LONDON BOROUGH OF HARROW

Governance, Audit, Risk Management and Standards Committee Agenda

Date: **Tuesday 19 March 2024**

Time: **6.30 pm**

Venue: **The Auditorium - Harrow Council Hub, Kenmore Avenue, Harrow, HA3 8LU**

Membership (Quorum 3)

Chair:	**Councillor Kanti Rabadia**
Conservative Councillors:	**Philip Benjamin** **Kuha Kumaran** **Yogesh Teli**
Labour Councillors:	**Ghazanfar Ali** **Rashmi Kalu** **Antonio Weiss (VC)**
Conservative Reserve Members:	1. Govind Bharadia 2. Nitesh Hirani 3. Nicola Blackman 4. Paul Osborn
Labour Reserve Members:	1. Dan Anderson 2. Peymana Assad 3. Dean Gilligan

Contact: Arun Birah, Deputy Electoral Services Manager
Tel: 020 8424 1196 E-mail: arun.birah@harrow.gov.uk

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Useful Information

Joining the Meeting virtually

The meeting is open to the public and can be viewed online at London Borough of Harrow webcasts

Attending the Meeting in person

Directions by car:

Go along Kenmore Avenue and head towards the Kenton Recreation Ground. When approaching the end of the Kenmore Avenue turn right before reaching the Kadwa Patidar Centre.

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You will be admitted on a first-come-first basis and directed to seats.

Please:

(1) Stay seated.
(2) Access the meeting agenda online at Browse meetings - Governance, Audit, Risk Management and Standards Committee
(3) Put mobile devices on silent.
(4) Follow instructions of the Security Officers.
(5) Advise Security on your arrival if you are a registered speaker.

Filming / recording

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Agenda publication date: Monday 11 March 2024

Agenda - Part I

1. **Attendance by Reserve Members**
To note the attendance at this meeting of any duly appointed Reserve Members.

2. **Declarations of Interest**
To receive declarations of disclosable pecuniary or non pecuniary interests, arising from business to be transacted at this meeting, from all Members present.

3. **Minutes** (Pages 5 - 10)
That the minutes of the meeting held on 29 November 2023 be taken as read and signed as a correct record.

4. **Public Questions**
To note any public questions received.

Questions will be asked in the order in which they were received. There will be a time limit of 15 minutes for the asking and answering of public questions.

[The deadline for receipt of public questions is 3.00 pm, Thursday 14 March 2024. Questions should be sent to publicquestions@harrow.gov.uk

No person may submit more than one question].

5. **Petitions**
To receive petitions (if any) submitted by members of the public/Councillors.

6. **Deputations**
To receive deputations (if any).

7. **References from Council and other Committees/Panels**
To receive references from Council and any other Committees or Panels (if any).

8. **INFORMATION REPORT - Q3 Corporate Risk Register 2023/24** (Pages 11 - 42)
Report of the Interim Director of Finance & Assurance

9. **2022/23 Draft Statement of Accounts** (Pages 43 - 178)
Report of the Interim Director of Finance & Assurance

10. **INFORMATION REPORT - Internal Audit & Corporate Anti Fraud Team (CAFT) Progress Report for the period ending 29 February 2024** (Pages 179 - 192)
Report of the Interim Director of Finance & Assurance

11. **Corporate Anti - Fraud and Anti - Corruption Strategy 2022-26** (Pages 193 - 214)
Report of the Interim Director of Finance & Assurance

12. **Review of Treasury Management Strategy 2024/25** (Pages 215 - 276)
Report of the Interim Director of Finance & Assurance

13. **Application for a Dispensation** (Pages 277 - 280)
Report of the Interim Director of Legal and Governance

14. **Any Other Urgent Business**
Which cannot otherwise be dealt with.

Agenda - Part II - NIL

Data Protection Act Notice

The Council will record the meeting and will place the recording on the Council's website.

[**Note:** The questions and answers will not be reproduced in the minutes.]

LONDON BOROUGH OF HARROW

Governance, Audit, Risk Management and Standards Committee

Minutes

29 November 2023

Present:

Chair:	Councillor Kanti Rabadia	
Councillors:	Ghazanfar Ali Philip Benjamin	Rashmi Kalu Kuha Kumaran
Present virtually: (Councillors)	Yogesh Teli	Dr Antonio Weiss

96. Attendance by Reserve Members

RESOLVED: To note that there were no Reserve Members in attendance

97. Declarations of Interest

RESOLVED: To note that no declarations of interest were declared by Members

98. Minutes

RESOLVED: That the minutes of the meeting held on 20 September 2023, be taken as read and signed as a correct record.

99. Public Questions

RESOLVED: To note that no public questions were received.

100. Petitions

RESOLVED: To note that no petitions had been received.

101. Deputations

RESOLVED: To note that no deputations had been received.

102. References from Council and other Committees/Panels

RESOLVED: To note that no references were received.

103. 2021/22 Statement of Accounts

The Committee received a report which presented the audited Statement of Accounts for 2021-22.

The Interim Director of Finance and Assurance introduced the report and drew attention to the fact that this was the final Statement of Accounts for 2021-2022 explaining that this was the last time that the Committee would see these Accounts.

The Interim Director of Finance and Assurance then went on to provide Members with a summary of each of the appendices as well as pointing out the relevant page numbers for each of these. Attention was drawn to Appendix 3C on Page 271 and Appendix 4C on Page 313 which set out the draft audit opinion.

Members were then provided an update regarding the changes to the Accounts since this last went to the Committee in September 2023. It was confirmed that these changes were set out in paragraph 5 on Page 13, and this was in relation to community assets.

The External Auditor from Mazars was then invited to provide any additional comments. The Auditor explained that the work on the value for money had now been completed, however at the time of the report being published this was still outstanding.

RESOLVED: That

(1) the Audit Completion Updates of the External Auditor on matters arising from the audit of the Statement of Accounts 2021- 22 and the Pension Fund Annual Report 2021-22 were considered;

(2) the audited Statement of Accounts 2021-22 be approved and authorise the signing thereof by the Chair;

(3) the Pension Fund Annual Report 2021-22 be noted;

(4) the Director of Finance and Assurance, following consultation with the Chair be authorised, to make any final minor amendments to the

Statement of Accounts 2021-22 and Pension Fund Annual Report 2021-22 arising from the external audit prior to the signing by the auditor.

104. Annual Complaints Report and Update on Complaints against Members 2022/23

The Committee received a joint report from the Monitoring Officer and the Assistant Director for Digital, Data and the Customer Experience which provided an overview of complaints received throughout 2022-23 and complaints against Councillors for this period.

The Assistant Director for Digital, Data and the Customer Experience introduced the report explaining that during this period the Council handled nearly 6 million customer enquiries and had over 20 million interactions with residents.

Members were informed that last year the Council had received 2,313 complaints at stage 1, 128 at stage 2 where the resident was not happy with the response from stage 1, and it was highlighted that 81% of these were responded to within timescales. Members were then provided with an overview of where the complaints originated from:

70% from the Place directorate
20% from Resources and Finance directorate
10% from the People directorate

The Assistant Director for Digital, Data and the Customer Experience drew attention to the fact that there had been cross- Council working throughout the year to improve things for residents.

The Monitoring Officer then went onto provide the Committee with an update regarding complaints received against Councillors which were set out on pages 374 and 375. During this period, 4 complaints were received against elected Members and no evidence was found of a breach of the Members code of conduct in any of the cases.

Members were provided with a summary for the process when complaints were received against Councillors. In the first instance, the complaint would come into the Monitoring Officer who speaks to the Councillor about the complaint and then consults with the independent person to come to a view on the complaint.

In response to questions from Members it was clarified that:

- After stage 2 of the complaints process, if the resident was still unhappy, then they could contact the Local Government & Social Care Ombudsman and it was confirmed that at stage 2 complaint a letter was sent out to residents signposting them to this process.

- When a complaint is received against a Councillor, the Monitoring Officer would email the Councillor directly summarising the complaint to seek the Councillor's side of the story.

- Residents could visit the Council's website at harrow.gov.uk/complaints to understand how the complaints process worked.

RESOLVED: That the information in the report be noted.

105. Treasury Management Mid-Year Report 2023/24

The Committee received a report which provided an update of the Council's Treasury Management activities in 2023/24 in compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice.

The Interim Director of Finance and Assurance introduced the report explaining that the report looks at the treasury management activity as of 30 September 2023. Members were informed that it was a requirement for the treasury management report to go to the GARMS Committee and it was noted that 3 separate reports were received each year.

Members were then provided with an overview of the key facts and figures as presented in the Treasury Management Mid – Year report for 2023/24.

In response to questions from Members it was clarified that:

- The forecast outturn was a more realistic figure to look at than the revised budget.

- The term slippage referred to a situation whereby money would be spent the following financial year rather than the current one.

- If there was an underspend, this meant that the money was not going to be spent at all. It was clarified that the Council had very little underspend.

- The rise in the rate of return of investments was partially because of the rise in inflation, however, a higher bank of England base rate was the key reason for the increase in the rate of investments.

RESOLVED: That

(1) the Mid-Year Treasury Management position for 2023/24 be noted;

(2) the report be referred to Cabinet for noting.

106. Any Other Urgent Business

The Chair sought indication from the External Auditors regarding the Council's position regarding the 2022/23 Statement of Accounts as the 2021/2022 accounts had just been signed off.

The External Auditor clarified that this was not due to commence anytime before Christmas and explained that guidance was still being awaited from the Government regarding a potential backstop for the accounts to enable the sector to catch up.

It was clarified that the backstop applied, the Council would still be required to publish its draft accounts for 2022/23 and it was confirmed that these accounts would be reviewed at the next meeting in January 2024.

(Note: The meeting, having commenced at 6.30 pm, closed at 7.23 pm).

