009 to finance its contribution to the Crossrail project.

# Note 5 London Business Rates Pool

This Council is part of the London Business Rates Pool which began on 1 April 2018. In a Business Rate Pool, tariffs, top-ups, levies and safety nets can be combined. This can result in a significantly lower levy rate or even a zero-levy rate meaning that more or all of the business rate growth can be retained within the pool area instead of being payable to the Government.

The London Business Rates Pool, which includes all of the local authorities in London, has been designated by the Secretary of State for Housing, Communities and Local Government.

Under the pooling arrangements, any growth within the pool is redistributed amongst London Councils rather than being paid as a levy to MHCLG.

# Pension Fund Account

| FUND ACCOUNT | Notes | 2018/19 £000 | 2019/20 £000 |
|---|---|---|---|
| **Dealings with members, employers and others directly involved in the fund** | | | |
| | | | |
| **Contributions** | | | |
| From Employers | 6 | (38,829) | (40,091) |
| From Members | 6 | (10,347) | (11,042) |
| Individual Transfers in from Other Pension Funds | 6a | (3,547) | (6,438) |
| | | **(52,723)** | **(57,571)** |
| **Benefits** | | | |
| Pensions | 7 | 38,879 | 41,295 |
| Commutation, Lump Sum Retirement and Death Benefits | 7 | 9,169 | 7,899 |
| **Payments to and on Account of Leavers** | | | |
| Individual Transfers Out to Other Pension Funds | | 4,665 | 3,303 |
| Refunds to Members Leaving Service | | 165 | 323 |
| | | **52,878** | **52,820** |
| | | | |
| **Net Withdrawals/(Additions) from Dealings with Members** | | **155** | **(4,751)** |
| | | | |
| **Management Expenses** | 8 | 4,420 | 4,973 |
| | | | |
| **Net Additions/Withdrawals Including Fund Management Expenses** | | **4,575** | **222** |
| | | | |
| **Returns on Investments** | | | |
| Investment Income | 9 | (36,069) | (29,593) |
| Other Income | 9 | (9) | - |
| Taxes on Income | 9 | 74 | 22 |
| | | **(36,004)** | **(29,571)** |
| | | | |
| **Profit and losses on disposal of investments and changes in value of investments** | 13 | **(25,878)** | **97,455** |
| | | | |
| **Net return on investments** | | **(61,882)** | **67,884** |
| | | | |
| **Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year** | | **(57,307)** | **68,107** |
| | | | |
| **Opening Net Assets of the Scheme** | | **(1,202,957)** | **(1,260,264)** |
| **Closing Net Assets of the Scheme** | | **(1,260,264)** | **(1,192,157)** |

| **NET ASSET STATEMENT** | **Notes** | **2018/19 £000** | **2019/20 £000** |
|---|---|---|---|
| **Investment assets** | | | |
| Bonds | 12a | 303,389 | 304,277 |
| Equities | 12a | 264,830 | 201,695 |
| Pooled Investment | 12a | 588,929 | 612,573 |
| Cash Instruments | 12a | 88,510 | 56,154 |
| Accrued Income and Unsettled sales | 12a | 8,984 | 5,794 |
| | | **1,254,642** | **1,180,493** |
| **Investment Liabilities** | | | |
| Unsettled Purchases | 12a | (1,372) | (1,091) |
| | | | |
| **Net Value of Investment Assets** | | **1,253,270** | **1,179,402** |
| | | | |
| | | | |
| **Current Assets** | 15 | **10,050** | **14,678** |
| **Current Liabilities** | 16 | **(3,056)** | **(1,923)** |
| | | | |
| **Net Assets of the Fund Available to Fund Benefits at the Period End** | | **1,260,264** | **1,192,157** |

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed in **Appendix A**.

Ross Brown
Chief Finance Officer
03 March 2021

Councillor Murtagh
Audit Committee Chair
03 March 2021

# Notes to the Pension Fund Account

## Note 1 General Description of the Pension Fund

### GENERAL

The Fund is part of the Local Government Pension Scheme (LGPS) and is administered by the London Borough of Ealing (the Council). It is a contributory defined benefits scheme established, in accordance with statute, to provide for the payment of benefits to employees and former employees of the Council and other admitted and scheduled bodies in the Fund. Scheduled bodies are automatically entitled to be members of the Fund by law, whereas admitted bodies participate in the Fund under admission agreements and include not for profit organisations or private contractors undertaking local authority functions.

Benefits payable, which are defined and set out in law, include retirement pensions, early payment of benefits on medical grounds and payment of death benefits where death occurs in service.

The Fund was established under section 7 of the Superannuation Act 1972 and is currently governed by the Public Service Pensions Act 2013 and 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) and
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended).

### FUNDING

The Fund is financed by contributions from members, the Council, other admitted and scheduled bodies and from interest and dividends on the Fund's investments. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013. Contributions range from 5.50% to 12.50% and 2.75% to 6.25% of pensionable pay for the main scheme and 50/50 section respectively, for the financial year ending 31 March 2020. Employers pay contributions into the Fund based on rates determined by the appointed actuary following triennial funding valuations. The last such valuation was as at 31 March 2019. The employer contributions rates emerging from the 2019 valuation range from 13.5% to 24.7%.

### BENEFITS

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

| | **Service pre 1 April 2008** | **Service post 31 March 2008** |
|---|---|---|
| **Pension** | Each year worked is worth 1/80 x final pensionable pay | Each year worked is worth 1/60 x final pensionable pay |
| **Lump sum** | Automatic lump sum of 3 x pension. 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 Fund became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is updated annually in line with the Consumer Prices Index. Benefits for service prior to 1 April 2014 are protected and continue to be based on the table shown above.

The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested and accounted for separately from the Fund. AVCs are used to secure additional benefits on a money purchased basis. The scheme providers are Scottish Widows and Equitable Life. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

## GOVERNANCE

The Council has delegated day to day management of the Fund to the Pension Fund Panel (the Panel) who decide on the most suitable investment strategy and set policy and have delegated authority to make investment decisions. The Panel reports to the Council and obtains, as necessary, advice from the Fund's appointed investment advisors, fund managers and actuary.

In line with the provisions of the Public Service Pensions Act 2016 the Council set up a Local Pension Board to oversee the governance arrangements of the Pension Fund. Board members are independent of the Pension Fund Panel.

## INVESTMENT PRINCIPLES

The LGPS (Management and Investment of Funds) Regulations 2016 require administering authorities to prepare and keep up to date a written statement recording the investment policy of the Pension Fund. The Investment Strategy Statement is publicly available via the Council website, see link below:

https://ealing.cmis.uk.com/ealing/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/5880/Committee/18/Default.aspx

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

## MEMBERSHIP

The Council is the administering authority for the Fund and has the major share of contributors and pensioners. Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme. Other organisations currently participate in the Fund as detailed below:

| Scheduled bodies | Admitted bodies |
|---|---|
| Alec Reed Academy | City West Services |
| Ark Acton Academy | Engie Services Ltd |
| Ark Priory Academy | Equinox |
| Ark Byron Academy | Greenwich Leisure |
| Beaconsfield Primary | Innovate - Northolt High School |
| Brentside Primary Academy | Innovate Services Ltd |
| Brentside High School | IFS Ltd (International Facilities Services) |
| Christ the Saviour CofE Primary School | Mitie |
| Dormers Wells Trust/Day care | Serco Group |
| Dormers Wells Infant (Dormers Wells Learning Trust) | SLM - community leisure |
| Dormers Wells Junior Academy (Dormers Wells Learning Trust) | Optivo (formerly Viridian) |
| Dormers Wells High Academy (Dormers Wells Learning Trust) | |
| Drayton Manor Academy | |
| Ellen Wilkinson High School | |
| Featherstone Academy (Grand Union Multi Academy Trust) | |
| Greenford High School | |
| Northolt High School | |
| Selborne Primary | |
| St Anne's School | |
| St Marys Church of England Academy | |
| Twyford Ce Academies Trust | |
| University of West London | |
| Wood End Academy | |
| Wood End Infant School | |
| Woodlands Academy (Grand Union Multi Academy Trust) | |

Membership of the LGPS is voluntary and employees are free to choose whether to join the Fund, remain in the Fund or make their own personal arrangements outside the Fund. Membership details are set out below

| | 31 March 2019 | 31 March 2020 |
|---|---|---|
| **Number of employers** | 39 | 37 |
| | | |
| **Number of Active Members** | | |
| London Borough of Ealing | 5,357 | 5,624 |
| Other employers | 1,816 | 1,893 |
| **Sub total** | **7,173** | **7,517** |
| **Number of pensioners** | | |
| London Borough of Ealing | 6,550 | 6,673 |
| Other employers | 868 | 903 |
| **Sub total** | **7,418** | **7,576** |
| **Number of Deferred pensioners** | | |
| London Borough of Ealing | 6,883 | 6,934 |
| Other employers | 1,529 | 1,647 |
| **Sub total** | **8,412** | **8,581** |
| **Total number of members in the scheme** | **23,003** | **23,674** |

# **Note 2** Basis of Preparation of Financial Statements

The Statement of Accounts summarises the Fund's transactions for 2019/20 and its position as at 31 March 2020. The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector. The Accounts have been prepared on an accruals basis, apart from transfer values which are accounted for on a cash basis as described below.

The Accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year or the actuarial present value of promised retirement benefits. The code gives administering authorities the options to either disclose this information in the Net Asset Statement, Notes to the Accounts, or by appending an Actuarial report prepared for this purpose. The Fund has opted to disclose this information by attaching an Actuarial report as at **Appendix A**.

# **Note 3** Summary of Significant Accounting Policies

## FUND ACCOUNT – REVENUE RECOGNITION

## CONTRIBUTIONS

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

Employer deficit funding contributions are accounted for on the due dates on which they are due under the schedule of contributions based on the Rates and Adjustment Schedule as set by the actuary or on receipt if earlier than the due date. Augmentation and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid is classed as a current financial asset.

## TRANSFERS TO AND FROM OTHER SCHEMES

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

## INVESTMENT INCOME

Dividends from quoted securities are accounted for when the security is declared ex-dividend. Investment income is reported gross of withholding taxes which are accrued in line with the associated investment income. Investment income arising from the underlying investments of the Pooled Investment Vehicles is either reinvested within the Pooled Investment Vehicles and reflected in the unit price or taken as a cash dividend to support the Fund's outgoing cash flow requirements. 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. Distributions from pooled funds are recognised at the date of issue.

Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset. Where the amount of an income distribution has not been received from an investment manager by the balance sheet date, an estimate based upon the market value of their mandate at the end of the year is used.

Accrued interest is excluded from the market value of fixed interest securities but is included in investment income receivable. Income from cash and short-term deposits are also accounted for on an accruals basis.

## FUND ACCOUNT – EXPENSE ITEMS

## BENEFITS PAYABLE

Pensions and lump-sum benefits payable are accounted for on an accruals basis from the date the option is exercised, in accordance with valid member claims. Retirement lump sums are accounted for in the period in which the member becomes a pensioner. Death grants are included from the date of death. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities, providing that payment has been approved.

## TAXATION

The Fund is an exempt approved fund 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. As the Council is the administering authority for the Fund, VAT input tax is recoverable on all Fund activities including expenditure on investment expenses. Where tax can be reclaimed, investment income in the accounts is shown gross of UK tax. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

## MANAGEMENT EXPENSES

The Pension Fund management expenses are accounted for in accordance with the CIPFA guidance accounting for Local Government Pension Scheme Management Costs 2016.

## ADMINISTRATIVE EXPENSES

All administrative expenses are accounted for on an accruals basis. All staff costs of the pension administration team are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to the fund in accordance with Council policy.

## OVERSIGHT AND GOVERNANCE COSTS

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight is charged direct to the fund. Associated management, accommodation and other overheads are apportioned to the Fund in accordance with Council policy.

## INVESTMENT MANAGEMENT EXPENSES

All investment management expenses are accounted for on an accruals basis. Fees for the fund managers and custodian are agreed in the respective mandates governing their appointments and are based broadly on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. Where an investment management fee has not been received by the balance sheet date, an estimate based upon the market value of the mandate as at the end of the year is used for inclusion in the Accounts.

## NET ASSETS STATEMENT

## 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 asset statement on the date the fund becomes party to the contractual acquisition of the assets. From this date, any gains/losses are recognised in the Fund Account. The Net Asset Statement shows values of investments have been determined at fair value in accordance with the requirements of the code and IFRS13. For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

## FOREIGN CURRENCY TRANSACTIONS

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

## CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, cash held in UK bank accounts and deposits with financial institutions which are repayable on demand without penalty.