(Signed) Councillor Kanti Rabadia
Chair

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LONDON BOROUGH OF
HARROW

Report for:	**GOVERNANCE, AUDIT, RISK MANAGEMENT AND STANDARDS COMMITTEE**
Date of Meeting:	19 March 2024
Subject:	**INFORMATION REPORT – Corporate Risk Register 2023/24 Update Q3**
Responsible Officer:	Sharon Daniels, Interim Director of Finance & Assurance
Exempt:	No
Wards affected:	All
Enclosures:	Appendix 1 – Summary Report: Q3 Corporate Risk Register 2023/24 Appendix 2- Q3 Corporate Risk Register 2023/24

Section One – Summary and Recommendations

This report sets out the Council's Corporate Risk Register 2023/24 for Q3 of the financial year to assist the GARMS Committee in monitoring progress on risk management in accordance with their Terms of Reference.

Recommendations:
The Committee is requested to note the following INFORMATION REPORT – Corporate Risk Register 2023/24 Q3 Update

Section 2 – Report

Corporate Risk Register 2023/24 Q3

2.1 The Council's Corporate Risk Register 2023/24 Quarter 3 (Q3) is attached (Appendix 1). The risks and the risk ratings in the corporate risk register have been reviewed for Q3 with control and risk owners and other relevant managers.

2.3 During Quarter 3 an exercise was undertaken (in conjunction with and with the agreement of the relevant control and risk owners) to summarise and prioritise the high level of operational detail that was contained in risks in the risk register (and specifically in the Causes, Consequences and Controls sections of the risks). This was carried out to ensure information contained in the risk register remained strategic in its character and presentation and so appropriate to support decision-making at the strategic level.

2.4 There are currently 15 open risks and one closed risk in the Quarter 3 20223/24 risk register, making a total of 16 risks on the register. Three of the 15 open risks on the register **(20%)** are rated red, eleven of the risks **(73%)** are rated amber and one risk **(7%)** is rated green.

2.5 In terms of risk movement, no risks **(0%)** have increased in their rating during Q3, the rating of eight risks of the overall 16 risks **(50%)** has reduced in their significance in Q3 and eight risks (**50%)** have remained constant during the quarter.

2.6 In Q3 the most significant and headline risks in the corporate risk register are: -

RISK NO.	RISK	RISK RATING
1.	**The Adult Social Care budget is overspent**	B2
2.	**Failure to deliver the Council-led Regeneration Programme through the Harrow Strategic Development Partnership (HSDP)**	C2
3.	**Housing do not deliver on health and safety statutory duties and regulatory requirements**	C2

2.7 Risk 1 above - **The Adult Social Care budget is overspent** – is rated RED B2 (High Likelihood – Critical Impact) due to the increased demand from hospital and community settings now being experienced by the People Directorate and this also creates follow-on and knock on pressures for services

2.8 Risk 2 above - **Failure to deliver the Council-led Regeneration Programme through the Harrow Strategic Development Partnership (HSDP)** – is rated RED C2 (Medium Likelihood – Critical Impact) in Q3 and this risk is likely to remain at a C2 level until the business and Phase business plans are signed off.

2.9 In relation to Risk 3 above - **Housing do not deliver on health and safety statutory duties and regulatory requirements -** this risk is rated RED C2 (Medium Likelihood – Critical Impact) and is likely remain at this level including consideration of the further actions being taken in relation to the risk due to the significant number of electrical tests still required to be undertaken.

Quarter 3 New Risks

2.10 No new risks were identified in Quarter 3

Emerging Risks in Quarter 3

2.11 No emergent risks were identified in Quarter 3.

Closed Risks in Quarter 3

2.12 During Quarter 3 one risk was closed and this was - **There is an adverse impact on staff health and wellbeing.** The risk was closed as it is now very much business-as-usual (BAU) at the Council and the circumstances of this risk and its context are largely legacy issues from the pandemic which have now been managed.

Legal Implications

As covered in the main body of the report.

Financial Implications

There are no financial implications to this report.

Risk Management Implications

This report is for noting and for information only and the Committee are not being asked to make any decisions hence there are no direct risk management implications to this report.

Equalities implications / Public Sector Equality Duty

N/A

Council Priorities

This report is for information only. The risks included in the attached corporate risk register are those considered to pose a threat to meeting the Council's priorities. The risk management process is designed to identify, mitigate, monitor these risks to protect as far as is possible the risk materializing.

1. **A Council That Puts Residents First**

2. **A Borough That Is Clean and Safe**

3. **A Place Where Those In Need Are Supported**

Section 3 - Statutory Officer Clearance

As this is an information report Legal / Finance / Corporate Director clearances are not necessary.

Ward Councillors notified:	**NO, as it impacts all wards**

Section 4 - Contact Details and Background Papers

Contact: Tracy Barnett, Interim Head of Internal Audit and Corporate Anti-Fraud
Neale Burns, Interim Risk Manager

Background Papers: None

APPENDIX 1 – MANAGEMENT SUMMARY REPORT FOR THE 2023/24 CORPORATE RISK REGISTER AS AT Q3

No.	Risk	Q1 23/24	Q3 23/24	RM
1	The Adult Social Care budget is overspent	B2	B2	⇔
2	Failure to deliver the Council-led Regeneration Programme through the Harrow Strategic Development Partnership (HSDP)	C2	C2	⇔
3	Housing do not deliver on health and safety statutory duties and regulatory requirements	C2	C2	⇔
4	There is a significant breach of the Data Protection Act or a catastrophic IT Failure	C3	C3	⇔
5	Systemic issues of inequality and disproportionality experienced by staff with protected characteristics are not recognised and addressed by the Council [Staff Dimension]	B3	C3	⇩
6	Inability to deliver the Council's approved MTFS over the next 3 years	B2	C3	⇩
7	Failure to prevent and/or detect significant fraud at the Council	C3	C3	⇔
8	Failure to adequately deliver a statutory service/duty leading to a harmful event for an individual (s) for which the Council is responsible	C2	D2	⇩
9	The Council is not carbon neutral by 2030	C2	D2	⇩
10	Failure to stabilise and optimise the Dynamics Finance and Operations system (Finance and HR/Payroll)	C3	D2	⇩
11	Lack of Strategic Leadership Capacity	D2	D2	⇔
12	Failure to successfully defend against a significant legal challenge to the Council's formal decision making processes	D2	D2	⇔
13	Lack of robust Business Continuity and Emergency Planning	D2	D2	⇔
14	Failure to fulfil the Council's Health & Safety Duties	C3	D2	⇩
15	Industrial relations climate impacts delivery of services and transformation	C3	D3	⇩
16	There is an adverse impact on staff health and wellbeing **(Closed Risk)**	D3	N/A	⇩

LIKELIHOOD		4 Negligible Impact / Benefit	3 Moderate Impact / Moderate Benefit	2 Critical Impact / Major Benefit	1 Catastrophic Impact / Exceptional Benefit
	A Very High (>80%)				
	B High (51-80%)			1	
	C Medium (25-50%)		4,5,6,7	2,3	
	D Low (10-24%)		15	8,9,10,11 12,13,14	
	E Very Low (3-9%)				
	F Almost Impossible (0-2%)				

IMPACT
(on Council)

APPENDIX 1 – MANAGEMENT SUMMARY REPORT FOR THE 2023/24 CORPORATE RISK REGISTER AS AT Q3

	Risk	Q1 22/23	Q3 23/24	RM	Risk Owner/ Manager Responsible	Update & Date
1	**The Adult Social Care budget is overspent**	B2	B2	⇔	Corporate Leadership Team (CLT)	Risk remains at a RED B2 level because of the increased demand from hospital and community settings now being experienced and this also creates follow-on and knock on pressures for services. (28.11.23)
2	**Failure to deliver the Council-led Regeneration Programme through the Harrow Strategic Development Partnership (HSDP)**	C2	C2	⇔	Corporate Director of Place	The risk will remain at C2 level until the business and Phase business plans are signed off. (19.01.24)
3	**Housing do not deliver on health and safety statutory duties and regulatory requirements**	C2	C2	⇔	Corporate Director of Place	The risk is at a RED C2 rating in Q3 and will remain at this level including the further actions being taken due to the number of electrical tests still required to be undertaken an action plan is in place. (03.01.24)
4	**There is a significant breach of the Data Protection Act or a catastrophic IT Failure**	C3	C3	⇔	Managing Director	As at Q3 the risk rating is AMBER C3 due to the need for staff continuous learning and the need for constant and on-going vigilance. (24.11.23)
5	**Systemic issues of inequality and disproportionality experienced by staff with protected characteristics are not recognised and addressed by the Council [Staff Dimension]**	B3	C3	⇩	Managing Director	Current resource pressures in the team may delay delivery of some EDI related programmes (01.12.23)
6	**Inability to deliver the Council's approved MTFS over the next 3 years**	B2	C3	⇩	Acting Director of Finance and Assurance	FY 2023/24 we are in a relatively good position with a £1.4M overspend as at Q2 which has reduced from a £2.3M overspend at Q1. Balanced budget in place for 24/25 to be agreed by the December Cabinet. Budget gaps identified for 2025/26 (circa £12M and 26/27 circa. £7M. (24.11.23)
7	**Failure to prevent and/or detect significant fraud at the Council**	C3	C3	⇔	Manging Director & Corporate Directors	The Council will be in a more resilient position once the Anti-Fraud & Corruption Strategy is re-launched alongside corporate messaging and when the corporate risk filters down into directorates. (06.12.23)

APPENDIX 1 – MANAGEMENT SUMMARY REPORT FOR THE 2023/24 CORPORATE RISK REGISTER AS AT Q3

	Risk	Q1 22/23	Q3 23/24	RM	Risk Owner/ Manager Responsible	Update & Date
8	**Failure to adequately deliver a statutory service/duty leading to a harmful event for an individual (s) for which the Council is responsible**	C2	D2	⇩	CLT/ Interim Director of Social Services (DASS) / Director of Children Services	**Adults** Adult Services perspective is now more amber (AMBER D2) as there has been an increase in staff with likely better pay and conditions which will help retain staff. **Children** As at Q3 the risk is similarly now at an AMBER D2 level due to the implementation of Transformation resulting in greater stability at leadership level (05.01.24)
9	**The Council is not carbon neutral by 2030**	C2	D2	⇩	CLT/Corporate Director of Place	As at Q3 the risk is at an AMBER D2 level. The climate and nature strategy has been approved by Cabinet and we are now moving into the implementation phase which will require sustained support to from all service teams contributing to implementation. This will be necessary to ensure the risk does not move into RED. (08.01.24)
10	**Failure to stabilise and optimise the Dynamics Finance and Operations system (Finance and HR/Payroll)**	C3	D2	⇩	CLT/ Director of IT	The impact of a failed payroll implementation is high, but the detailed replacement plans in place reduces likelihood to Low. The impact will reduce further in December 2024, following implementation of the new payroll solution. (01.12.23)
11	**Lack of Strategic Leadership Capacity**	D2	D2	⇔	Corporate Leadership Team (CLT) Director of HR & OD (Human Resources & Organisational Development)	Appropriate planning and recruitment is being progressed. (04.12.23)
12	**Failure to successfully defend against a significant legal challenge to the Council's formal decision making processes**	D2	D2	⇔	Director of Legal Services & Monitoring Officer	The risk of a successful legal challenge to a significant decision of the Council is AMBER D2 as generally reports are given sufficient time for any risk areas to be picked up. (27.11.23)
13	**Lack of robust Business Continuity and Emergency Planning**	D2	D2	⇔	Corporate Leadership Team	As at Q3 the risk remains stable at an AMBER D2 level. (22.11.23)

APPENDIX 1 – MANAGEMENT SUMMARY REPORT FOR THE 2023/24 CORPORATE RISK REGISTER AS AT Q3

	Risk	Q1 22/23	Q3 23/24	RM	Risk Owner/ Manager Responsible	Update & Date
14	**Failure to fulfil the Council's Health & Safety Duties**	C3	D2	⇩	Director of HR & OD / Corporate Directors	As at Q3 we are continuing with our further actions reducing the likelihood element in this analysis but we are nevertheless constantly vigilant on the risk exposure. (20.11.23)
15	**Industrial relations climate impacts delivery of services and transformation**	C3	D3	⇩	Managing Director	The pay offer for 22/23 has been agreed and will be implemented in December 2023. (04.12.23)
16	**There is an adverse impact on staff health and wellbeing (Closed Risk)**	D3	N/A	⇩	Corporate Leadership Team	This risk is now closed in Q3 as it is now very much business-as usual (BAU) at the Council and the circumstances of this risk and its context are largely legacy issues from the pandemic which have now been managed. (04.12.23)

APPENDIX 1 – MANAGEMENT SUMMARY REPORT FOR THE 2023/24 CORPORATE RISK REGISTER AS AT Q3

QUARTER 3 RED RISKS

No.	Mandatory Objective/ Corporate Objective 23/24	Risk Description	Inherent Risk Rating	Key Measures in place to Manage Risk (Key Controls)	Residual Risk Rating		Further Action /Implementation Date	Risk Owner/ Manager Responsible	Update & Date
					Q1 23/24	Q3 23/24			
1.	Completion of Mandatory Training, Manage within the total agreed net budget A Council that Puts Residents First A Borough that is Clean and Safe A Place where those in Need are Supported	**Risk:** The Adult Social Care budget is overspent **Causes** • Demand from community pressures • Demand from increased hospital discharges • More children with critical needs moving into adulthood • Lack of government funding and rising prices in the social care market **Consequences** • Increased financial pressure • Increased waiting times • Adverse health impacts • Potential failure to disgorge statutory obligations	**A1**	• Resource Allocation Panel • Robust Financial monitoring system in place • Strengths-based approaches to individuals and increasing independence • Part of ADASS (Association of Directors of Adult Social Services). National body lobbying government for more funding. • Working closely with Integrated Care Board (ICB) to improve Better Care Funding (BCF) funding	**B2**	**B2**	• Targeted reviews **(FY 23/24)** • Developing a bedded care strategy **(FY 23/24/25)** • Task and Finish Group to tackle outstanding debt to adult social care **(FY23/24)** • Transformation of adult social care to become more lean and efficient **(Q4 23/24)**	Corporate Leadership Team (CLT)	Risk remains at a RED B2 level because of the increased demand from hospital and community settings now being experienced and this also creates follow-on and knock on pressures for services. (28.11.23)

APPENDIX 1 – MANAGEMENT SUMMARY REPORT FOR THE 2023/24 CORPORATE RISK REGISTER AS AT Q3

No.	Mandatory Objective/ Corporate Objective 23/24	New Risk Description	Inherent Risk Rating	Key Measures in place to Manage Risk (Key Controls)	Residual Risk Rating		Further Action /Implementation Date	Risk Owner/ Manager Responsible	Update & Date
					Q1 23/24	Q3 23/24			
2.	Completion of Mandatory Training, Manage within the total agreed net budget A Council that Puts Residents First A Borough that is Clean and Safe A Place where those in Need are Supported	**Risk: Failure to deliver the Council-led Regeneration Programme through the Harrow Strategic Development Partnership (HSDP)** **Causes** • Greater London Authority (GLA) funding is potentially withdrawn • Viability reduces • Cost claim • Development Management (DM) failure • Contract dispute **Consequences** • Failure to deliver housing • Reputational damage • Significant financial risk to the Council • Empty and landlocked sites	**A2**	• On-going meetings with GLA on funding • Pinsent-Masons review of abortive design work cost enquiry • HSDP Strategic Board in place • Contract review of DM function & associated activities • Up to date business plans and viability reviews	**C2**	**C2**	• On-going independent review of financial model **(On-going)** • Completion of overarching business & Phase business Plans **(Jan 24)** • Additional funding of approx. £3.78M proposed and available for the Programme going forward in FY 2024/25 **(Feb 2024**)	Corporate Director of Place	The risk will remain at C2 level until the business and Phase business plans are signed off. (19.01.24)

APPENDIX 1 – MANAGEMENT SUMMARY REPORT FOR THE 2023/24 CORPORATE RISK REGISTER AS AT Q3

No.	Mandatory Objective/ Corporate Objective 22/23	Risk Description	Inherent Risk Rating	Key Measures in place to Manage Risk (Key Controls)	Residual Risk Rating		Further Action /Implementation Date	Risk Owner/ Manager Responsible	Update & Date
					Q1 23/24	Q3 23/24			
3.	Manage within the total agreed net budget for their service, A Council that Puts Residents First A Borough that is Clean and Safe A Place where those in Need are Supported	**Risk: Housing do not deliver health and safety statutory duties and regulatory requirements** **Causes** • Health and Safety compliance across the six key areas (fire, gas, electrical, lifts, asbestos and legionella) not being to the required level of performance. • New legislative and regulatory requirements • Placement of families into unsuitable temporary or emergency accommodation. • Insufficient technical requirements/skills in the market • Insufficient budgets/funding • Supply chain issues/shortages **Consequences** • Failure to carry out our statutory responsibilities (building safety, all compliance responsibilities, safeguarding) • Increase in homelessness and related pressures • Intervention from the Regulator • Increase in repair claims and legal actions	**A2**	• Performance score card reflects six areas of H&S compliance & this is reported to DMT, PH and CLT • Monthly Homelessness rpts.to CLT • Recruitment of additional staff • Additional strategic work (e.g. stock condition, business plan) taken place to aid in prioritisation and decision-making • Strong progress made on water risk assessments compliance (92% compliance across 448 blocks) • New contractor in place delivering circa. 40 certificates a week • Fire Risk Assessor recruited • H&S Compliance part of the Corporate Improvement Plan (CIP) • Water Risk Assessments to be completed on remaining blocks • C365 (Housing Compliance System) training taken place • Monitoring visit with the Regulator • Cabinet approval of contracts for electrical safety and water risk assessments	**C2**	**C2**	• Building Safety Structure in place and recruitment underway **(Q2-3 23)** • On-going electrical safety checks and certificates are being completed **(April 25)**	Corporate Director of Place	The risk is at a RED C2 rating in Q3 and will remain at this level including the further actions being taken due to the significant number of electrical tests still required to be undertaken. (03.01.24)

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APPENDIX 2 - HARROW COUNCIL – CORPORATE RISK REGISTER 2023/24 UPDATE Q3

No.	Risk	Q1 23/24	Q3 23/24	RM
1	The Adult Social Care budget is overspent	B2	B2	⇔
2	Failure to deliver the Council-led Regeneration Programme through the Harrow Strategic Development Partnership (HSDP)	C2	C2	⇔
3	Housing do not deliver on health and safety statutory duties and regulatory requirements	C2	C2	⇔
4	There is a significant breach of the Data Protection Act or a catastrophic IT Failure	C3	C3	⇔
5	Systemic issues of inequality and disproportionality experienced by staff with protected characteristics are not recognised and addressed by the Council [Staff Dimension]	B3	C3	⇩
6	Inability to deliver the Council's approved MTFS over the next 3 years	B2	C3	⇩
7	Failure to prevent and/or detect significant fraud at the Council	C3	C3	⇔
8	Failure to adequately deliver a statutory service/duty leading to a harmful event for an individual (s) for which the Council is responsible	C2	D2	⇩
9	The Council is not carbon neutral by 2030	C2	D2	⇩
10	Failure to stabilise and optimise the Dynamics Finance and Operations system (Finance and HR/Payroll)	C3	D2	⇩
11	Lack of Strategic Leadership Capacity	D2	D2	⇔
12	Failure to successfully defend against a significant legal challenge to the Council's formal decision making processes	D2	D2	⇔
13	Lack of robust Business Continuity and Emergency Planning	D2	D2	⇔
14	Failure to fulfil the Council's Health & Safety Duties	C3	D2	⇩
15	Industrial relations climate impacts delivery of services and transformation	C3	D3	⇩
16	There is an adverse impact on staff health and wellbeing (Closed Risk)	D3	N/A	⇩