## FINANCIAL LIABILITIES

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

## ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS19 and relevant actuarial standards. As permitted under the Code, the financial statements include a note disclosing the actuarial present value of retirement benefits as detailed at **Appendix A**.

## ADDITIONAL VOLUNTARY CONTRIBUTIONS

AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, but their valuation is disclosed in Note 17, for information only.

### RECHARGES FROM THE GENERAL FUND

The LGPS (Management and Investment of Funds) Regulations 2016 permit the Council to charge administration costs to the Fund. A proportion of relevant Council costs have been charged to the Fund based on an apportionment of time spent on Pension Fund business. Costs incurred in the administration and the oversight and governance of the Fund are set out in Note 8.

# **Note 4** Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 3 above, the Fund has had to make certain critical judgements about complex transactions or those involving uncertainty about future events.

### POOLED PROPERTY

As a result of the COVID-19 outbreak, which caused extensive disruption to businesses and economic activities on a global level in all sectors, the property valuers valuing the underlying assets within the three pooled property funds, have reported their valuation on the basis of ‘material valuation uncertainty’. The declaration does not mean that the valuation cannot be relied upon but it does mean that less certainty, and a higher degree of caution, should be attached to the valuation of the property than would normally be the case. Additionally, all three pooled property funds had suspended trading as at 31 March 2020. The effect of this is to require these assets to be moved from a fair value hierarchy level 2 to level 3 as at 31 March 2020. In September 2020, all three managers confirmed they had released their material uncertainty, however, one of the managers, Hermes property, confirmed there are still trading restrictions and are not allowing redemptions.

### INFRASTRUCTURE INVESTMENT

The fair value of infrastructure investments is unavoidably subjective. The valuations are based on forward-looking estimates and judgments involving many factors. Unquoted private equity assets are valued by the investment managers in accordance with industry standards. There is a risk that these investments, totalling £30.047m may be under or overstated in the accounts. Management have made a judgement to value these assets at level 3.

### IFRS 9 ‘FINANCIAL INSTRUMENTS’

IFRS 9 ‘Financial Instruments’ is the new reporting standard for financial instruments and became effective on 1 January 2018. IFRS 9 has replaced previous financial instrument standards and interpretations covered by IAS 39 Financial Instruments: Recognition and Measurement, bringing together all aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Fund has applied IFRS 9 with effect from 1 April 2018.

### CLASSIFICATION AND MEASUREMENT

IFRS 9 requires all financial assets and liabilities to be measured at fair value, except for contributions receivable which do not contain a significant financing component. Contribution receivables are measured at amortised cost. Classification and measurement of financial instruments is driven by the Fund’s business model for managing the financial instruments and the contractual cash flow characteristics of the financial instruments.

IFRS 9 has been applied prospectively by the Fund and this did not result in a change to the measurement of financial instruments as outlined in note 12a, but some classifications have been amended to reflect IFRS 9’s requirements. The Fund’s contribution receivables and other receivables continue to be measured at amortised cost.

There was no material impact on the adoption of IFRS 9.

## COVID 19

During March 2020 and subsequently, there has been significant volatility in the financial markets as a result of the COVID-19 pandemic. The Scheme invests in a broad range of asset classes many of which, such as private equity, private debt, property, and infrastructure, are illiquid in nature. Such assets are valued on a periodic basis, mostly quarterly but others less frequently. At the end of the year to March 2020 these asset classes made up approximately 15% of the overall investment portfolio and while there have been significant falls in other asset classes, it is difficult to assess precisely the full financial effect at the date of issue of the financial statements. As noted in note 12B the valuers of the property assets have included a material uncertainty clause in their valuations as at 31 March 2020. The Trustee continues to monitor the situation and the impact that COVID-19 may have on the future performance of these illiquid assets.

The Fund continues to monitor the impact of the global economic impact in the wake of the coronavirus outbreak which has led to significant uncertainty around investment returns in the short term. The Fund acknowledges that the decrease in stocks, a resultant of global events and the impact of COVID-19, has an impact for future outlook, and that there is likely to be considerable pressures on individual employers. As events unfold with restrictions being lifted plus increasing market sentiments, there is hope for economic recovery.

## BREXIT

On 31 January 2020, the UK left the EU and entered into an 11-month transition to determine the future of the United Kingdom and European Union relationship. Whilst there is little agreement on the terms of the final exit deal, it is unlikely there will be long-term and short-term ramifications on the Scheme. The Trustee continues to monitor progress and is taking appropriate advice on the impact to the investment portfolio.

# **Note 5** Assumptions Made About the Future and Other Major Sources of Estimation

Preparing financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end and the amounts reported for income and expenditure 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 results could differ from the assumptions and estimates.

Estimates are made taking into account historical experience, current trends and other relevant factors. However, as balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. This applies particularly to the estimation of the net liability to pay pensions, which depends upon a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The Council's actuaries are engaged to provide the Fund with expert advice about the assumptions to be applied (Appendix A).

The financial statements contain figures that are based on assumptions made by our Private Equity managers. Estimates are made taking into account historical experience, current trends and other relevant factors. The items in the Net Assets Statement at 31 March 2020 for which there is a risk of material adjustment in the forthcoming financial year is as follows:

| Item | Uncertainties | Effect of actual results differ from assumptions |
|---|---|---|
| Private equity | Private equity investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. | Private equity investments are valued at £21.556m in the financial statements. There is a risk that this investment may be under or overstated in the accounts. |
| Property and Infrastructure | The Pension Fund contains investments in pooled property and infrastructure funds. The ongoing impact of the Covid-19 pandemic has created uncertainty surrounding illiquid asset valuations. | The value of these investments is £119.023m and £30.047m property and infrastructure respectively in the financial statements. As disclosed in note 4, these assets have a material uncertainty over their closing valuation as at 31 March 2020. |

## PENSION FUND LIABILITY

The Pension Fund liability is calculated triennially by the appointed actuary with annual updates in the intervening years. The methodology follows generally agreed guidelines and is in accordance with IAS 19. These assumptions are summarised in **Appendix A**. The estimates are sensitive to changes in the underlying assumptions underpinning the valuations.

## EVENTS AFTER THE NET ASSET STATEMENT DATE

The material uncertainty surrounding the valuations of property following significant market disruptions brought on by Covid 19, was released by the three managers post year - end. Two of the three property managers, valued at £82m, released their trading restrictions in September 2020.

# Note 6 Contributions Receivable

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

| By Authority | 2018/19 £000 | 2019/20 £000 |
|---|---|---|
| Administering Authority | (39,730) | (41,455) |
| Scheduled bodies | (9,204) | (9,406) |
| Admitted bodies | (242) | (272) |
| | **(49,176)** | **(51,133)** |

| By Type | 2018/19 £000 | 2019/20 £000 |
|---|---|---|
| Employees' normal contributions | (10,347) | (11,042) |
| **Employer's contributions:** | | |
| Normal contributions | (22,585) | (24,143) |
| Deficit recovery contributions | (14,325) | (14,814) |
| Augmentation contributions | (1,919) | (1,134) |
| | **(49,176)** | **(51,133)** |

# Note 6a Transfers In From Other Pension Funds

| Transfers in From Other Pension Funds | 2018/19 £000 | 2019/20 £000 |
|---|---|---|
| Individual Transfers | (3,547) | (6,438) |
| | **(3,547)** | **(6,438)** |

# Note 7 Benefits Payable

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

| By Type | 2018/19 £000 | 2019/20 £000 |
|---|---|---|
| Pensions | 38,879 | 41,295 |
| Commutation/lump sums | 8,671 | 7,029 |
| Death benefits | 498 | 870 |
| | **48,048** | **49,194** |

| By Authority | 2018/19 £000 | 2019/20 £000 |
|---|---|---|
| Administering Authority | 44,464 | 45,744 |
| Scheduled Bodies | 3,341 | 3,202 |
| Admitted Bodies | 243 | 248 |
| | **48,048** | **49,194** |

# Note 8 Management Expenses

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

Investment management expenses are further analysed below in line with the CIPFA Guidance on Accounting for Management Costs.

| | 2018/19 £000 | 2019/20 £000 |
|---|---|---|
| Administration Expenses | 796 | 1,157 |
| Oversight and Governance** | 338 | 409 |
| Investment Management Expenses | 3,286 | 3,407 |
| | **4,420** | **4,973** |

**Includes external audit fees of £41,200 (£16,170 in 2018/19). 2019-20 fees include £25,000 relating to 2018-19

| | 2018/19 £000 | 2019/20 £000 |
|---|---|---|
| Management fees | 2,952 | 2,865 |
| Performance fees | 55 | 71 |
| Custody fees | 121 | 122 |
| Transaction costs | 158 | 349 |
| | **3,286** | **3,407** |

# **Note 9** Investment Income

| **INVESTMENT INCOME** | **2018/19 £000** | **2019/20 £000** |
|---|---|---|
| Fixed interest securities | 13,315 | 13,307 |
| Equity dividends | 15,738 | 10,762 |
| Pooled investments | 6,515 | 5,008 |
| Interest and cash deposits | 501 | 516 |
| **Investment income** | **36,069** | **29,593** |
| Other income | 9 | - |
| **Total before taxes** | **36,078** | **29,593** |
| Taxes on income | (74) | (22) |
| **Total** | **36,004** | **29,571** |

# **Note 10a** Investment Management Arrangements

The market value and proportion of investments managed by each fund manager at 31 March 2020 is shown below: The Fund also held directly owned cash investments as at 31 March 2020. The cash is retained within the Custodian Bank account and therefore not included in the analysis below.

| **Fund Manager** | **Mandate** | **31 March 2019 Market Value £000** | **%** | **31 March 2020 Market Value £000** | **%** |
|---|---|---|---|---|---|
| Lazard | Global equity (Active) | 18,604 | 2% | 16,013 | 1% |
| Lazard | UK Equity (Active) | 246,226 | 21% | 185,681 | 17% |
| **Lazard** | **Sub-Total** | **264,830** | **23%** | **201,694** | **18%** |
| Royal London | UK Corporate (Active) | 296,552 | 26% | 302,571 | 27% |
| Royal London | UK Government (Active) | 6,837 | 1% | 1,706 | 0% |
| Royal London | UK corporate (Pooled) | 5,967 | 1% | 5,343 | 1% |
| **Royal London** | **Sub-Total** | **309,356** | **27%** | **309,620** | **28%** |
| **Baillie Gifford (LCIV** | **UK Equities (Pooled)** | **177,357** | **15%** | **175,094** | **16%** |
| **Henderson (LCIV)** | **UK Equities (Pooled)** | **31,270** | **3%** | **-** | **-** |
| **RCM (LCIV)** | **Global (Pooled)** | **-** | **-** | **23** | **0%** |
| Legal & General | Future World - Global Equities (Pooled) | 125,897 | 11% | 127,833 | 11% |
| Legal & General | MSCI World - Global Equities (Pooled) | 125,706 | 11% | 133,653 | 12% |
| **Legal & General** | **Sub total** | **251,603** | **22%** | **261,486** | **23%** |
| Brightwood | Private Debt (Pooled) | 1,274 | 0% | 4,309 | 0% |
| Churchill | Private Debt (Pooled) | 2,407 | 0% | 11,175 | 1% |
| Permira | Private Debt (Pooled) | - | 0% | 6,072 | 1% |
| **Total Private Debt** | **Sub-Total** | **3,681** | | **21,556** | **2%** |
| Lothbury | UK Property | 46,231 | 4% | 44,665 | 4% |
| Hermes | UK Property | 37,799 | 3% | 37,256 | 3% |
| Standard Life | UK Property | 35,021 | 3% | 37,102 | 3% |
| **Property** | **Sub-Total** | **119,051** | **10%** | **119,023** | **10%** |
| **JP Morgan** | **Infrastructure** | **-** | **-** | **30,047** | 3% |
| | **Total** | **1,157,148** | **100%** | **1,118,543** | **100%** |

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

The Bank of New York Mellon (BNYM) acts as the Fund's global custodian. They are responsible for safe custody and settlement of all investment transactions and collection of income and complete a monthly reconciliation of its own portfolio valuation to external fund manager reports.