LIKELIHOOD				
A Very High (>80%)				
B High (51-80%)			1	
C Medium (25-50%)		4,5,6,7	2,3	
D Low (10-24%)		15	8,9,10,11 12,13,14	
E Very Low (3-9%)				
F Almost Impossible (0-2%)				
	4 Negligible Impact / Benefit	3 Moderate Impact / Moderate Benefit	2 Critical Impact / Major Benefit	1 Catastrophic Impact / Exceptional Benefit

IMPACT *(on Council)*

APPENDIX 2 - HARROW COUNCIL – CORPORATE RISK REGISTER 2023/24 UPDATE Q3

KEY TO LIKELIHOOD

A Very high - almost certainly will occur (>80%)

B High – more likely than not (51-80%)

C Medium – fairly likely to occur (25-50%)

D Low – could occur (10-24%)

E Very low – extremely unlikely (3-9%)

F Almost impossible (0-2%)

KEY TO IMPACT

1. Catastrophic – Multiple mandatory and corporate objective s would not be achieved/multiple services could not be delivered/S114 Order likely
2. Critical – Serious impact on achievement of mandatory and corporate objectives /serious disruption to services/significant detrimental impact on finances
3. Moderate - Some effect on achievement of mandatory and corporate objective s /some effect on services/some detrimental impact on finances
4. Negligible – Insignificant effect on mandatory and corporate objective s /insignificant effect on services/insignificant financial impact

KEY TO RISK MOVEMENT (RM)

⇧ Increased
⇩ Decreased
⇔ Remained the same

APPENDIX 2 - HARROW COUNCIL – CORPORATE RISK REGISTER 2023/24 UPDATE Q3

No.	Mandatory Objective/ Corporate Objective 23/24	Risk Description	Inherent Risk Rating	Key Measures in place to Manage Risk (Key Controls)	Residual Risk Rating		Further Action /Implementation Date	Risk Owner/ Manager Responsible	Update & Date
					Q1 23/24	**Q3 23/24**			
1.	Completion of Mandatory Training, Manage within the total agreed net budget A Council that Puts Residents First A Borough that is Clean and Safe A Place where those in Need are Supported	**Risk:** The Adult Social Care budget is overspent **Causes** • Demand from community pressures • Demand from increased hospital discharges • More children with critical needs moving into adulthood • Lack of government funding and rising prices in the social care market **Consequences** • Increased financial pressure • Increased waiting times • Adverse health impacts • Potential failure to disgorge statutory obligations	**A1**	• Resource Allocation Panel • Robust Financial monitoring system in place • Strengths-based approaches to individuals and increasing independence • Part of ADASS (Association of Directors of Adult Social Services). National body lobbying government for more funding. • Working closely with Integrated Care Board (ICB) to improve Better Care Funding (BCF) funding	**B2**	**B2**	• Targeted reviews **(FY 2023/24)** • Developing a bedded care strategy **(FY 2023/24/25)** • Task and Finish Group to tackle outstanding debt to adult social care **(FY2023/24)** • Transformation of adult social care to become more lean and efficient **(Q4 2023/24)**	Corporate Leadership Team (CLT)	Risk remains at a RED B2 level because of the increased demand from hospital and community settings now being experienced and this also creates follow-on and knock on pressures for services. (28.11.23)

APPENDIX 2 - HARROW COUNCIL – CORPORATE RISK REGISTER 2023/24 UPDATE Q3

No.	Mandatory Objective/ Corporate Objective 23/24	New Risk Description	Inherent Risk Rating	Key Measures in place to Manage Risk (Key Controls)	Residual Risk Rating Q1 23/24	Residual Risk Rating Q3 23/24	Further Action /Implementation Date	Risk Owner/ Manager Responsible	Update & Date
2.	Completion of Mandatory Training, Manage within the total agreed net budget A Council that Puts Residents First A Borough that is Clean and Safe A Place where those in Need are Supported	**Risk: Failure to deliver the Council-led Regeneration Programme through the Harrow Strategic Development Partnership (HSDP)** **Causes** • Greater London Authority (GLA) funding is potentially withdrawn • Viability reduces • Cost claim • Development Management (DM) failure • Contract dispute **Consequences** • Failure to deliver housing • Reputational damage • Significant financial risk to the Council • Empty and landlocked sites	**A2**	• On-going meetings with GLA on funding • Pinsent-Masons review of abortive design work cost enquiry • HSDP Strategic Board in place • Contract review of DM function & associated activities • Up to date business plans and viability reviews	**C2**	**C2**	• On-going independent review of financial model **(On-going)** • Completion of overarching business & Phase business Plans **(Jan 24)** • Additional funding of approx. £3.78M proposed and available for the Programme going forward in FY 2024/25 **(Feb 2024**)	Corporate Director of Place	The risk will remain at C2 level until the business and Phase business plans are signed off. (19.01.24)

APPENDIX 2 - HARROW COUNCIL – CORPORATE RISK REGISTER 2023/24 UPDATE Q3

No.	Mandatory Objective/ Corporate Objective 22/23	Risk Description	Inherent Risk Rating	Key Measures in place to Manage Risk (Key Controls)	Residual Risk Rating Q1 23/24	Residual Risk Rating Q3 23/24	Further Action /Implementation Date	Risk Owner/ Manager Responsible	Update & Date
3.	Manage within the total agreed net budget for their service, A Council that Puts Residents First A Borough that is Clean and Safe A Place where those in Need are Supported	**Risk: Housing do not deliver health and safety statutory duties and regulatory requirements** **Causes** • Health and Safety compliance across the six key areas (fire, gas, electrical, lifts, asbestos and legionella) not being to the required level of performance. • New legislative and regulatory requirements • Placement of families into unsuitable temporary or emergency accommodation. • Insufficient technical requirements/skills in the market • Insufficient budgets/funding • Supply chain issues/shortages **Consequences** • Failure to carry out our statutory responsibilities (building safety, all compliance responsibilities, safeguarding) • Increase in homelessness and related pressures • Intervention from the Regulator • Increase in repair claims and legal actions	A2	• Performance score card reflects six areas of H&S compliance & this is reported to DMT, PH and CLT • Monthly Homelessness rpts.to CLT • Recruitment of additional staff • Additional strategic work (e.g. stock condition, business plan) taken place to aid in prioritisation and decision-making • Strong progress made on water risk assessments compliance (92% compliance across 448 blocks) • New contractor in place delivering circa. 40 certificates a week • Fire Risk Assessor recruited • H&S Compliance part of the Corporate Improvement Plan (CIP) • Water Risk Assessments to be completed on remaining blocks • C365 (Housing Compliance System) training taken place • Monitoring visit with the Regulator • Cabinet approval of contracts for electrical safety and water risk assessments	C2	C2	• Building Safety Structure in place and recruitment underway **(Q2-3 2023)** • On-going electrical safety checks and certificates are being completed **(April 25)**	Corporate Director of Place	The risk is at a RED C2 rating in Q3 and will remain at this level including the further actions being taken due to the significant number of electrical tests still required to be undertaken. (03.01.24)

APPENDIX 2 - HARROW COUNCIL – CORPORATE RISK REGISTER 2023/24 UPDATE Q3

No.	Mandatory Objective/ Corporate Objective 23/24	Risk Description	Inherent Risk Rating	Key Measures in place to Manage Risk (Key Controls)	Residual Risk Rating		Further Action /Implementation Date	Risk Owner/ Manager Responsible	Update & Date
					Q1 23/24	Q3 23/24			
4.	Completion of Mandatory Training, Manage within the total agreed net budget A Council that Puts Residents First A Borough that is Clean and Safe A Place where those in Need are Supported	**Risk:** There is a significant breach of the Data Protection Act and a catastrophic IT Failure **Causes** • Cyber-attack, ransomware or malware attack • Inadequate contractual protections • Insufficient user IG awareness and training • Staff/suppliers fail to notify data breaches • Failure of a cloud service provider (e.g. Microsoft 365 (Azure) • Ineffective firewall/protection • Internal staff sabotage **Consequences** • Reputational damage • Loss of service delivery • ICO enforcement	**B1**	• Mandatory Staff Information Governance (IG) and security training (target 90% further to Regulator best practice) • Regular staff awareness campaigns • All data backed up and secured in a secure vault • Regular updates to systems and software • Regular Penetration (PEN) Tests to meet compliance	**C3**	**C3**	• On-going security improvement project **(FY 2023/24)** • Continuous learning and development on staff obligations regarding data and information security **(On-going)** • Simulated phising exercise campaign **(On-going)**	Managing Director	As at Q3 the risk rating is AMBER C3 due to the need for staff continuous learning and the need for constant and on-going vigilance. (24.11.23)

APPENDIX 2 - HARROW COUNCIL – CORPORATE RISK REGISTER 2023/24 UPDATE Q3

No.	Mandatory Objective/ Corporate Objective	Risk Description	Inherent Risk Rating	Key Measures in place to Manage Risk (Key Controls)	Residual Risk Rating		Further Action Planned & Underway & Implementation Date	Risk Owner/ Manager Responsible	Update & Date
					Q1 23/24	Q3 23/24			
5.	Completion of all Mandatory Staff Training, Managing Within Total Agreed Net Budget, 1. A Council that Puts Residents First 2. A Borough that is Clean and Safe 3. A Place where those in Need are Supported	**Risk:** Systemic issues of inequality and disproportionality experienced by staff with protected characteristics are not recognised and addressed by the Council [Staff Dimension] **Causes** • Lack of clear of direction and vision in this area from senior management • Historic weaknesses in data analysis in relation to diversity, leading to weak EQIAs and ineffective policy decisions that affect staff • Historic lack of alignment around policies procedures, capacity and communication **Consequences** • Continuing issues of inequality for staff, leading to increased staff dissatisfaction and potential conflict resulting in costly interventions. • Failure to attract diverse talent which is representative of the community that we serve.	**A3**	• Strategies in place including the Equalities, Diversity and Inclusion Strategic Framework, Race Equality Action Plan, and EDI has been integrated into the Workforce Strategy. • Annual production of the Workforce Profile to give a clear understanding of gaps and challenges across the organisation. • Staff networks established with direct line to Managing Director • Refreshed training and development, including EDI mandatory training, Dignity and Respect at Work, and EQIAs • Clear governance process via the EDI Board and Disability Confident Task Group	**B3**	**C3**	• Rolling out the new Dignity at Work policy and training for managers and staff **(In Progress expected to be complete Q3 FY 2023/24)** • Share Not Declare campaign to ensure information is acted upon **(January 24)** • Review of recruitment policy and procedure still outstanding **(TBC)** • All Staff Survey to take place **(Feb 24)** • Completion of the Annual Workforce Profile **(March 24)**	Managing Director	Current resource pressures in the team may delay delivery of some EDI related programmes. (01/12/23)