# Note 10b Investments Exceeding 5% of Net Assets

The table below shows the Fund's investments which exceed 5% of net assets. These are all pooled investment vehicles, which are made up of underlying investments, each of which represent substantially less than 5%.

| | 31 March 2019 Market Value £000 | Holding % | 31 March 2020 Market Value £000 | Holding % |
|---|---|---|---|---|
| LCIV GLOBAL ALPHA GROWTH FUND | 177,356 | 14 | 175,094 | 15 |
| FUTURE WORLD FUND | 125,897 | 10 | 127,833 | 11 |
| MSCI WORLD CARBON TARGET FUND | 125,707 | 10 | 133,653 | 11 |
| **Total** | **428,960** | **34** | **436,580** | **37** |

# Note 11 Reconciliation in Movement in Investments

| 2019/20 | Market value 1 April 2019 | Purchases during the year | Sales during the year | Change in market value during the year | Market value 31 March 2020 |
|---|---|---|---|---|---|
| Bonds | 303,389 | 67,271 | (57,583) | (8,800) | 304,277 |
| Equities | 264,830 | 129,265 | (126,671) | (65,729) | 201,695 |
| Pooled Investments | 588,929 | 81,363 | (35,104) | (22,613) | 612,575 |
| Cash Instruments | 81,650 | 143,916 | (176,832) | - | 48,734 |
| **Total** | **1,238,798** | **421,815** | **(396,190)** | **(97,142)** | **1,167,281** |
| Investment Cash | 6,860 | | | (309) | 7,420 |
| Accrued Income | 7,118 | | | - | 5,563 |
| Unsettled Purchases | (1,372) | | | (4) | (1,091) |
| Unsettled Sales | 1,866 | | | - | 231 |
| **Net investment assets** | **1,253,270** | | | **(97,455)** | **1,179,404** |

| 2018/19 | Market value 1 April 2018 | Purchases during the year | Sales during the year | Change in market value during the year | Market value 31 March 2019 |
|---|---|---|---|---|---|
| Bonds | 291,547 | 78,539 | (65,711) | (986) | 303,389 |
| Equities | 368,313 | 187,003 | (277,601) | (12,885) | 264,830 |
| Pooled Investments | 508,092 | 1,130,673 | (1,089,727) | 39,891 | 588,929 |
| Cash Instruments | 33,965 | 97,463 | (49,778) | - | 81,650 |
| **Total** | **1,201,917** | **1,493,678** | **(1,482,817)** | **26,020** | **1,238,798** |
| Investment Cash | 6,203 | | | (137) | 6,860 |
| Accrued Income | 7,091 | | | - | 7,118 |
| Unsettled Purchases | (769) | | | (5) | (1,372) |
| Unsettled Sales | - | | | - | 1,866 |
| **Net investment assets** | **1,145,911** | | | **25,878** | **1,253,270** |

# Note 12a Classification of Financial Instruments

The following table shows the classification of the Fund's financial instruments and also shows the split by UK and overseas. All investments are quoted unless stated.

| | 31 March 2019 | | | 31 March 2020 | | |
|---|---|---|---|---|---|---|
| | Financial Assets held at Fair Value through Profit and Loss | Financial Assets held at Amortised cost £000 | Financial liabilities at amortised cost £000 | Financial Assets held at Fair Value through Profit and Loss | Financial Assets held at Amortised cost £000 | Financial liabilities at amortised cost £000 |
| **Investment Assets** | | | | | | |
| **Bonds** | | | | | | |
| UK Public sector | 6,837 | - | - | 1,706 | - | - |
| UK Corporate | 296,552 | - | - | 302,571 | - | - |
| **Quoted Equities** | | | | | | |
| UK | 246,226 | - | - | 185,681 | - | - |
| Overseas | 18,604 | - | - | 16,013 | - | - |
| **Pooled investment vehicles** | | | | | | |
| Property | 119,051 | - | - | 119,023 | - | - |
| Bonds | 5,967 | - | - | 5,343 | - | - |
| Equity - Overseas | 460,230 | - | - | 436,604 | - | - |
| Private Debt | 3,681 | - | - | 21,556 | - | - |
| Infrastructure | 0 | - | - | 30,047 | | |
| **Cash Instruments** | | | | | | |
| Cash deposits | 88,510 | - | - | 56,154 | - | - |
| Unsettled sales | - | 1,866 | | - | 231 | - |
| Accrued income | - | 7,118 | - | - | 5,563 | - |
| **Total investment assets** | **1,245,658** | **8,984** | **-** | **1,174,698** | **5,794** | **-** |
| **Investment Liabilities** | | | | | | |
| Unsettled Purchases | - | - | **(1,372)** | - | - | (1,091) |
| **Net Investment assets** | **1,245,658** | **8,984** | **(1,372)** | **1,174,698** | **5,794** | **(1,091)** |
| **Other financial assets** | | | | | | |
| Contributions Due | | 5,392 | - | - | 4,558 | - |
| Cash Balances | - | 4,414 | - | - | 10,053 | - |
| Other debtors | - | 245 | - | - | 68 | - |
| | **1,245,658** | **19,035** | **(1,372)** | **1,174,698** | **20,473** | **(1,091)** |
| **Financial Liabilities** | | | | | | |
| Current Liabilities | - | - | (2,645) | - | - | (1,549) |
| | **-** | **-** | **(2,645)** | **-** | **-** | **(1,549)** |
| | | | | | | |
| **Total** | **1,245,658** | **19,035** | **(4,017)** | **1,174,698** | **20,473** | **(2,640)** |
| | | | | | | |
| **Grand Total** | **1,260,675** | | | **1,192,531** | | |

* The classification of current liabilities excludes the Fund's liability for PAYE of £374k (2019: £411k) as this is not classified as a financial instrument. Included within those financial instruments held at fair value through profit and loss, are bonds of £304,277k (£303,389k: 2019) that were designated as fair value through profit and loss on initial purchase.

# Note 12b Valuation of Financial Instruments Carried at Fair Value

## FAIR VALUE – BASIS OF VALUATION

All investments are held at fair value in accordance with the requirements of the Code and IFRS 13. The valuation bases are set out below. All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. There has been no change in the valuation techniques used during the year.

| Description of asset | Valuation hierarchy | Basis of valuation | Observable and unobservable inputs | Key sensitivities affecting the valuations provided |
|---|---|---|---|---|
| Market quoted investments – equities | Level 1 | Published bid market price ruling on the final day of the accounting period. | Not required | Not required |
| Bonds - corporate bonds and Government gilts | Level 1 | Market value based on current yields. | Current yields | Not required |
| Cash deposits and instruments | Level 1 | Closing bid value on published exchanges. | Not required | Not required |
| Unquoted pooled investments - unit trusts | Level 2 | Average of broker prices. | Evaluated price feeds | Not required |
| Pooled investments – pooled property and infrastructure funds | Level 3 | Closing bid price where bid and offer prices are published. Closing single price where single price published. Pooled property fund valuations for 2020 are subject to material uncertainties as disclosed in note 4. | NAV-based pricing set on a forward pricing basis | Estimated acquisition and disposal costs |
| Unquoted equities | Level 3 | Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines. | EBITDA multiple<br>Revenue multiple<br>Discount for lack of marketability<br>Control premium | Valuations could be affected by post balance sheet events, changes to expected cash flows, or by any differences between audited and unaudited accounts |

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

**Level 1** - where fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities (quoted equities, quoted fixed securities, quoted index linked securities and unit trusts). Listed investments are shown at bid prices. The bid value of the investment is based on the market quotation of the relevant stock exchange.

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

**Level 3 –** where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge fund of funds, the Fund currently invests in Private Equity.

The Fund considers that quoted equities and highly liquid bonds have been valued at Level 1. Further, pooled investment vehicles are classified as Level 2 as these instrument's valuation are less frequently traded and prices for underlying assets are derived from independent valuation techniques. During the year, the fund invested in infrastructure holdings, which, due to their opaque and unobservable valuation technique, have been classified as Level 3. Also, given the uncertainty surrounding the valuation of pooled property investments, Management made a decision to move these investments from level 2 to level 3 during the year.

The table below provides an analysis of the financial assets and liabilities of the Fund grouped into the level at which fair value has been observed:

| | 31 March 2019 | | | 31 March 2020 | | |
|---|---|---|---|---|---|---|
| | Quoted Market Price (Level 1) £000 | Using Observable Inputs (Level 2) £000 | Significant Unobservable Inputs (Level 3) £000 | Quoted Market Price (Level 1) £000 | Using Observable Inputs (Level 2) £000 | Significant Unobservable Inputs (Level 3)* £000 |
| **Financial Assets** | | | | | | |
| Held at fair value through profit and loss | 353,340 | 888,637 | 3,681 | 251,193 | 752,878 | 170,627 |
| | **353,340** | **888,637** | **3,681** | **251,193** | **752,878** | **170,627** |
| | | | | | | |
| **Grand Total** | **1,245,658** | | | **1,174,698** | | |

*includes pooled property, moved from level 2 to level 3 in 2019/20

# **Note 12c** Level 3 Assets Sensitivity

The fund has considered the current market trends, and also consulted with independent investment advisors, and has determined that the valuation methods described above are likely to be accurate to within the following ranges and has set out below the resulting potential impact on the closing value of investments held at 31 March 2020.

| Assets exposed to currency risk | Value £000 | 1 year expected Volatility % | Value on Increase £000 | Value on decrease £000 |
|---|---|---|---|---|
| **As at 31 March 2020** | | | | |
| Private Debt | 21,556 | 7.2 | 23,108 | 20,004 |
| Infrastructure* | 30,047 | 20.1 | 36,086 | 23,437 |
| Property** | 119,023 | 10.0 | 130,925 | 107,121 |
| | **170,626** | | **190,120** | **150,562** |
| **As at 31 March 2019** | | | | |
| Private Debt | 3,681 | 7.2 | 3,946 | 3,416 |
| Infrastructure | - | - | - | - |
| Property* | - | - | - | - |
| | **3,681** | | **3,946** | **3,416** |

*New investments during the year
**property moved from level 2 to level 3

# **Note 12d** Reconciliation of Fair Value Measurements within Level 3

| Assets exposed to currency risk | Opening Balance £000 | Transfers into Level 3 £000 | Purchases £000 | Sales £000 | Unrealised gains/ losses £000 | Realised gains/ losses £000 | Closing Balance £000 |
|---|---|---|---|---|---|---|---|
| Pooled Investments - Private Debt | 3,681 | - | 19,922 | (3,612) | 1,498 | 66 | 21,556 |
| | **3,681** | **-** | **19,922** | **(3,612)** | **1,498** | **66** | **21,556** |
| Pooled Investments - Infrastructure | - | - | 29,440 | - | 608 | - | 30,047 |
| Pooled Investment - Property* | - | 119,023 | - | - | - | - | 119,023 |
| | **-** | **119,023** | **29,440** | **-** | **608** | **-** | **149,070** |

*Transferred from level 2 to level 3 at 31 March 2020 due to a reduction in observable market data as a result of unreliable valuations

# **Note 13** Net Gains and Losses on Financial Instruments

This table summarises net gains and losses on financial instruments classified by type of instrument.

| | 31 March 2019 £000 | 31 March 2020 £000 |
|---|---|---|
| **Financial Assets** | | |
| Held at fair value through profit and loss | 25,883 | (97,451) |
| | **25,883** | **(97,451)** |
| **Financial Liabilities** | | |
| Held at fair value through profit and loss | (5) | (4) |
| **Total** | **25,878** | **(97,455)** |

# **Note 14** 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 to the extent that it is unable to meet its obligations to members as they fall due. Therefore, the aim of investment management is to minimise the risk of an overall reduction in the value of the Fund whilst at the same time maximising the opportunity for investment income. The Fund achieves this through:

- engaging multiple investment management firms with different strategies, philosophies and expertise to manage the various asset in the Fund;
- setting each investment manager clear performance benchmarks and incentivising outperformance against those benchmarks once agreed;
- reporting investment performance to the Pension Fund Panel on a quarterly basis so that Panel Members can review performance, question investment managers and seek explanations as necessary; and
- monitoring investment performance against independent benchmarks and actual performance achieved by a peer group of other local authorities.

Responsibility for the Fund's risk-management strategy rests with the Pension Fund Panel. Risk management policies are established as part of the Funding Strategy Statement and the Investment Strategy Statement which aim to identify and analyse the investment risks faced by the Fund. These are regularly reviewed in the light of changing market and other conditions.

## MARKET RISK

Market risk is the risk of loss emanating from general market fluctuations in equity and commodity prices or interest and foreign exchange rates. The Fund is exposed to market risk across all of its investment activities. In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of asset class, geographical and industry sectors and by limiting the maximum value of investments in individual securities. Equity fund managers are appointed on an active mandate which helps to manage risk by focusing on the performance of specific investments rather than broad sector movements. The Panel and its investment advisors undertake regular monitoring of market conditions and benchmark analysis in order to mitigate market risk.

## PRICE RISK

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

The Fund is exposed to direct share price risk because all of its investments other than cash holdings are traded on open markets where the future price is uncertain. The Fund is also exposed to direct price risk arising from unquoted equities held as part of its equity pooled holdings. All such securities represent a potential risk of loss of capital, with the maximum risk determined by the fair value of each financial instrument. The Fund's investment managers aim to mitigate this price risk through diversification in the selection of securities and other financial instruments.