APPENDIX 2 - HARROW COUNCIL – CORPORATE RISK REGISTER 2023/24 UPDATE Q3

No.	Mandatory Objective/ Corporate Objective 23/24	Risk Description	Inherent Risk Rating	Key Measures in place to Manage Risk (Key Controls)	Residual Risk Rating Q1 23/24	Residual Risk Rating Q3 23/24	Further Action /Implementation Date	Risk Owner/ Manager Responsible	Update & Date
6.	Completion of Mandatory Training, Manage within the total agreed net budget A Council that Puts Residents First A Borough that is Clean and Safe A Place where those in Need are Supported	**Risk**: Inability to deliver the Council's approved MTFS over the next 3 years leading to an inability to set a balanced budget and provide core services **Causes** • Non-delivery of saving • Increase in demand pressures, e.g. Adult Services • Economic climate and linked inflationary pressures **Consequences** • Non-delivery of services or need to stop services • Need to draw down on limited reserves	**A2**	• Savings Tracker in place across the Council • Monthly budget monitoring reported to CLT • Quarterly budget monitoring reported to Cabinet • Budget Challenge sessions took place in August/Sept 2023 to review the MTFS savings and feed results into the budget process. • Annual budget contingency of £1.2 M in place • Close liaison with Finance Business Partners (FBPs)	**B2**	**C3**	• Use of MyForecast tool across all directorates **(FY2023/24)** • Annual review of savings and budget is refreshed annually through the budget-setting process **(March 24)**	Acting Director Finance and Assurance	FY 2023/24 we are in a relatively good position with a £1.4M overspend as at Q2 which has reduced from a £2.3M overspend at Q1. Balanced budget in place for 24/25 to be agreed by the December Cabinet. Budget gaps identified for 2025/26 (circa £12M and 26/27 circa. £7M. (24.11.23)

APPENDIX 2 - HARROW COUNCIL – CORPORATE RISK REGISTER 2023/24 UPDATE Q3

No.	Mandatory Objective/ Corporate Objective 23/24	Risk Description	Inherent Risk Rating	Key Measures in place to Manage Risk (Key Controls)	Residual Risk Rating		Further Action /Implementation Date	Risk Owner/ Manager Responsible	Update & Date
					Q1 23/24	Q3 23/24			
7.	Completion of Mandatory Training, Manage within the total agreed net budget A Council that Puts Residents First A Borough that is Clean and Safe A Place where those in Need are Supported	**Risk:** Failure to prevent and/or detect significant fraud resulting in financial loss and reputational damage to the Council and reduction of funds available for services **Causes** • Failure of Corporate Governance • Lack of management oversight • Breakdowns of the internal control systems **Consequences** • Financial Loss • Reputational damage • Adverse impact on service delivery due to avoidable drain on resources • Reduced/damaged staff morale	**B2**	• Robust policy framework • Counter Fraud Culture led from the top (e.g. Zero Tolerance, Whistleblowing arrangements) • Mandatory Fraud Awareness Training • Adequately resourced and skilled Internal Audit and Counter-Fraud Service • Governance, Audit, Risk Management & Standards (GARMS) Committee oversight	**C3**	**C3**	• Regular review of the Constitution and corporate policies (**Ongoing**) • Regular communication to all staff to raise awareness of Council's governance arrangements (e.g. Whisteblowing, Gifts & Hospitality, Declaration of Interest, Schemes of Delegation, Fin Reg's, Procurement Rules, etc) (**June 2024 then Annually**) • Support for Internal Audit and the Corporate Anti Fraud Team (**Ongoing**)	Manging Director & Corporate Directors	The Council will be in a more resilient position once the Anti-Fraud & Corruption Strategy is re-launched alongside corporate messaging and when the corporate risk filters down into directorates. (06.12.23)

APPENDIX 2 - HARROW COUNCIL – CORPORATE RISK REGISTER 2023/24 UPDATE Q3

No.	Mandatory Objective/ Corporate Objective 23/24	Risk Description	Inherent Risk Rating	Key Measures in place to Manage Risk (Key Controls)	Residual Risk Rating		Further Action /Implementation Date	Risk owner/ Manager Responsible	Update & Date
					Q1 23/24	Q3 23/24			
8.	Completion of Mandatory Training, Manage within the total agreed net budget A Council that Puts Residents First A Borough that is Clean and Safe A Place where those in Need are Supported	**Risk: Failure to adequately deliver a statutory service/duty** leading to a harmful event for an individual(s) for which the Council is responsible **Causes** • Workforce shortages • Shortage of resources in the community and of providers for specialist care • National shortage of safeguarding social workers • Workforce instability • Ineffective permanence management **Consequences** • Over-reliance on costly interim and agency staff • High turnover of staff • Inspection risk • Reputational damage	**A2**	• Quarterly Safeguarding DASS Briefing to Leader, PH and CE • Local Safeguarding Adults Board • Strategic Safeguarding Partnership • QA in place including internal and external processes • Weekly performance meetings • Consistent approach to performance management • International recruitment of permanent social workers • Effective leadership in place • Strengthening quality assurance	**C2**	**D2**	• Reviewing adults safeguarding board and team **(FY 2023/24)** • Increasing Adult Services pay to be more in line with Children's Services **(FY 2024/25)** • Increasing attractiveness of working in adult services via neighbourhood hubs **(FY 2023/24/25)** • Managing rising safeguarding demand **(Q2/Q3)** • Monitoring pressures from Afghani and Ukraine schemes **(Q2/Q3)** • Recruitment and retention programme in Adults and Children's **(FY 2023/24)** • Working with Partners on multi-agency demand **(FY 2023/24 Q2-3)** • Children's Transformation on track to go live **(Dec 23)** . Note: Risk to be reviewed in Q4 to distinguish the Adults and Children's dimensions of the risk so as to increase clarity of accountability and also distinguish the numbers and types of duty and also demand and capacity considerations.	CLT/ Interim Director of Social Services (DASS) / Director of Children Services	**<u>Adults</u>** Adult Services perspective is now more amber (AMBER D2) as there has been an increase in staff with likely better pay and conditions which will help retain staff **<u>Children</u>** As at Q3 the risk is similarly now at an AMBER D2 level due to the implementation of Transformation resulting in greater stability at leadership level (05.01.24)

APPENDIX 2 - HARROW COUNCIL – CORPORATE RISK REGISTER 2023/24 UPDATE Q3

No.	Mandatory Objective/ Corporate Objective 23/24	New Risk Description	Inherent Risk Rating	Key Measures in place to Manage Risk (Key Controls)	Residual Risk Rating		Further Action /Implementation Date	Risk owner/ Manager Responsible	Update & Date
					Q1 23/24	Q3 23/24			
9.	Completion of Mandatory Training, Manage within the total agreed net budget A Council that Puts Residents First A Borough that is Clean and Safe A Place where those in Need are Supported	**Risk: The Council is not carbon neutral by 2030** cand steps have not been taken to influence the wider Borough to move to carbon neutrality by the same date **Causes** • Continuing the current business as usual approach to emissions, including those from heat and electricity, fossil fuel vehicles, new development (embodied carbon and operational energy), purchase of good and services (consumption emissions) • Low level awareness and failure to take comprehensive action **Consequences** • Increased extreme weather events including flooding, heatwaves and drought • Increased adverse impact on people, well-being and property • Risks to global natural capital essential for the functioning of society, including ecosystems, soils and biodiversity • Migration pressures, economic contraction and instability • Increase in fuel and other types of poverty for residents	**A2**	• Declaration of climate emergency and establishing 2030 target • Annually reviewed Council Climate and Nature Strategy (2023-30) in place • Climate and Sustainability Board established • Organisational Carbon Baseline established • Low Carbon Procurement Policy agreed	**C2**	**D2**	• Climate Action Tracker to be developed with input from all service teams **(On-going - FY 2024-25)** • Introduce climate and nature assessment as part of cabinet decisions **(FY 2024-25)** • Develop core competency training for all staff and members **(FY 2024-25)** • Develop a financial and implementation strategy for decarbonisation of our school and corporate estate, and operational fleet **(FY 2024-25)**	CLT/Corporate Director of Place	As at Q3 the risk is at an AMBER D2 level. The climate and nature strategy has been approved by Cabinet and we are now moving into the implementation phase which will require sustained support to from all service teams contributing to implementation. This will be necessary to ensure the risk does not move into RED. (08.01.24)

APPENDIX 2 - HARROW COUNCIL – CORPORATE RISK REGISTER 2023/24 UPDATE Q3

No.	Mandatory Objective/ Corporate Objective 23/24	New Risk Description	Inherent Risk Rating	Key Measures in place to Manage Risk (Key Controls)	Residual Risk Rating		Further Action /Implementation Date	Risk Owner/ Manager Responsible	Update & Date
					Q1 23/24	Q3 23/24			
10.	Completion of Mandatory Training, Manage within the total agreed net budget A Council that Puts Residents First A Borough that is Clean and Safe A Place where those in Need are Supported	**Risk:** Failure of the Dynamics F&O system (Finance and HR/Payroll) **Causes** • Requirement to replace Loki payroll system by 31.12.24 • Dissatisfaction with existing HR functionality • On-going problems with management reporting and workflow **Consequences** • Inability to make financial transactions incl. Receiving income and paying suppliers and staff • Failure to meet essential compliance standards	**B2**	• New IT support contract HCL technologies • Payroll replacement programme established	**C3**	**D2**	• Complete restructure of the Dynamics Team **(Jan 24)** • Complete procurement of new payroll system **(Feb 24)** • Complete implementation of new payroll system **(Dec 24)**	CLT/ Director of IT	The impact of a failed payroll implementation is high, but the detailed replacement plans in place reduces likelihood to Low. The impact will reduce further in . Dec 2024, following implementation of the new payroll solution. (01.12.23)

APPENDIX 2 - HARROW COUNCIL – CORPORATE RISK REGISTER 2023/24 UPDATE Q3

No.	Mandatory Objective/ Corporate Objective 23/24	Risk Description	Inherent Risk Rating	Key Measures in place to Manage Risk (Key Controls)	Residual Risk Rating Q1 23/24	Residual Risk Rating Q3 23/24	Further Action /Implementation Date	Risk Owner/ Manager Responsible	Update & Date
11.	Completion of Mandatory Training, Manage within the total agreed net budget A Council that Puts Residents First A Borough that is Clean and Safe A Place where those in Need are Supported	**Risk: Lack of Strategic Leadership Capacity** **Causes** • Unplanned changes in the senior management Team • Resignation or absence **Consequences** • Lack of capability • Challenging recruitment timescales	**B2**	• Recruitment • Internal cover arrangements	**D2**	**D2**	• Reviewing succession planning as part of the workforce strategy **(2023-26)**	Corporate Leadership Team (CLT) Director of HR & OD (Human Resources & Organisational Development)	Appropriate planning and recruitment is being progressed. (04.12.23)

APPENDIX 2 - HARROW COUNCIL – CORPORATE RISK REGISTER 2023/24 UPDATE Q3

No.	Mandatory Objective/ Corporate Objective 23/24	Risk Description	Inherent Risk Rating	Key Measures in place to Manage Risk (Key Controls)	Residual Risk Rating		Further Action /Implementation Date	Risk Owner/ Manager Responsible	Update & Date
					Q1 23/24	Q3 23/24			
12.	Completion of Mandatory Training, Manage within the total agreed net budget A Council that Puts Residents First A Borough that is Clean and Safe A Place where those in Need are Supported	**Risk:** Failure to successfully defend against a significant legal challenge to the Council's formal decision making processes **Causes** • Failure to involve legal at an early stage in the activity/process • Lack of awareness and understanding • Inadequate processes and procedures **Consequences** • Council fails to achieve its Priorities • Costly decisions against the Council • Council fails to achieve its objectives • Judicial Review	**B2**	• Legal input into all major projects and significant decision-making • Offer to contribute to review of equality impact assessments on all protected characteristics • Professional staff. • Professional staff with effective supervision • File reviews. • Training and development and CPD. • Legal clearance of Member reports. • Legal input to major project groups. • Management Development Programme • Members Induction Programme	**D2**	**D2**	• On-going clearance of reports as they arise during the year **(FY 2023/24)**	Director of Legal Services & Monitoring Officer	The risk of a successful legal challenge to a significant decision of the Council is AMBER D2 as generally reports are given sufficient time for any risk areas to be picked up. (27.11.23)

APPENDIX 2 - HARROW COUNCIL – CORPORATE RISK REGISTER 2023/24 UPDATE Q3

No.	Mandatory Objective/ Corporate Objective 23/24	Risk Description	Inherent Risk Rating	Key Measures in place to Manage Risk (Key Controls)	Residual Risk Rating Q1 23/24	Residual Risk Rating Q3 23/24	Further Action /Implementation Date	Risk Owner/ Manager Responsible	Update & Date
13.	Completion of Mandatory Training, Manage within the total agreed net budget A Council that Puts Residents First A Borough that is Clean and Safe A Place where those in Need are Supported	**Risk: Lack of robust Business Continuity and Emergency Planning arrangements** leads to an inadequate response and recovery to an emergency or business system failure resulting in detrimental impact on the community, vulnerable clients, damage to reputation and additional costs to the Council **Causes** • Lack of up-to-directorate plans • Lack of up-to-date training with key service leads and directors • Lack of engagement between key service leads **Consequences** • Inability to respond to a major incident in the borough • Inadequate response to a regional or national catastrophic incident	**B2**	• Quarterly preparedness reviews with multi-agency partners (Borough Resilience Forum) • Regular reviews of directorate plans • Regular testing of plans with West London Resilience Programme Board • Scheduled programme of training at Bronze, Silver and Gold levels	**D2**	**D2**	• Joint exercise with London Borough of Brent **(Jan 24)** • Pan-London Exercise **(Mar 24)**	Corporate Leadership Team	As at Q3 the risk remains stable at an AMBER D2 level. (22.11.23)

APPENDIX 2 - HARROW COUNCIL – CORPORATE RISK REGISTER 2023/24 UPDATE Q3

No.	Mandatory Objective/ Corporate Objective 23/24	Risk Description	Inherent Risk Rating	Key Measures in place to Manage Risk (Key Controls)	Residual Risk Rating Q1 23/24	Residual Risk Rating Q3 23/24	Further Action /Implementation Date	Risk owner/ Manager Responsible	Update & Date
14.	Completion of Mandatory Training, Manage within the total agreed net budget A Council that Puts Residents First A Borough that is Clean and Safe A Place where those in Need are Supported	**Risk: Failure to fulfil the Council's Health & Safety duties** leading to a harmful event for an individual(s) for which the Council is responsible leading to litigation **Causes** • Lack of suitable and sufficient risk assessments • Lack of oversight of accident & incident data • Lack of managerial responsibility • Lack of H&S training across the organisation **Consequences** • Lack of regard for health and safety across the organisation • Increased potential for harm to persons and property • Increased potential for litigation • Adverse detrimental impact on colleagues' morale	**A2**	• Corporate Health and Safety Board • Safety Circles meetings • Enhanced engagement on H&S across all areas of the Council • Focus on accountability • Challenge to managers on H&S topics and culture	**C3**	**D2**	• Relaunch/retrain of risk assessment system **(Q4)** • Focus on managers' self-audit processes **(Q1 2024/25)** • Continuation of policy and procedures reviews and re-engagement **(FY 2023/24/25**) • Continuing and active support to managers on the positive dimensions on H&S within the workplace **(FY 2023/24/25)**	Director of HR & OD / Corporate Directors	As at Q3 we are continuing with our further actions reducing the likelihood element in this analysis but we are nevertheless constantly vigilant on the risk exposure. (20.11.23)

APPENDIX 2 - HARROW COUNCIL – CORPORATE RISK REGISTER 2023/24 UPDATE Q3

No.	Mandatory Objective/ Corporate Objective	Risk Description	Inherent Risk Rating	Key Measures in place to Manage Risk (Key Controls)	Residual Risk Rating		Further Action /Implementation Date	Risk owner/ Manager Responsible	Update & Date
					Q1 23/24	Q3 23/24			
15.	Completion of all Mandatory Staff Training, Managing Within Total Agreed Net Budget, A Council that Puts Residents First A Borough that is Clean and Safe A Place where those in Need are Supported	**Risk:** Industrial relations climate impacts delivery of services and transformation **Causes:** • National Pay review • Service changes • Restructuring • Budget cuts • Staff reductions • Unison & GMB Relationships **Consequences:** • Reputational damage • Disruption to delivery of services and projects	B2	• Directorate Joint Committees, CJCs and ECF meetings regularly happening • Regular briefings to Leader and PH on IR • Open channels of communication with TUs to raise things outside of formal processes to seek resolution on specific issues • Agreement and roll-out of 22/23 pay award • Additional capacity in HR • Organisational Design Authority in place to bring structure and consistency to directorate changes	**C3**	**D2**	• Continuation of open dialogue with TUs to ensure there are positive and constructive industrial relations **(On-going)**	Managing Director	The pay offer for 2022/23 has been agreed and will be implemented in December 2023. (04.12.23)

APPENDIX 2 - HARROW COUNCIL – CORPORATE RISK REGISTER 2023/24 UPDATE Q3

No.	Mandatory Objective/ Corporate Objective	Risk Description	Inherent Risk Rating	Key Measures in place to Manage Risk (Key Controls)	Residual Risk Rating Q1 23/24	Residual Risk Rating Q3 23/24	Further Action & Implementation Date	Risk Owner/ Manager Responsible	Update & Date
16.	Completion of all Mandatory Staff Training, Managing Within Total Agreed Net Budget, A Council that Puts Residents First A Borough that is Clean and Safe A Place where those in Need are Supported	**Risk: There is an adverse impact on staff health and wellbeing** **(Closed Risk)** **Causes** • Living with long COVID 19 • Adjusting to hybrid working • Legacy of long-term working from home • Adverse workload and work life balance • Meetings overload and lack of daily organisational work skills • Impact of cost of living on staff wages and salaries **Consequences** • Potential staff deaths • Rise in staff sickness levels incl: levels of long-term sickness • Additional staffing factor costs • Budget overspend pressures • Staff productivity and efficiency weakens /declines • Reduced levels of service delivery/customer/client focus • Organisational performance targets not met	**B3**	• Living with Covid Strategy (Regular Hands, Face, Space messaging) • Move to new Forward Drive offices • New technology (devices and telephony) • Employee Assistance Programme • On-Line employee Helpline • Risk Assessment Framework for vulnerable staff • Regular well-being and work from home webinars • Big conversations and surveys • Regular/consistent CE All Staff Briefings & Comms • My Harrow Staff News bulletins • Free flu jabs for staff • Increased the level of staff social interaction through virtual and hybrid platforms • Active Well-Being strategy and Programme for staff in place • Collaborative Space project implemented at Forward Drive • Staff well-being page on the Hub • Continue to monitor staff absence on a monthly and quarterly basis • Pulse Staff Survey completed • Active Well-Being strategy and Programme implemented	**C3**	**N/A**	• Comms campaign on staff returning to work & as part of this all staff will undertake risks assessments to ensure mental and physical wellbeing issues are responded to **(Q1-2 FY 2023/24)**	Corporate Leadership Team	This risk is now closed in Q3 as it is now very much business-as usual (BAU) at the Council and the circumstances of this risk and its context are largely legacy issues from the pandemic which have now been managed. (04.12.23)