The following table demonstrates the change in the net assets available to pay benefits if the market price had increased or decreased by 14.5%. The Fund believes that 14.5% is consistent with the level of sensitivity that should be applied. The analysis excludes cash, debtors, creditors, and non-equity investment balances as these financial instruments are not subject to price risk:

| Assets exposed to price risk | Value £000 | Value on 14.5% price increase £000 | Value on 14.5% price decrease £000 |
|---|---|---|---|
| As at 31 March 2020 | 787,368 | 901,536 | 673,199 |
| As at 31 March 2019 | 844,111 | 928,522 | 759,700 |

## INTEREST RATE RISK

The Fund invests in financial assets for the primary purpose of obtaining a return in terms of both investment income and increased capital value. Cash based deposits and investments in fixed interest are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in market interest rates. The Pension Fund Panel and its investment advisors regularly monitor the Fund's interest rate risk exposure during the year.

The table below demonstrates the change in value of these assets had the interest rate increased or decreased by 1% along with an average duration of 8 years.

| Assets exposed to interest rate risk | Value £000 | Value on 8% interest rate increase £000 | Value on 8% interest rate decrease £000 |
|---|---|---|---|
| As at 31 March 2020 | 365,774 | 336,512 | 395,036 |
| As at 31 March 2019 | 397,866 | 366,037 | 429,695 |

## 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 financial instruments that are denominated in any currency other than Sterling but diversifies this risk by investing in securities in multiple currencies. The Pension Fund Panel recognises that a strengthening or weakening of the pound against the various currencies in which the Fund holds investments would increase or decrease the net assets available to pay benefits accordingly.

The Fund does not hedge against currency risk on a long-term basis, as the movements in foreign exchange rates can lead to losses as well as gains. Overseas equities, fixed interest securities, cash in foreign currencies, and some elements of the pooled investment vehicles are exposed to currency risk.

The following table demonstrates the change in value of these assets had there been a 10% strengthening/weakening of the pound against foreign currencies:

| Assets exposed to currency risk | Value £000 | Value on 10% foreign exchange rate increase £000 | Value on 10% foreign exchange rate decrease £000 |
|---|---|---|---|
| As at 31 March 2020 | 474,173 | 521,590 | 426,756 |
| As at 31 March 2019 | 482,515 | 530,767 | 434,264 |

## CREDIT RISK

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. The selection of high-quality fund managers, counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner. The Fund sets both maximum investment limits and minimum credit rating limits.

There is a risk that some admitted bodies may not honour their pension obligations with the result that any ensuing deficit might fall upon the Fund. To mitigate this risk, the Fund regularly monitors the state of its admitted bodies and bond agreements are in place for scheme employers to ensure liabilities would be met in the event of an employer being dissolved, wound up, liquidated or otherwise ceasing to exist.

The Fund has no financial assets past their due date as at 31 March 2020 and has not identified any events or conditions to date that would suggest that any impairment or provision in respect of credit risk is required.

The Fund has also set limits as to the maximum sum placed on deposit with individual financial institutions. In addition, the pension fund invests an agreed percentage of its funds in the money markets to provide diversification. The investment credit exposure can be summarised in the table below:

| Summary | Rating | Balances as at 31 March 2019 £000 | Balances as at 31 March 2020 £000 |
|---|---|---|---|
| **Bank Current Accounts** | | | |
| Lloyds Bank | A+ | 4,414 | 10,053 |
| **Money Market Funds** | | | |
| BNY Mellon Goldman Sachs MMF | AAA | 81,650 | 48,734 |
| **Total** | | **86,064** | **58,787** |

## LIQUIDITY RISK

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Pension Fund Panel monitors cash flows and takes steps to ensure that there are adequate cash resources to meet its commitments. The Fund has immediate access to its cash holdings, and all of its investments can be liquidated within a matter of days if required.

# **Note 15** Current Assets

| | 31 March 2019 £000 | 31 March 2020 £000 |
|---|---|---|
| **Debtors:** | | |
| Contributions due - employers | 5,140 | 3,674 |
| Contributions due - employees | 251 | 884 |
| Sundry debtors | 245 | 68 |
| | **5,636** | **4,626** |
| **Cash balances - Lloyds Bank** | 4,414 | 10,053 |
| **Total** | **10,050** | **14,679** |

| | 31 March 2019 £000 | 31 March 2020 £000 |
|---|---|---|
| **Analysis of Debtors** | | |
| Central government bodies | 315 | 268 |
| Local authorities | 5,088 | 3,957 |
| Other entities and individuals | 233 | 401 |
| **Total** | **5,636** | **4,626** |

# **Note 16** Current Liabilities

| | 31 March 2019 £000 | 31 March 2020 £000 |
|---|---|---|
| Unpaid benefits | - | (180) |
| Sundry creditors and accrued expenses | (3,056) | (1,743) |
| **Total** | **(3,056)** | **(1,923)** |

| **Analysis of Current Liabilities** | 31 March 2019 £000 | 31 March 2020 £000 |
|---|---|---|
| Local authorities | (2,247) | (931) |
| Other entities and individuals | (809) | (992) |
| **Total** | **(3,056)** | **(1,923)** |

# **Note 17** Additional Voluntary Contributions

The Pension Fund's Additional Voluntary Contributions (AVC) providers are Scottish Widows and Equitable Life Assurance Society. The table below shows information about these separately invested AVCs. The AVC providers secure benefits on a money purchase basis for those members electing to pay AVCs. Members of the AVC schemes each receive an annual statement confirming the amounts held in their account and the movements in the year.

| | Contributions 2018/19 £000 | Market Value 2018/19 £000 | Contributions 2019/20 £000 | Market Value 2019/20 £000 |
|---|---|---|---|---|
| Scottish Widows (as at 31 March 2020) | 122 | 594 | 54 | 614 |
| Equitable Life (as at 31 October 2019) | 2 | 263 | 2 | 273 |
| **Total** | **124** | **857** | **56** | **887** |

# **Note 18** Related Party Transactions

The Fund is administered by the London Borough of Ealing (the Council). In 2019/20, the Council charged the pension fund £0.9m for expenses incurred in administering the Fund (2019: £1.0m). Through its administration of the fund, the council has a related party interest with the Pension Fund.

The creditor balance due to the Council at year end by was £0.9m at 31 March 2020 (2019: £2.2m).

# **Note 19** Key Management Personnel Remuneration

The key management personnel of the Pension Fund are the Members of the Pension Fund Panel and Pension Board, as detailed in the Pensions Fund annual report for 2019/20. No remuneration is paid to these Members in relation to their duties.

# **Note 20** Contingent Liabilities and Contractual Commitments

The total capital commitments as at 31 March 2020 were £44.4m (2019: £100.3m). These commitments relate to outstanding call payments due on the Private Debt portfolio. The Infrastructure portfolios commitment was called in full during the year. The amounts called by these funds are irregular in both size and timing over a period of between four and six years from the date of each original commitment. In addition, the Fund's actuary has estimated the past service liabilities in relation McCloud to be £6.0m, details of this are contained within the actuary statement below.

# **Note 21** Impact of McCloud

The recent McCloud case age discrimination ruling could result in increases to the Pension Fund liability. Furthermore, when calculating the potential cost of the McCloud judgment as part of the 2019 actuarial valuations the Fund's Actuary allowed for the final salary underpin to apply in respect of future leavers with deferred, so the further changes in the consultation do not give rise to any additional liabilities in respect of future leavers. The actuary has approximated the liability at year-end date to be £6m in respect of past service liabilities, but this is an estimation and subject to further data reviews and is therefore has been recognised as a contingent liability for these financial statements due to the current uncertainty over the final value. Details of this judgement are contained in the Actuary's statement below.

# Appendix A Actuarial Statement

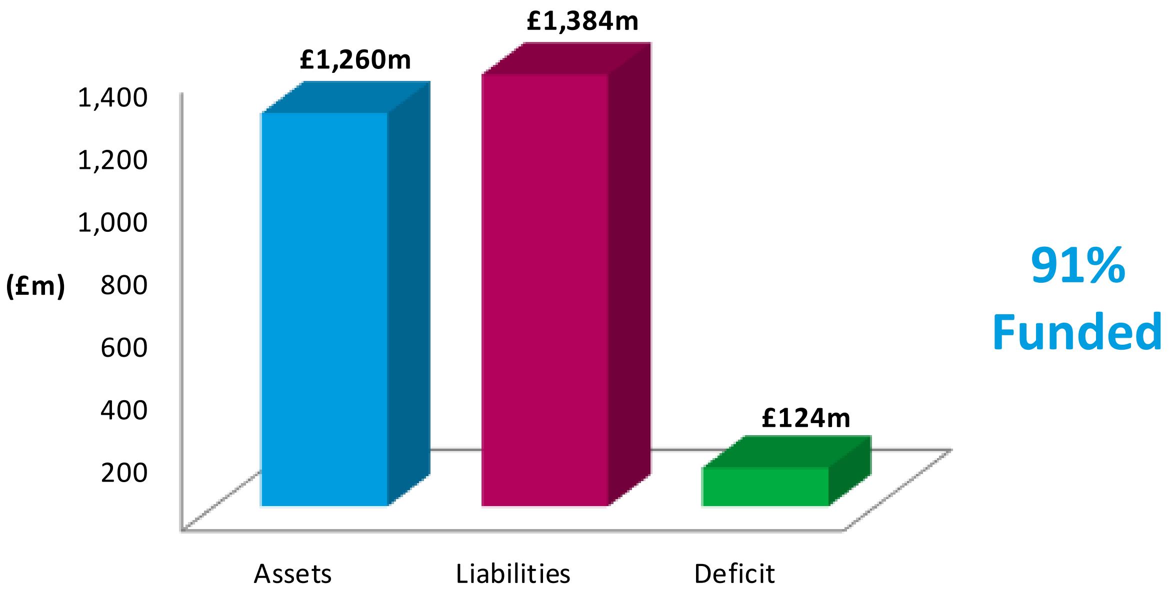
MERCER

# LONDON BOROUGH OF EALING PENSION FUND

## ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2020 - STATEMENT BY THE CONSULTING ACTUARY

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the London Borough of Ealing Pension Fund was carried out as at 31 March 2019 to determine the contribution rates with effect from 1 April 2020 to 31 March 2023.
On the basis of the assumptions adopted, the Fund's assets of £1,260 million represented 91% of the Fund's past service liabilities of £1,384 million (the "Solvency Funding Target") at the valuation date. The deficit at the valuation was therefore £124 million.




The valuation also showed that a Primary contribution rate of 16.3% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the FSS is to achieve and maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall.

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average recovery period adopted is 14 years, and the total initial recovery payment (the "Secondary rate" for 2020-2023) is an addition of approximately £9.7m per annum on average in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this varies year on year. Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2020.

In practice, each individual employer's position is assessed separately, and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Solvency Funding Target and the Primary rate of contribution were as follows:

| | For past service liabilities (Solvency Funding Target) | For future service liabilities (Primary rate of contribution) |
|---|---|---|
| Rate of return on investments (discount rate) | 3.95% per annum | 4.65% per annum |
| Rate of pay increases (long term) * | 3.65% per annum | 3.65% per annum |
| Rate of increases in pensions in payment (in excess of GMP) | 2.40% per annum | 2.40% per annum |

* allowance was also made for short-term public sector pay restraint over a 4-year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2022. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2023.

## The McCloud Judgment

The “McCloud judgment” refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. The Government announced in 2019 that this needs to be remedied for all public sector schemes including the LGPS. This is likely to result in increased costs for some employers. This remedy is not yet agreed but guidance issued requires that each Fund sets out its policy on addressing the implications.

In line with guidance issued by the LGPS Scheme Advisory Board, the above funding level and Primary contribution rate do not include an allowance for the estimated cost of the McCloud judgment.

However, at the overall Fund level we estimate that the cost of the judgment could be an increase in past service liabilities of broadly £6 million and an increase in the Primary Contribution rate of 0.4% of Pensionable Pay per annum. Where the employer has elected to include a provision for the cost of the judgment, this is included within the secondary rate for that employer (and also within the whole Fund average secondary rate of £9.7 million per annum shown above).

## Impact of Covid 19

The valuation results and employer contributions above were assessed as at 31 March 2019. In 2020 we have so far seen significant volatility and uncertainty in markets around the world in relation to the COVID-19 pandemic. This potentially has far-reaching consequences in terms of funding and risk, which will need to be kept under review. We believe that it is important to take stock of the situation as opposed to make immediate decisions in what is an unprecedented set of events. Our view is that employer contributions should not be revisited but the position should be kept under review by the Administering Authority who will monitor the development of the situation and keep all stakeholders informed of any potential implications so that the outcome can be managed effectively.

## Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund’s promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2020 (the 31 March 2019 assumptions are included for comparison):

| | 31 March 2019 | 31 March 2020 |
|---|---|---|
| Rate of return on investments (discount rate) | 2.4% per annum | 2.4% per annum |
| Rate of CPI Inflation / CARE benefit revaluation | 2.2% per annum | 2.1% per annum |
| Rate of pay increases* | 3.45% per annum | 3.35% per annum |
| Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation | 2.3% per annum | 2.2% per annum |

* This is the long-term assumption. An allowance corresponding to that made at the latest formal actuarial valuation for short-term public sector pay restraint was also included.

The demographic assumptions are the same as those used for funding purposes, with the 31 March 2020 assumptions being updated to reflect the assumptions adopted for the 2019 actuarial valuation. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2020.

Corporate bond yields were similar at the start and end of year resulting in the same discount rate of 2.4% p.a. being used for IAS 26 purposes at the year-end as for last year. The expected long-term rate of CPI inflation decreased during the year, from 2.2% p.a. to 2.1%, which served to decrease the liabilities slightly over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2019 was estimated as £1,939 million excluding the potential impact of the McCloud Judgment.
Interest over the year increased the liabilities by c£47 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£23 million (this includes any increase in liabilities arising as a result of early retirement and GMP indexation – see comments elsewhere in this statement). Allowing for the potential impact of the McCloud judgment increased the liabilities by £8 million.

There was also a decrease in liabilities of £174 million due to "actuarial gains" (i.e the effects of the *changes in the actuarial assumptions used, referred to above, and the incorporation of the 31 March 2019 actuarial valuation results into the IAS26 figures).*

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2020 is therefore £1,843 million.

### GMP Indexation

At present, the public service schemes are required to provide full CPI pension increases on GMP benefits for members who reach State Pension Age between 6 April 2016 and 5 April 2021. The UK Government may well extend this at some point in the future to include members reaching State Pension Age from 6 April 2021 onwards, which would give rise to a further cost to the LGPS and its employers. If the Fund were required to index-link GMP benefits in respect of those members who reach their State Pension Age after April 2021, then this would increase the Fund liabilities by about £4 million on IAS26 assumptions, and we have included this amount within the final IAS26 liability figure above.

**Michelle Doman**
**Fellow of the Institute and Faculty of Actuaries**
**Mercer Limited**
**May 2020**

# 5. Accounting Policies

# Accounting Policies

## I. GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020.

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 is required to prepare an annual statement of accounts in accordance with proper accounting practice, by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act).

The accounts have been prepared on a going concern basis, under the assumption that the Council will continue in existence for the foreseeable future.

## II. ACCRUALS OF EXPENDITURE & INCOME

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- 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.
- 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 settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

## III. CASH AND CASH EQUIVALENTS – (SEE NOTE 14)

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

## IV. PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## V. CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible assets attributable to the service.

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

## VI. COUNCIL TAX AND NON-DOMESTIC RATES

In its capacity as a billing authority the Council acts as agent; it collects and distributes council tax and NDR income on behalf of the preceptors (the Greater London Authority (GLA) and the Ministry of Housing, Communities and Local Government (MHCLG)) and itself. Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and Non-Domestic Rate (NDR). Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

### ACCOUNTING FOR COUNCIL TAX AND NDR

The Council Tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. 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 authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and 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 Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

## VII. EMPLOYEE BENEFITS – (SEE NOTES 18G, 23, 31 AND 32)

### 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 wages and salaries, paid annual leave and paid sick leave, bonuses and nonmonetary 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 made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement to the short term accumulating compensated absences account so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### TERMINATION BENEFITS – (SEE NOTE 23)

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 relevant service in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund or Housing Revenue Account balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination 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.

### POST-EMPLOYMENT BENEFITS – (SEE NOTE 31 AND 32)

Employees of the Council may be members of three separate pension schemes:

i) The Teachers' Pension Scheme administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
ii) NHS Pension Scheme administered by NHS Pensions.
iii) The Local Government Pensions Scheme administered by Ealing Council.

These schemes provide defined benefits to members (retirement lump sums and pensions), earned whilst employees worked for the Council.

However, the arrangements for the teachers' and NHS scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. 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 Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year. The Public Health line incurs the NHS Pension employer costs.

## THE LOCAL GOVERNMENT PENSION SCHEME

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Ealing Council pension fund 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 projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds.
- The assets of Ealing Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  (1) quoted securities – current bid price.
  (2) unquoted securities – professional estimate.
  (3) unitised securities – current bid price.
  (4) property – market value.

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

- Service cost comprising:
  - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services 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 – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
  - net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Re-measurements comprising:
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - 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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - contributions paid to the Ealing Council Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount 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. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### 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.

## VIII. EVENTS AFTER THE REPORTING PERIOD – (SEE NOTE 3)

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. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period. The Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period. The Statement of Accounts is not adjusted to reflect such events, 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.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

## IX. FINANCIAL INSTRUMENTS – (SEE NOTES 12 AND 34)

### 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 rate of interest is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest), and 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. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance 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 is repaid. When a premium or discount has been incurred and paid in full by a grant from an external body it is accounted for in full in the year that the grant was received. The reconciliation of the 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 Instrument Adjustment Account in the Movement in Reserves Statement.

## FINANCIAL ASSETS

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- Amortised cost
- Fair value through profit or loss (FVPL), and
- Fair value through other comprehensive income (FVOCI).

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

## 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 for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

## 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. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

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.

## FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets that are measured at FVOCI are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are accounted for through a reserve account and recognised in the Comprehensive Income and Expenditure Statement when the asset is disposed of.

## FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

## X. GOVERNMENT GRANTS AND CONTRIBUTIONS – (SEE NOTE 26)

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 specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

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. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

### BUSINESS IMPROVEMENT DISTRICTS

A business improvement district (BID) scheme applies to three areas within the authority. The scheme is funded by a BID levy paid by non-domestic ratepayers. The authority acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the comprehensive income and expenditure statement.

## XI. HERITAGE ASSETS – (SEE NOTE 11)

Heritage assets are assets with historic, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture and this purpose is central to the objectives of the entity holding them.

Heritage assets (other than operational heritage assets) will be measured at valuation in accordance with FRS 30. Where this is not practicable, they will be valued at historical cost (less any accumulated depreciation, amortisation and impairment losses). Where possible the Council's heritage assets have been reported in the Balance Sheet at insurance valuation, which is based on market values. This is because to procure valuers to carry out detailed valuation work would involve a disproportionate cost in comparison to the benefits to the users of the Council's financial statements and consequently the Council uses the insurance valuation as its basis for estimating the carrying value. There is no requirement for valuations to be carried out or verified by external valuers, nor is there any prescribed minimum period between valuations. However, where heritage assets are measured at valuation, the carrying amounts have been reviewed with sufficient frequency to ensure the valuations remain current. The Council does not consider that reliable cost or valuation information can be obtained for some of its heritage assets, which are detailed in the disclosure notes. The cost of obtaining professional valuations is prohibitive due to the diverse nature of the assets held and the lack of comparable values on some collections. Consequently, the Council does not recognise all its heritage assets on the balance sheet.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

All the Council's heritage assets are considered to have an indefinite useful life and are not depreciated.

## XII. 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 when it is expected that future economic benefits or service potential will flow from intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Intangible Assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. No intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service lines in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the 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 of the Capital Receipts Reserve for any sale proceeds greater than £10,000.

## XIII. JOINT OPERATIONS

Joint operations are arrangements where the parties that have joint control of the arrangements have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Council as a joint operator recognises:

- Its assets, including its share of any assets held jointly
- Its liabilities, including its share of any liabilities incurred jointly
- Its revenue from the sale of its share of the output arising from the joint operation
- Its share of the revenue from the sale of the output by the joint operation
- Its expense, including its share of any expenses incurred jointly.

## XIV. LEASES – (SEE NOTE 29)

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 AUTHORITY AS LESSEE

**Finance Leases**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the 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 prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

**Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from 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. there is a rent-free period at the commencement of the lease).

### THE AUTHORITY 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. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) 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. A gain, representing the Council's net investment in the lease, is 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), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve. When future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

**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. 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.

## XV. OVERHEADS AND SUPPORT SERVICES

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

## XVI. PROPERTY, PLANT AND EQUIPMENT – (SEE NOTE 9)

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

### RECOGNITION

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

### 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.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income and Expenditure line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- School buildings – current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV) or where there is no market because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value
- Surplus asset – the current value measurement base is fair value, estimated at highest and best use from a market participants perspective
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount 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 line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

## IMPAIRMENT

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in 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).

Depreciation is calculated on the following bases:

- Dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the valuer
- Vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- Infrastructure – straight-line allocation over 25 years
- Intangible assets - straight-line allocation over the useful life of the asset, as advised by a suitably qualified officer.

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately if they have different economic useful lives. The minimum value for separate components has been set at £1m as it is believed that anything below this would result in a trivial impact on the Council's accounts. However, the major components of land and buildings have already been separated for many years, with no depreciation being applied to the land element.

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.

## DISPOSALS AND NON-CURRENT ASSETS HELD FOR SALE

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on the Provision of Services. Depreciation is not charged on assets held for sale.

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

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When as asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) 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 of 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. The receipt 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 (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

## XVII. PRIVATE FINANCE INITIATIVES (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 authority 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 authority at the end of the contracts for no additional charge, the authority 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.

Non-current assets recognised on the balance sheet are revalued and depreciated in the same way as property, plant and equipment owned by the authority.

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 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).
- Lifecycle replacement costs – expensed in-year and debited to the relevant service in the Comprehensive Income and Expenditure Statement.

## XVIII. PROVISIONS AND CONTINGENT LIABILITIES

### PROVISIONS – (SEE NOTE 16)

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 can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council has an obligation, and are measured at the best estimate at the Balance Sheet date of the 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 – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that the reimbursement will be received if the Council settles the obligation.

### CONTINGENT LIABILITIES – (SEE NOTE 33)

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.

## XIX. RESERVES

The Council sets aside specific amounts as reserves for future policy purposes or to cover future contingencies. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

## XX. 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 in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

## XXI. SCHOOLS

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore, schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

## XXII. VALUE ADDED TAX

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

## XXIII. FAIR VALUE MEASUREMENT

The Council's accounting policy for fair value measurement of financial assets is set out in note x. The Council measures some of its non-financial assets such as surplus assets and some of its financial instruments such as equity shareholdings at fair value at the end of the reporting date. Fair value is the price that would be received to sell an asset 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, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which suitable data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council 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.

# 6. Glossary

# Glossary of Terms

## ACCOUNTING PERIOD

The period of time covered by the accounts, 12 months commencing on 1 April and ending on 31 March (the balance sheet date).

## ACCRUAL

The concept is that income and expenditure are recognised as they are earned or incurred and not as money is received or paid.

## ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses) or the actuarial assumptions have changed.

## AGENCY SERVICES

Services provided by the Council, as an agent on behalf of the responsible body, where that body reimburses the Council for the cost of the work carried out.

## ANNUAL GOVERNANCE STATEMENT (AGS)

The formal statement that recognises, records and publishes a local Authority's governance arrangements.

## ASSET

A resource controlled by the Authority as a result of past events and from which future economic or service potential is expected to flow to the Authority.

## AUDITOR'S OPINION

The opinion required by statute, from the Council's external auditors, indicating whether the statement of accounts give a true & fair view of the financial position of the Authority.

## BALANCE SHEET

A statement of recorded assets, liabilities and other balances at the end of the accounting period.

## BALANCES

The capital or revenue reserves of the Council made up of the accumulated surplus of income over expenditure on the General Fund or any other fund.

## BUDGET

A statement of the Council's spending plans for revenue and capital expenditure over a specified period of time.

## CAPITAL ADJUSTMENT ACCOUNT

Represents the amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or to make repayments relating to external loans or other types of capital finance.

## CAPITAL CHARGE

A charge to revenue accounts to reflect the cost of fixed assets used in the provision of services.

## CAPITAL EXPENDITURE

Spending on the acquisition and substantial renovation of assets either directly by the Council or indirectly in the form of grants to other persons or bodies. The Code of Practice on Local Authority Accounting in the UK defines “expenditure for capital purposes”. Expenditure which does not fall within the definition must be charged to a revenue account.

## CAPITAL FINANCING COSTS

The annual cost of borrowing (principal repayments and interest charges), leasing charges and other costs of funding capital expenditure.

## CAPITAL GRANTS UNAPPLIED

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with. This reserve holds the balance of grants unapplied at year-end.

## CAPITAL RECEIPTS

Income from the sale of capital assets. Such income may only be used for purposes authorised by regulations under Local Government Act 2003, for example to repay loan debt and to finance new capital expenditure.

## CAPITAL RECEIPTS - DEFERRED

These represent amounts derived from the sale of assets, which will be received in instalments over agreed periods of time.

## CARRYING AMOUNT

Is the amount at which an asset is recognised after deducting any accumulated depreciation and impairment losses.

## CIPFA

The Chartered Institute of Public Finance and Accountants is the accountancy body which recommends accounting practice for the preparation of local authority accounts.

## CIPFA PRUDENTIAL CODE

This Code was introduced from 1 April 2004. The basic principle of the Code is that local authorities will be free to invest so long as their capital spending plans are affordable, prudent and sustainable. The Code sets out indicators that the Authority must use and factors that they must take into account to demonstrate that they have fulfilled this objective.

## CODE OF PRACTICE

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) specifies the principles and practices of accounting required to give a ‘true and fair’ view of the financial position and transactions of a local Authority.
The Code sets out the proper accounting practices required by section 21(2) of the Local Government Act 2003. These proper practices apply to:

- Statements of Accounts prepared in accordance with the statutory framework established for England by the Accounts and Audit Regulations 2015 & 2020.
- The audit of those accounts undertaken in accordance with the statutory framework established by section 5 of the Audit Commission Act 1998 for England.

The Code prescribes the accounting treatment and disclosures for all normal transactions of a local Authority, and is based on the following hierarchy of standards:

- International Financial Reporting Standards (IFRSs) (including International Accounting Standards (IASs) and International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC) interpretations) as adopted by the European Union (i.e. EU-adopted IFRS).
- International Public Sector Accounting Standards (IPSASs).
- UK Generally Accepted Accounting Practice (GAAP) (Financial Reporting Standards (FRSs), Statements of Standard Accounting Practice (SSAPs) and Urgent Issues Task Force (UITF) Abstracts).

The Code has effect for financial years commencing on or after 1 April 2010.

## COLLECTION FUND

The Collection Fund shows the transactions of the Council in relation to the collection from taxpayers and distribution to precepting authorities, the Council and the Government of Council Tax and Non-Domestic Rates. The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities 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 and the Government of Council Tax and Non-Domestic Rates.

## 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. Examples of community assets are parks and historic buildings.

## CONSISTENCY

The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.

## CONSOLIDATED BALANCE SHEET

The combined fund balance sheets of the Council.

## CONTINGENCY SUM

A sum set aside to provide for foreseen but unquantifiable future commitments or for unforeseen expenditure which may become necessary during the year.

## CONTINGENT LIABILITY

A 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 Authority’s control, or

(b) A present obligation arising 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 GOVERNANCE

The authoritative rules and controls in place within the Council required to promote openness, inclusivity, integrity and accountability.

## COST OF MANAGEMENT AND ADMINISTRATION

An allocation to service accounts of the net cost of the administrative and professional departments which support all of the Council’s services.

## CREDITORS

Are financial liabilities arising from the contractual obligation to pay cash in the future for goods or services or other benefits that have been received or supplied and have been invoiced or formally agreed with the supplier.

## CURRENT ASSET

Is an asset that is intended to be sold within the normal operating cycle; the asset is held primarily for the purpose of trading or the Authority expects to realise the asset within 12 months after the reporting date.

## CURRENT LIABILITY

An amount which will become payable or could be called in within the next accounting period e.g. creditors or cash overdrawn.

## CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a defined benefit scheme’s liabilities expected to arise from employee service in the current period.

## DEBT REDEMPTION

The repayment of external loans previously raised to finance capital expenditure.

## DEBTOR

Are financial assets not traded in an active market with fixed or determinable payments that are contractual rights to receive cash or cash equivalents.

## DEFERRED CHARGES

Expenditure which does not result in, or remain matched with, tangible assets. An example of a deferred charge is expenditure on items such as improvement grants. Deferred charges are written off to the revenue account in the year of account.

## DEFERRED DEBTORS

Debts of a capital nature repayable over a period of time in excess of one accounting period e.g. mortgages.

## DEPRECIATION

The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, passage of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

## EXCEPTIONAL ITEMS

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give a fair presentation of the accounts.

## EXPECTED RATE OF RETURN ON PENSIONS ASSETS

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

## EXPENSES

Are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or increases of liabilities that result in decreases in reserves. Expenses include expenses that arise in the course of the ordinary activities and losses such as revaluation of fixed assets.

## FAIR VALUE

Is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms-length transaction.

## FINANCE LEASE

A finance lease is one that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. It should be presumed that such a transfer of risks and rewards occurs if at the inception of a lease the present value of the minimum lease payments including any initial payment amounts to substantially all (normally 90% or more) of the fair value of the leased asset.

## FINANCIAL YEAR

In the context of a local Authority this means the period from 1 April to the following 31 March inclusive.

## FIXED ASSETS

Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.

## FORMULA GRANT

General Government Grant towards the Councils net revenue budget; and which comprises entitlements of Revenue Support Grant and the Council's business rates retained.

## GENERAL FUND

The main revenue fund of the Council. Day-to-day spending on services is met from the fund.

## GOING CONCERN

The Authority's financial statements 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.

## GROSS EXPENDITURE

The cost of service provision before allowing for Government grants, council taxes and other income.

## HISTORICAL COST

Is deemed to be the carrying amount of an asset as at 1 April 2007 (i.e. b/f from 31 March 2007) or at the date of acquisition, whichever date is the later, and adjusted for subsequent depreciation or impairment (if applicable).

## IMPAIRMENT

This is where the useful working life of an asset is significantly reduced – for example, because of damage to a piece of equipment or changes in technology which mean that a service can be provided more efficiently in other ways.

## INCOME

Is the gross inflow of economic benefits or service potential during the reporting period when those inflows or enhancements of assets or decreases of liabilities result in an increase in reserves. Income includes both revenue arising in the course of ordinary activities and gains such as the revaluation of fixed assets.

## INFRASTRUCTURE ASSETS

Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

## INTANGIBLE ASSET

An intangible asset is an identifiable non-monetary asset without physical substance. It must be controlled by the Authority as a result of past events, and future economic or service benefits must be expected to flow from the intangible asset to the Authority. The most common class of intangible asset in local authorities is computer software.

## INTEREST COST (PENSIONS)

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

## INVESTMENT PROPERTY

An investment property is one that is used solely to earn rentals or for capital appreciation or both.

## LEASING

A method of utilising assets where a rental charge is paid for a specified period of time, instead of outright purchase.

## LIABILITIES

Are present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.

## LOANS OUTSTANDING

The total amounts borrowed from external lenders for capital and temporary revenue purposes but not repaid at the balance sheet date.

## MATERIALITY

The relevance of information contained in the financial statements is affected by its nature and materiality. Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor. Therefore, materiality provides a threshold or cut-off point rather than a primary qualitative characteristic which information must have if it is to be useful. An Authority need not comply with the Code, as to both disclosure and accounting principles, if the information is not material to the true and fair view of the financial statements and to the understanding of users.

## MINIMUM REVENUE PROVISION

The minimum amount that the Council must charge to the income and expenditure account to provide for the repayment of debt.

## NON-DOMESTIC RATES (NDR)

With effect from April 1990 all non-domestic properties were revalued and the Government determines a national non-domestic rating multiplier every year which is applicable to all local authorities. The rateable values are set by the Valuation Office Agency of HM Revenue & Customs, and there is a statutory revaluation every 5 years. The proceeds of the business rates are partly retained by the Council and the balance is redistributed to the Government and Greater London Authority.

## NET EXPENDITURE

Gross expenditure less specific Government grants and other income.

## NET BOOK VALUE

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost of current value, less the cumulative amounts provided for depreciation.

## NON-OPERATIONAL ASSETS

Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment property and assets that are surplus to requirements, pending sale or redevelopment.

## OPERATING LEASE

A lease under which the ownership of the asset remains with the lessor; for practical purposes it is equivalent to contract hiring.

## OPERATIONAL ASSETS

Fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

## PAST SERVICE COST

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

## PRECEPT

The levy made by precepting authorities (Greater London Authority) on the Council, requiring the Council to collect income from Council taxpayers on behalf of the precepting authorities and paying over the cash collected to them.

## PROVISION

An amount set aside in the accounts for liabilities which are certain to be incurred in the future but cannot be quantified accurately at the balance sheet date.

## PRUDENCE

Accounts should be prepared in accordance with the concept of prudence. Income should only be anticipated to the extent that it will be received, as cash or other assets, with reasonable certainty and full and proper allowance should be made for all known and foreseeable losses and liabilities.

## PRUDENTIAL FRAMEWORK

One of the principal features of the Local Government Act 2003 was to provide the primary legislative requirements to introduce a new prudential regime for the control of Local Authority capital expenditure. The regime relies upon both secondary legislation in the form of regulations, and a prudential code which has been published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Under the prudential framework local authorities are free to borrow without specific Government consent if they can afford to service the debt without extra Government support. The basic principle is that authorities will be free to invest as long as their capital spending plans are affordable, sustainable and prudent. As a control mechanism to ensure this occurs all authorities must follow the prudential code published by CIPFA. This involves setting various prudential limits and indicators that must be approved by the Council.

## PUBLIC WORKS LOAN BOARD (PWLB)

A body, now part of the Debt Management Office (a Government agency), which lends money to public bodies for capital purposes. At present nearly all borrowers are local authorities. Monies are drawn from the National Loans Fund and rates of interest are determined by the Treasury.

## RELATED PARTIES

Two or more parties are related parties when at any time during the financial period:

- One party has direct or indirect control of the other party; or
- The parties are subject to common control from the same source; or

- One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursing at all times its own separate interests; or
- The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

## RELATED PARTY TRANSACTIONS

A related party transaction is the transfer of assets or liabilities or the performance of services by, to, or for, a related party irrespective of whether a charge is made. The materiality of related party transactions should be judged not only in terms of their significance to the Authority, but also in relation to its related party.

## RENT ALLOWANCE

A subsidy payable by the Council to low-income tenants in private rented accommodation.

## RESERVE

The residual interest in the assets of the Authority after deducting all its liabilities. The Movement in Reserves Statement shows the true economic cost of providing the Authority's services, represented by the line 'Surplus or (deficit) on the provision of services. Some income and expenditure is required to be recognised on a different basis or in a different accounting period (i.e. in accordance with legislation) in the General Fund. These differences are shown in the line 'Adjustments between accounting basis and funding basis under regulations'. Voluntary transfers to or from the General Fund Balance also affect the amount to be funded from Council Tax; these are shown in the line 'Transfers to or from reserves available to fund services'. The Movement in Reserves Statement also shows Other Comprehensive Income and Expenditure, for example revaluation gains.

## RESIDUAL VALUE

Of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

## REVALUATION RESERVE

From April 2007, this replaced the former Fixed Asset Restatement Account. The Revaluation Reserve will, like the Fixed Asset Restatement Account, measure the gains or losses on assets where a revaluation has taken place.

## REVENUE ACCOUNT

An account that records an Authority's day-to-day expenditure and income on such items as salaries and wages and other running costs of services.

## REVENUE EXPENDITURE FINANCED FROM CAPITAL UNDER STATUTE (REFFCUS)

Expenditure to be classified as capital for funding purposes when it does not result in it being carried on the balance sheet as a fixed asset.

## REVENUE SUPPORT GRANT (RSG)

A grant paid by Central Government to every Local Authority to help to finance its expenditure generally and not specific services. It is based on the Government's assessment of how much the Council needs to spend in order to provide a standard level of service.

## STOCKS AND WORK IN PROGRESS

Items of stores and raw materials which have been procured for use on an on-going basis and which have not yet been used at the end of the accounting period.

## TEMPORARY LOANS

Loans where repayment is due to be made or repayment can be demanded, within one year from the date of advance.

## TREASURY MANAGEMENT

This relates to Borrowing and Cash activities (including Investment) of the Authority, and the effective management of any associated risks. Local authorities' treasury management activities are prescribed by statute – in England & Wales the source of such powers is the Local Government Act 2003, which simplified past complexities and gave further clarification. A local Authority may borrow or invest for any purpose relevant to its functions, under any enactment (law) for the purpose of the prudent management of its financial affairs. The Council also applies the CIPFA code of practice on treasury management in public services.

# 7. Annual Governance Statement

# Annual Governance Statement

## 1. Scope of Responsibility

**1.1** Ealing Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

**1.2** In discharging this overall responsibility, the council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

**1.3** The council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE Framework Delivering Good Governance in Local Government 2016 Edition. A copy of the code can be located on Ealing Council's Internet website at https://www.ealing.gov.uk/download/downloads/id/2550/corporate_code_of_governance.doc , or can be obtained from the Monitoring Officer.