APPENDIX 2 - HARROW COUNCIL – CORPORATE RISK REGISTER 2023/24 UPDATE Q3

MANDATORY & CORPORATE OBJECTIVES

Mandatory Objectives 2023/24

- **ALL staff**: Completion of all mandatory training
- **Budget managers**: Manage within the total agreed net budget for their service, taking corrective action to address over & under spends. Reporting anticipated overspends to the relevant director and corporate director as soon as they are identified and seeking authority prior to any overspend taking place

Corporate Objectives 2023/24

- A Council that Puts Residents First
- A Borough that is Clean and Safe
- A Place where those in Need are Supported

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LONDON BOROUGH OF HARROW

Report for:	**GOVERNANCE, AUDIT, RISK MANAGEMENT AND STANDARDS COMMITTEE**
Date of Meeting:	19 March 2024
Subject:	**INFORMATION REPORT** Draft Statement of Accounts 2022/23
Responsible Officer:	Sharon Daniels, Interim Director of Finance and Assurance
Exempt:	No
Wards affected:	All
Enclosures:	Appendix 1: 2022/23 Statement of Accounts Appendix 2: LBH Council Audit Strategy Memorandum 2022-23 (TO FOLLOW) Appendix 3: LBH Pension Fund Audit Strategy Memorandum 2022-23 (TO FOLLOW)

Section 1 – Summary and Recommendations

This report sets out the draft Statement of Accounts 2022/23.

Recommendations:

The Committee is requested to note the attached 2022/23 Statement of Accounts for the Council.

Section 2 – Report

Background

1. The Accounts and Audit Regulations 2015 (amended 2022), require Local Authorities to prepare Statement of Accounts in accordance with proper practices. As per Regulations, the draft Statement of Accounts should have been prepared by 31st May 2023 with the audited version published by 30 September 2023.
2. Due to the protracted nature of the 2021/22 audit and subsequent audit adjustments, the completion of the 2022/23 draft accounts was delayed. Also, the Council did not receive the valuations of our non-current assets until October 2023. Work on the accounts could only be finalised after these were put through in the ledger. This further contributed to the delay.
3. The reporting of the Statement of Accounts is a major part of the strategic principle of providing proper management and stewardship of all the Council's resources. The Accounts have been prepared in accordance with proper accounting practices and relevant statutory requirements as set out in the following:-

   a. The Code of Practice on Local Authority Accounting in the United Kingdom 2022/23;

   b. All relevant International Financial Reporting Standards (IFRS)

Current Situation

4. The Council's 2022/23 accounts are now closed subject to any audit adjustments.

5. Mazars LLP have commenced their audit with an agreed plan to carry it out in two parts, Feb- March 2024 and then again from July 2024, with an intention to finalise by end of September 2024.
6. The Pension Fund Committee considered the draft Pension fund Annual Report 2023 on 19 September 2023.
7. The Public Inspection of the accounts period concluded on 6 March 2024.

Accounts Summary (Appendix 1)

8. The Narrative Report includes the revenue and capital outturn performance of the Council for 2022-23 and provides information on the Council's finances for the year specified. The Council reported a deficit of £5.6m which has been funded from reserves.
9. The Expenditure and Funding Analysis compares the outturn shown in the Narration Report with true economic cost of providing services valued in accordance with proper accounting practices as shown in the Comprehensive Income and Expenditure Statement. The differences between the outturn and CIES are mainly capital items and IAS19 pension costs.
10. The Comprehensive Income and Expenditure Account (CIES) shows the economic cost of providing Council services. The CIES considers technical adjustments such as revaluation of non-current assets and IAS 19 adjustments before arriving at the Surplus or Deficit on the provision of services. The 2022-23 CIES has reported a surplus on the provision of services of £11.7m. However, under the statutory regulations some CIES costs (e.g. depreciation, impairments, IAS 19 costs, etc.) are not taken into account when setting the Council Tax and Dwelling Rents as these are technical accounting adjustments. These are reversed in the Movement in Reserves Statement which summarises the Council's total usable and unusable reserves.
11. The Balance Sheet sets out the financial position of the Council as at 31st March 2023 which reported a net asset position of £1,099m at year end.
12. The Cash Flow statement shows how the Council generates and uses cash.
13. The Housing Revenue Account (HRA) shows the true economic cost of providing housing services. The HRA reported a deficit of £1.25m after all the technical adjustments to the surplus reported in the CIES of £2.4m.
14. The Collection Fund statement is an agent's statement that reflects the statutory obligations of the London Borough of Harrow, as billing authority to maintain a separate Collection Fund.
15. The net assets of the Pension Fund at year end are £852.3m.

External Audit Reports (Appendices 2 & 3)

16. The Memorandums attached as Appendices 2 & 3 communicate the key audit risks identified by the auditors' planning procedures, and their planned audit

responses alongside the audit approach. It also details their risk assessment in relation to value for money to date.

Legal Implications

There are no direct legal implications arising from this report.

Financial Implications

The scale fees for the audit for 2022-23 are £116k and £16k for the main audit and pension fund audits respectively. There will be additional fees charged which have not been finalised yet, for recurring work around VFM and audit standard updates, largely in relation to property valuations and pensions. These do not reflect any Council specific issues and range between £24k to £45k for the main audit and £13k to £17k for the Pension Fund audit. There will also be additional non-recurring fees in relation to further VFM work, specific to the London Borough of Harrow, because of the requirement to follow-up on prior year recommendations. If any further issues are encountered during the audit, additional fees will be adjusted to reflect these.

Risk Management Implications

Risks included on corporate or directorate risk register? **No**

Separate risk register in place? **No**

The relevant risks contained in the register are attached/summarised below. **n/a**

Equalities implications / Public Sector Equality Duty

Considering the Council's Public Sector Equality Duties under the Equality Act 2010, s.149, is integral to the decision- making process.

Was an Equality Impact Assessment carried out? No

There are no direct equalities implications.

Council Priorities

The external audit provides assurance that the Council has managed its finances and delivered value for money in accordance with all the Council's priorities.

Section 3 - Statutory Officer Clearance

Statutory Officer:
Signed by the Interim Director of Finance and Assurance

Sharon Daniels

Date: 22 Jan 2024

Statutory Officer:
Signed on behalf of the Monitoring Officer

Caroline Eccles

Date: 22 Jan 2024

Chief Officer:

Signed by the Interim Director of Finance and Assurance

Sharon Daniels

Date: 22 January 2023

Mandatory Checks

Ward Councillors notified: NO, as it impacts on all Wards

Section 4 - Contact Details and Background Papers

Contact: Purvi Shah (Interim Chief Accountant)
Email: purvi.shah@harrow.gov.uk

Background Papers:

1. 2022/23 Statement of Accounts

If appropriate, does the report include the following considerations?

1	Consultation	No
2	Priorities	No

Statement of Accounts
(DRAFT)
2022 - 2023

Harrow COUNCIL
LONDON

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

Contents

1. Narrative Report

Message from the Director of Finance and Assurance

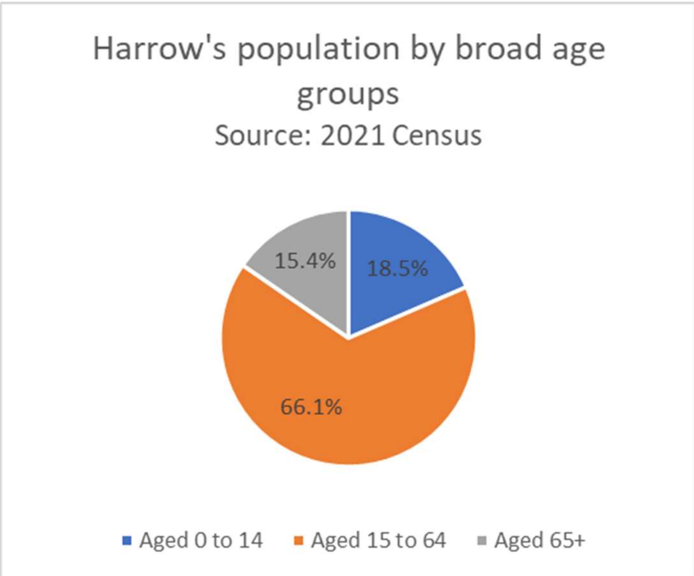
As the Council's statutory Chief Finance Officer, I have pleasure in writing the Narrative Report to Harrow Council's Statement of Accounts for 2022-23. The Narrative Report provides an analysis of Council performance during the year, an explanation of the financial results included in the Statement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

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

This report includes the following sections:

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

1.1 An Introduction to Harrow



Harrow is one of the most diverse places in the country. It is the 12th largest London Borough in terms of geographical area with a population of approximately 261,200 (2021 Population estimates: published on 28 June 2022). In the ten years between 2011 and 2021, there has been some significant changes in population:
- 9.3% increase in the population
- 7.8% increase in people aged 15 to 64 years, with 160k people of working age (66.1%)
- Growing younger population aged 0-15 of 18.5% (48,300), which is higher than the London average' Harrow covers an area of approximately 50 sq km (just under 20 square miles) and over a quarter of the borough consists of open space, much of which is designated green belt or Metropolitan Open Land. Harrow has a strong entrepreneurial tradition with over 16,140 businesses located in the borough. It is well connected to London and the rest of the UK via the M1, M25 and M40 motorways and easily accessible to and from The Heathrow Airport.