**1.4** This statement explains how the council has complied with the code and also meets the requirements of regulation 6(2) Accounts and Audit Regulations 2015, in relation to the approval of the Annual Governance Statement. It also highlights how the council's financial management arrangements conform to the governance requirements of CIPFA's Statement on the Role of the Chief Finance officer in Local Government (2016).

## 2. The Purpose of the Governance Framework

**2.1** The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled for the direction and control of the authority and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

**2.2** The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of not fully achieving policies, aims and objectives and, therefore, provides a reasonable rather than absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

**2.3** Ealing Council has interests in a number of entities ranging from sole ownership to representation on Community Interest Companies. Group companies are assessed as part of the risk based internal audit planning process to ensure adequate assurance can be provided to the Council regarding the control environment these bodies operate in.

**2.4** Governance arrangements for Council Owned Companies are monitored by the Council Owned Companies Advisory Board, chaired by the Director of Legal and Democratic Services.

**2.5** The governance oversight arrangements have been in place at Ealing Council for the year ended 31 March 2020 and up to the date of approval of the statement of accounts.

**Creating and Implementing a Vision for the Local Area**

**2.6** Ealing Council has put in place arrangements regarding the key systems and processes that comprise its governance framework. The administration's three priorities form the basis of the Council's Plan 2018 – 22 and provides focus for improvement. The Council Plan specifies three priorities for Ealing:

- Good, genuinely affordable homes
- Opportunities and living incomes
- A healthy and great place

**2.7** All Cabinet and Committee reports are required to be referenced to one or more of these three priorities. The Council Plan and any amendments or updates to it are considered and approved by Full Council.

**2.8** The council has moved to an outcome led approach to strategic planning and budget setting better align resources with priorities and meet the challenges the Council faces. This work is being delivered through a programme called Future Ealing which was agreed by Cabinet in March 2017 with specific proposals incorporated into the programme through the annual budget setting process.

### Roles and Responsibilities of Members and Officers

**2.9** A Scheme of Delegation sets out the powers delegated to officers, at part 8 of the Constitution. The Financial Regulations and the Budget and Policy Framework Rules are also part of the Constitution, together with the Code of Corporate Governance and the Contract Procedure Rules. The Constitution is reviewed regularly, with all changes approved by the Council and published on the external website.

**2.10** The Code of Conduct for Councillors is contained within the Constitution. All councillors receive training on the requirements of the Code of Conduct and related issues. The council also has a Planning Code of Conduct and a Licensing Code of Conduct for members. Both of these codes are subject to ongoing revision and training is provided (and compulsory) for all members working in these areas.

**2.11** The Employee Code of Conduct is also contained within the Constitution and a copy of this is provided to all new employees when they start work for the council.

**2.12** The New Starters Induction Programme requires all new joiners, whether Council employees or agency staff, to undertake a corporate induction on their first day of work for the Council. This induction is led by an officer from the HR directorate and entails an introduction to the Council, and the completion of council policies including the employee code of conduct, data protection and health and safety in addition to a number of e-learn modules.

**2.13** The statutory Forward Plan is published monthly on the internet, and details all key decisions proposed to be made by the council during the relevant period. Any key decision which is not on the Forward Plan may not be taken within that period, unless the report author is able to demonstrate to the Monitoring Officer and relevant members that urgency procedure requirements are met. All urgent decisions taken are monitored by the Monitoring Officer and regular reports taken to Full Council.

**2.14** Cabinet and Full Council reports, and other committee reports which have significant financial or legal implications, must be 'signed off' by a finance and a legal services officer, as well as by the responsible service director, before they are accepted onto a meeting agenda. Where draft reports fail to address key requirements, they are either amended or rejected and removed from the agenda as part of the approval process. Both reports and minutes of all decisions taken are published on the internet, including the reason for the decision.

**2.15** Responsibilities of the council's decision making bodies are set out in Part 3 of the constitution.

**Standards of Conduct and Behaviour**

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

All members and chief officers are required to complete statements relating to third party transactions and a register of members' interests, which is updated by members, is maintained and published on the Council's website.

The Local Council Code of Conduct for Councillors (Constitution Part 5), which was most recently revised in April 2019, defines the standards of conduct expected of elected representatives including a requirement for members to declare any interests at the start of every meeting, which are recorded in a public register. That Code has recently been reviewed by the council's Standards Committee.

In addition, the following codes, protocols and systems are well established within the council. All are regularly reviewed and updated to account for developments in governance arrangements and changes in local government.

These include:

- A declaration of interest process for members and senior officers as described above;
- Rules and protocols are in place and are being further developed for all partnership working;
- Organisation-wide performance appraisal and employee development schemes are in operation;
- There is a corporate complaints procedure in place in line with Ombudsman good practice requirements;
- Whistle-blowing, anti-fraud and anti-corruption / bribery policies are in place and publicised in compliance with the national transparency agenda; senior officers' remuneration is published on the council website.

**Decision Making, Scrutiny and Risk Management**

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

The Leader and Cabinet are responsible both individually and collectively for all 'executive' decisions, as set out in Part 3 of the constitution – "Responsibility for Functions". Some executive decisions are delegated to council officers as outlined in Part 8 of the Constitution – "Delegations to Officers"

All forthcoming 'Key' decisions are publicised on the Cabinet's Forward plan, which is published every month on the Council's website.

Reports and minutes of formal meetings are also published on the council's website. This includes delegated decisions made by individual Cabinet Members, and key decisions by officers. Where decisions were made using urgency provisions, this is shown on the agenda front sheet, together with the reasons for urgency and the provision used. Where appropriate, urgent decisions are subsequently reported to the next meeting of either cabinet or full council.

**2.18** The council has an Audit Committee with clear terms of reference and an annual work programme for internal audit and risk management.

**2.19** The Council maintains an Internal Audit and Risk Management service that operates in accordance with the published internal audit standards expected of a local authority in the United Kingdom. The Head of Internal Audit and Investigation has direct access to the Chief Executive, the Chief Finance Officer (Section151 Officer) and the Chair of the Audit Committee.

**2.20** An embedded Risk Management Framework is in place, with each Directorate maintaining a risk register. The risk management framework was approved by the then Corporate Board (now Strategic Leadership Team) and the Audit Committee.

**2.21** Robust business continuity management arrangements exist within the council, with all critical services having business continuity plans in place. The Interim Resilience Standards have been used as the guide to measure council emergency planning and business continuity arrangements. We have been assessed via a peer challenge against these standards which established that the our arrangements have been implemented and are effective.

**2.22** The council has a four year Medium Term Financial Strategy, which is reviewed and updated annually as part of the budget setting process to support the achievement of the council's corporate priorities. The budget and policy framework outlines the process and timetable to be followed each year when setting the council's budget. The financial management framework includes bi-monthly budget monitoring reports to the Financial Strategy Group, departmental management teams, Strategic Leadership Team and regular reports to Cabinet.

**2.23** The budgeting process requires departments to submit budget proposals that are aligned to the council's objectives, and which are based on a required savings target. Throughout the year, Cabinet Members receive regular updates on the Finance Monitor which shows the financial position for each department and what is being done to address potential overspends. In addition, a budget monitoring which includes the delivery of agreed savings is also presented.

**Developing the Capacity & Capability of Members and Officers**

**2.24** Good governance means developing the capacity and capability of members and officers to be effective. The following describes how the council achieves this:

A full member training and development programme is in place and there is a comprehensive induction programme for all councillors within the first few weeks of their election to office. Training on the Council's Code of Conduct for Councillors is compulsory. The council has adopted specific codes of conduct for councillors involved in planning or licensing decision-making and these councillors receive additional training in these areas as a pre-condition of their participation.

All new directors and executive directors meet with the Director of Legal and Democratic Services for a one to one induction briefing on governance issues.

There is a corporate learning programme which consists of a variety of learning interventions and is delivered using a blend of approaches i.e. face to face workshops, e-learn modules and books. The programme typically includes corporate activities such as New Starter Induction (key information and policies for Health & Safety, Data Protection, Equality & Diversity, Appraisal and Recruitment), personal development (Resilience, Presentation, Apprenticeship Qualifications) and management development and their responsibilities. We are currently running a number of development interventions in relation to Values and Behaviours and New Ways of Working to ensure our staff have the right skills and capabilities to enable the achievement of the council's future vision.

**Engaging with Local people and Stakeholders**

**2.25** The council's strategic planning priorities are directly aligned with those of the Local Strategic Partnership (LSP), through the LSP Borough Plan 2018-22. The council is therefore better able to relate its own performance to the outcomes it seeks for the borough. This also facilitates greater alignment of priorities between the council and other key partners and service delivery agencies, such as NHS Ealing and the Police.

**2.26** The council includes a definition of a partnership within its Constitution. Work has been undertaken to identify and assess key partners and ensure that robust protocols are in place for partnership working. In conjunction with performance, legal, and procurement a list of significant partners has been agreed. Evidence has been gathered to support good governance arrangements for these significant contractors. Assurance is gained through the Joint Contract Board.

**2.27** Commitments to deliver against our responsibilities in relation to equality and diversity feature strongly in the council's Council Plan. Regard to equality, diversity and human rights duties is embedded in the budget setting and business planning process, and templates for each require that officers and members take into consideration in an appropriate manner the equality, diversity and human rights impacts of proposed decisions. The council's approach is to embed equality and diversity within all of its work so that equality considerations are part of day-to-day management. Strategic Leadership Team takes regular updates on progress and developments in relation to implementation of the Equality Act, and the Cabinet report process and pro-forma have been amended to ensure that service directors sign off on service related equality assessments before any dependent Cabinet decision. All salient points from equality assessments carried out on Cabinet reports are included in the body of the report. Proposals that impact on staffing/workforce are signed off by HR Business Partners and service directors.

## 3. Review of Effectiveness

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

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

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

**3.3** The review of effectiveness of the council's governance framework is informed by the work of the Executive Directors who have responsibility for the development and maintenance of the governance environment, the Head of

Audit and Investigations' Annual Report, and by comments made by the external auditors and other review agencies and inspectorates. The Annual Governance Statement Working Group (AGSWG) considers these sources of information and informs the creation of the Annual Governance Statement.

**3.4** The AGSWG consists of senior officers from multi-disciplines with responsibility for the preparation of the AGS and relevant supporting evidence. The AGSWG meets on a targeted engagement cycle during the year to ensure compliance with the corporate timetable. The AGSWG also undertook a review of the 2019/20 AGS, in particular the disposition of the significant governance issues identified. The key evidence to support the review of effectiveness is outlined below:

**3.5** **Planning** – The Strategy and Engagement Department monitors delivery of the Council Plan, working closely with directorates to oversee.

**3.6** **Performance Management** – The Strategy and Engagement Department works with all directorates to monitor performance against the agreed corporate performance indicator suite. Regular performance reports are taken to the Strategic Leadership Team and (quarterly) to Cabinet . In addition, a number of governance mechanisms are in place to support performance management across the council, including monitoring the delivery of the Budget Monitoring; and the Budget Steering Group.

**3.7** Council projects are run in line with an appropriate control framework that defines the control processes needed in consideration of risk profile and other factors. Within this framework, individual departments develop their own detailed processes that reflect their different needs, risk profile and working practices. The key governance control is that each project in the council reports into an appropriate project board or managerial group. The Project Management Office oversees core projects as agreed through the Future Ealing Framework.

**3.8** The council continues to implement an extensive efficiency/value for money programme to improve services and identify significant on-going savings in both the current and future years. This is achieved through financial management and budget proposal scrutiny, including on-going line-by-line analysis of individual budgets.

**3.9** A quarterly stock take report incorporating risk management, performance and key areas for assurance is reported to the Strategic Leadership Team. There is also a comprehensive revisit of the Strategic Risk Register undertaken annually ahead of the March reporting round.

**3.10** Members play a regular role in performance management, providing challenge to officers. Cabinet receives a report on performance each quarter. Cabinet portfolio holders have monthly meetings with Executive Director Team and review finance and performance indicators each month.

**3.11** **The Cabinet** – The council operates a Leader and Cabinet model of local government. Cabinet has nine members; each member has a specific area of responsibility known as a 'portfolio' and is accountable for the council's decisions. Cabinet carries out all the local authority's functions which are not the responsibility of any other part of the local authority.

**3.12** **Opposition** – The Opposition comprises members of the largest opposition party. The Opposition has access to all relevant documents and officer advice.

**3.13** **General Purposes Committee** – This committee takes an overview of regulatory functions such as development control, parliamentary proceedings, election, registration and inspection of homes and member training. It also exercises any other functions referred to it.

**3.14** **Licencing Panel and Licensing Committee** exercise the council's various licensing functions.

**3.15** **Overview and Scrutiny Committee** – There is a respected and active scrutiny function managed by the Overview and Scrutiny Committee (OSC) to discharge the functions conferred by section 21 of the Local Government Act 2000. In addition to the Health and Adult Social Services Standing Scrutiny, the council has four scrutiny panels that select new topics of focus every year in response to circumstances. Topics for 2019/2020 were: education, active citizenship, local effects of national issues, and leisure

**3.16** **The Standards Committee** – The Standards Committee has ten members, including an independent (non-voting) chair. In line with regulatory requirements, the committee is supported by two independent people. The committee carries out the council's statutory responsibility to promote and maintain high standards of conduct by councillors and co-opted members and deals with complaints. The committee also reviews and oversees member development, freedom of information work and the council's Whistle-blowing Policy. The committee submits an annual report on its work to Full Council. Twelve complaints were made concerning Councillors in 2019-20, none have been referred for full investigation. No councillors were found to have acted in breach of the council's Local Code of Conduct for Councillors. All have been reviewed by the Director of Legal and Democratic Services.

**3.17** **The Audit Committee** – The council has an Audit Committee that provides independent, effective assurance on the adequacy of the council's governance environment. All major political parties are represented on the committee, in addition there is an independent member.

**3.18** The Audit Committee met regularly during 2019/20, considering reports (including the Annual Internal Audit Report) from the Head of Audit & Investigation and the External Auditor. This also includes other key financial information for example Treasury Management.

**3.19** The remit of the Audit Committee is to:

- Provide independent assurance of the adequacy of the risk management framework and the associated control environment;
- Provide independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority exposure to risk and weakens the control environment; and
- Oversee the financial reporting process.

**3.20** The Audit Committee also reviews Internal Audit performance against targets and quality assurance results.

**3.21** Audit Board comprises of the Chief Finance Officer, Head of Audit with invites to PWC Management, The Audit and Risk Manager and Reactive Fraud Manager as required. The Audit Board meets quarterly and seeks to strengthen the assurance framework of the Council. Internal Audit and Investigation provides progress reports on internal control and counter fraud to the Audit Board. As and when required, officers are held to account by the Audit Board through the use of challenge sessions to focus on any areas of weakness or non-compliance.

**3.22** **Statutory Officers** – The Constitution sets out how the council operates, how decisions are made and the policies which are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by law, while others are a matter for the council to choose. The Constitution comprises eight parts which sets out the basic rules for governing the council's business, as well as detailed procedures and codes of practice.

**3.23** The Constitution is regularly reviewed by the Monitoring Officer and any significant change proposals are considered by the Constitutional Review Group (an informal group of senior councillors) and advertised on the web prior to adoption by full council on the presentation of a detailed report. The

Constitution sets out the responsibilities of both members and officers. In particular the council has identified the following six statutory posts.

- Head of Paid Service – Chief Executive
- Chief Financial Officer (Section 151) – Chief Finance Officer
- Monitoring Officer – Director of Legal and Democratic Services
- Director of Children's Services – Executive Director, Children, Adults and Public Health.
- Director of Adult Social Services –Director of Adult Services
- Director of Public Health – Director of Public Health

The council's chief executive, s.151 officer, and monitoring officer meetings are scheduled for every six weeks for a "statutory officers meeting" where issues of particular governance concern are raised, and approaches agreed

**3.24** **Management** – The Chief Executive, each Executive Director/Director has provided a self-assurance statement in respect of 2019/20, confirming that:

- They fully understand their roles and responsibilities;
- They are aware of the principal statutory obligations and key priorities of the Council which impact on their services;
- They have made an assessment of the significant risks to the successful discharge of the Council's key priorities; and
- They acknowledge the need to develop, maintain and operate effective control systems to manage risks.

**3.25** All staff, in particular managers, are responsible for ensuring that laws and regulations are complied with and that the authority's policies are implemented in practice. The Monitoring Officer and the Legal Services Team monitor compliance with, and awareness of, key laws and regulations. Executive Directors, Directors, Assistant Directors, and service heads are responsible for monitoring implementation of the council's policies.

**3.26** One of the key elements in obtaining the required internal controls assurance for the Annual Governance Statement is the completion of the Annual Assurance Statement by senior officers. The Statement noted that for the year ended 31 March 2020, senior officers were aware of their responsibilities and had complied with the council's policies and procedures.

**3.27** Executive Directors were asked to compile their statement after reviewing the statements from their direct reports. Direct reports were asked to compile their statement after taking assurance from their senior management teams.

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

**3.29** The Head of Audit & Investigations provided his annual report to the Audit Committee in May 2020. This report outlined the key findings of the audit work undertaken during 2019-20, including areas of significant weakness in the internal control environment.

**3.30** An assurance mechanism is used to reflect the effectiveness of the council's internal control environment. The table below details the four levels of assurance provided:

| Level | Definition |
|---|---|
| Substantial | There is a sound system of internal control designed to achieve the client's objectives. The control processes tested are being consistently applied. |
| Reasonable | While there is a basically sound system of internal control, there are weaknesses, which put some of the client's objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the client's objectives at risk. |
| Limited | Weaknesses in the system of internal controls are such as to put the client's objectives at risk. The level of non-compliance puts the client's objectives at risk. |
| None | Control processes are generally weak leaving the processes / systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes / systems open to error or abuse. |

**3.31** It is the opinion of the Head of Audit and Investigations that, taking into account all available evidence, there is reasonable assurance over the adequacy and effectiveness of the council's overall internal control environment during the financial year 2019-20.

**3.32** **External Audit** – Deloitte is currently the council's appointed external auditor. As well as an examination of the council's financial statements, the work of the council's external auditor includes an assessment of whether significant arrangements to secure economy, efficiency and effectiveness from the use of resources has come to their attention.

**3.33 Risk Management** – The council managed its risks during 2019-20 in accordance with the approved Risk Management Policy. The Strategic Leadership Team formally considers risks, with quarterly reports also being presented to the Audit Committee.

**3.34** The indicative Internal Audit Plan for 2019-20, presented to the Audit Committee in March 2019, is chiefly based upon the key risks faced by the council as identified in the corporate and directorate risk registers, such that Internal Audit will provide assurance on the effectiveness of the internal control framework during 2019-20.

**3.35 Developing Capacity** – The council has operated procedures during the period covered by this statement to ensure the training needs of staff are assessed against core competencies and any key training needs are met. Line managers are primarily responsible for identifying individual and service needs and sharing their requirements with the corporate learning team in order to ensure that commissioning arrangement are effective and cost efficient; this also includes exploring opportunities to resource needs through external funding arrangements i.e. Apprenticeship Levy. Additionally, the council has provided and makes available ongoing training opportunities to councillors to enable them to effectively fulfil their duties as councillors of the council.

**3.36 Engagement** – Regular consultation on formal decisions is also undertaken with residents to ensure that the authority makes decisions based on resident requirements and feedback regarding general provision and quality of service.

## 4. Update to matters raised in 2018/19.

| Issue | Actions (Set) | Update |
|---|---|---|
| **1. Financial Pressures**<br><br>An overall net financial pressure of c£1m for the Council due to external demand driven pressures in social care and the forced academisation of 2 schools that resulting in a large liability for LBE. The Council continues to be over reliant on the use of reserves to support its general revenue expenditure activity which severely hampers the level of financial resilience'. | Budget growth was built in to 2018/19 MTFS that will enable Adults services to deliver within budget. However, the service has struggled to do this although financial performance has improved markedly<br><br>The Council has been successful in generating new ways to mitigate the pressures down to a net nil position but was overly reliant on reserves and grant use to solve the challenge. Future funding pressures will mean that work continues in this area. | Financial measures put in place successfully managed the overall position to £440k. The financial risks have evolved, and an overall pressure remains and is set out for 2019/20. |
| **2. Health & Safety Programme**<br><br>Enhancing governance and oversight arrangements to monitor and ensure that all health and safety inspections are undertaken, and action programmes implemented. | 1) A new Health and Safety governance arrangement has been developed and is due to be implemented in April 2019.<br><br>2) A new system to log H&S assessments is to be procured.<br><br>3) Services will need to ensure that inspections are undertaken, recorded and any actions implemented. | The new governance framework is in place. Actions and measures have continued to monitor and progress during the year to reduce the overall risk position. Work continues to address within service areas and that is reflected in the 19/20 issues in the table at 5.1. |
| **3. Brexit**<br><br>The Council is monitoring potential issues from Brexit and planning contingency arrangements for different scenarios. With uncertainty remaining around timing and the eventual outcome, this will need to continue. | A Brexit working group has been established to monitor and respond to issues if they become live. This will continue until and then after agreement to monitor any pressures resulting on the Council.<br><br>A list of risks specific to Brexit has been developed.<br><br>Regular discussions at Strategic Leadership Team on the Brexit. A report also went to Cabinet in March 2019. | The Brexit working group continues to meet.<br><br>A further report went to Cabinet in October.<br><br>The risk remains and continues to be managed as set out in 19/20. |

## 5. Significant Governance Issues 2019/20

**5.1** Based on the Council's established risk management approach, the issue detailed below have been assessed as being significant for the purpose of the 2019/20 Annual Governance Statement. The Council propose over the coming year to take steps to address these matters to further enhance our governance arrangements and are satisfied that the actions will address the issues raised. Progress will be monitored throughout the year.

**Table 1**
**2019/20 Governance Issues**

| Issue | Actions | Officer Responsible | Timescale |
|---|---|---|---|
| **1. Financial Pressures**<br><br>An overall net financial pressure of £440k for the Council due to external demand driven pressures saw an improved overall position. Sat within that, however, are areas of significant pressures notably Children's services spend on Children with Disabilities (CWD). | An internal audit was undertaken of CWD to look at spending and commitments position. | Ross Brown | Ongoing |
| **2. Brexit**<br><br>The Council continues to monitor potential issues from Brexit and planning contingency arrangements for different scenarios. | The Brexit working group continues has been established to monitor and consider scenarios. This will continue until and then after agreement to monitor any pressures resulting on the Council.<br><br>Regular discussions at Strategic Leadership Team on the Brexit. | Kieran Reid | Ongoing |
| **3. Health and Safety**<br><br>Health and Safety Issues relating to a range of Council buildings. | The enhanced governance and oversight measures introduced during 18/19 have provided a valuable oversight of H&S monitoring across the Council's services, the Corporate Health and Safety Board is receiving regular information on progress to complete reviews and monitor remedial actions.<br><br>The Council is conducting reviews and drawing up actions plans for each of the service areas. | Director of Safer Communities and Housing, Director of Housing Development, Assistant Director Schools Property & Resources, Director of ICT (ICO) and Property Services and other directors with buildings responsibilities. | Ongoing – to be monitored by the Corporate Health and Safety Board. |

**Table 1**
**2019/20 Governance Issues**

| Issue | Actions | Officer Responsible | Timescale |
|---|---|---|---|
| | Internal Audit work has been undertaken in a number of the key services. | | |
| **Covid pressures are also included, which although not specific to 19/20 in any great quantum do represent material issues known after year end.**<br><br>4. **Covid 19 Financial –** the spend related to Covid 19 will has put significant pressures on the 20/21 financial position estimated at £30m. | Contingency and scenario planning for different scenarios and options.<br><br>Cost Control measures including:<br>- Introduction of a Council wide spend freeze.<br>- Stepping service provision to statutory basic delivery levels.<br>- Discreet standalone measures designed to release funds e.g. asset sales.<br><br>Lobbying Central Government on an individual and supporting London Council's Central to help ensure London and Ealing get a fair deal. | Ross Brown and Paul Najsarek | Ongoing |
| 5. **Covid 19 Impact on Community** – the ongoing need to manage the impact on the residents and customers during lockdown and into recovery phases. . | Initial daily gold meetings were held to manager the response phase and measures necessary to support the community.<br><br>Work was untaken in key areas including:<br>• PPE<br>• Food distribution<br>• Shielding support<br>• Test and trace<br><br>Moving towards recovery a detailed plan has been developed to support workforce, suppliers and the community, | Senior Leadership Team | Ongoing |

**Conclusion and Evaluation**

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

Our overall assessment is that this Annual Governance Statement is a balanced reflection of the governance environment and that an adequate framework exists within the London Borough of Ealing to ensure effective internal control is maintained.
We are also satisfied that there are appropriate plans in place to address the weaknesses and ensure continuous improvement in the system of internal control.

Signed…………………………………………………

Chief Executive – Ealing Council
Paul Najsarek

Signed……………………………………………

Leader of the Council
Cllr. Julian Bell