Key Facts about the Council

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

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

Organisational Structure

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

Chief Executive

Corporate Director - Place

Corporate Director - People's

Corporate Director - Resources

Director of Finance and Assurance

Director of Legal & Governance

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

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

1.2 Summary of the Financial Performance of the Council

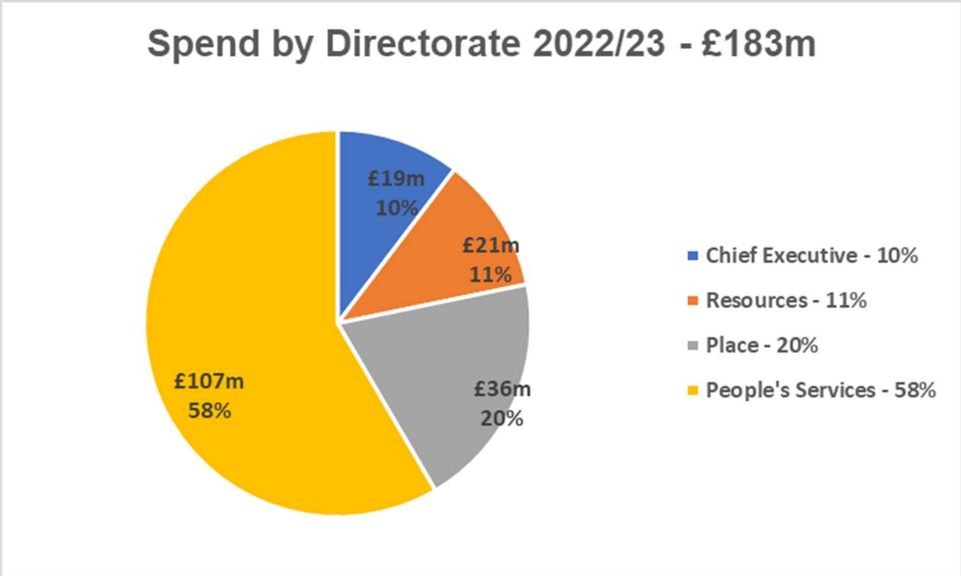
Revenue Budget

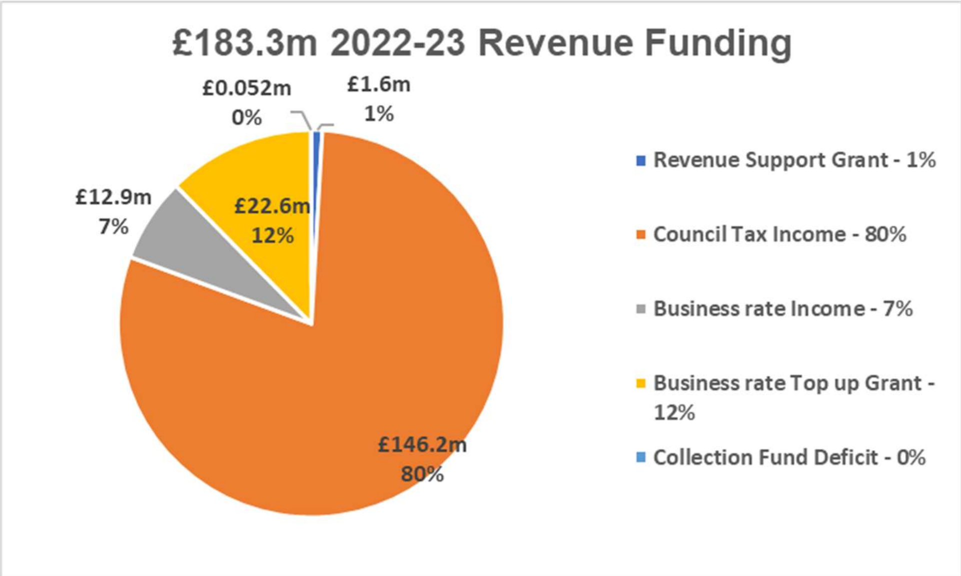
During the year, the Council delivered its services within the approved budget of £183.2m and contained the pressures arising from the challenging financial environment and managed the risks around demand pressures.

The Council has maintained its General Fund Balances at £10m in 2022-23. This maintains the Council's capacity to manage risks arising in future years from continuing demographic pressures, the economy, welfare reforms and further changes to Central Government funding. General Fund Reserves (Capital and Revenue) have reduced from £69.1m to £65.5m in 2022-23 as set out in note 5.7. The final outturn position for the year compared to the revised budget is set out below:

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

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





Capital Programme 2022-23

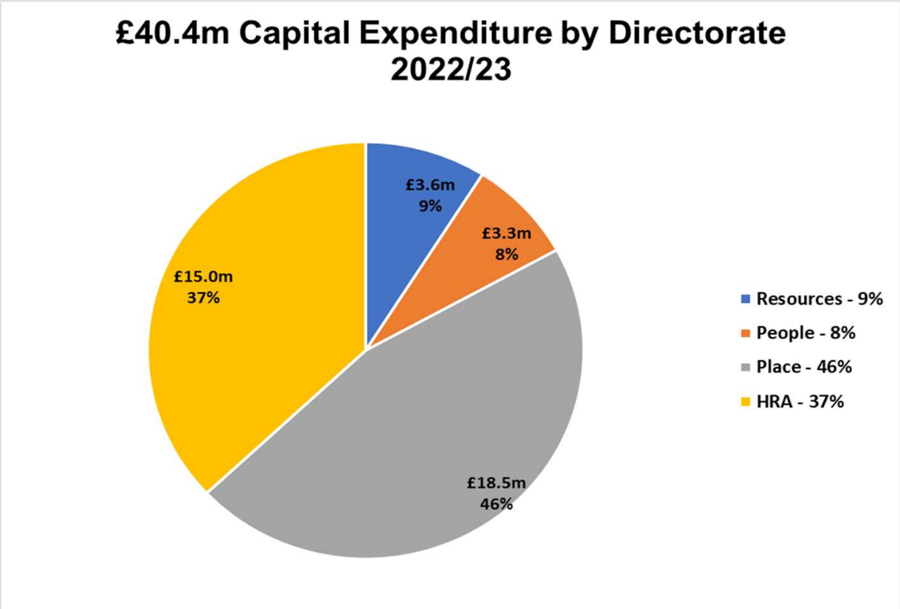
During 2022-23, the Council invested £40.4m on developing or acquiring capital assets. This was mainly funded from £14.8m borrowing and the balance of £25.6m funded from external grants, Community Infrastructure Levy (CIL) contributions, revenue contributions and capital receipts.

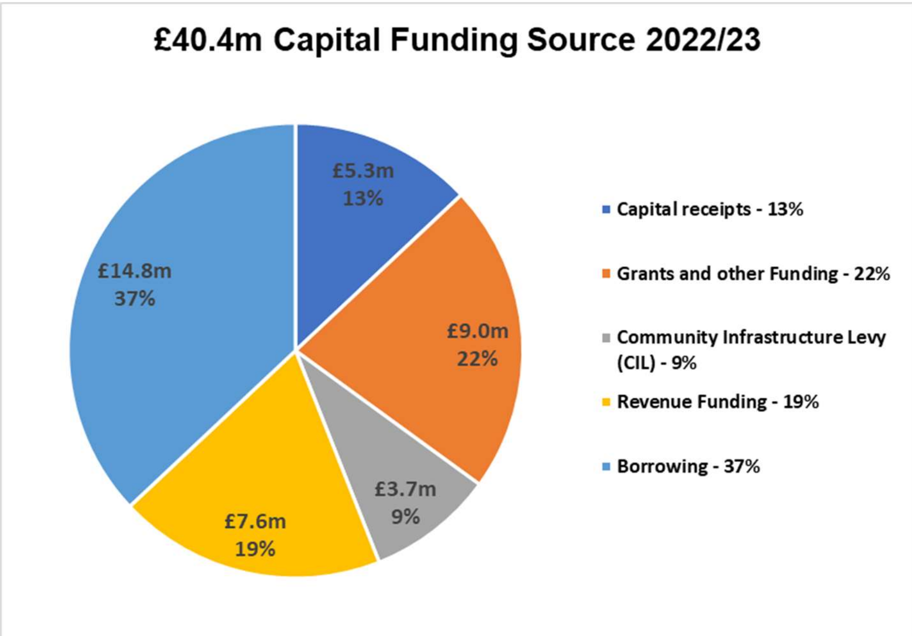
Major projects included in the capital programme were:

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

- Continuation of the Building Council Homes for Londoners Programme.

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





Housing Revenue Account (HRA)

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

Collection Fund

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

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

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

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

Treasury Management

The main focus for Treasury Management is to maintain the value of investments, to ensure cash balances are maintained in a way to support the capital programme and maintain an adequate level of working capital, to seek optimum returns within these parameters and to minimize borrowing costs. The Monetary Policy Committee increased base rate 8 times from 0.75% as at 31st March 2022 to 4.25% as at 31st March 2023. Investment returns was 0.81% for 2022/23.

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

Pensions

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

The financial statements include the relevant pension costs and provisions required to reflect the pension accounting arrangements under the International Accounting Standards (IAS19). For balance sheet purposes, the Council's estimated liabilities for retirement benefits exceeded the assets in the relevant funds by £171m as at 31st March 2023. This is £281m less than the net liabilities of £452m twelve months earlier reflecting both investment returns and the reduction in the discount rate applied to the value of future pension liabilities (see note 5.40.5).

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

Harrow's 2022-23 Achievements

RESIDENTS FIRST

Achievements

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

Challenges

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

Forward look

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

CLEAN & SAFE

Achievements

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

Challenges

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

Forward Look

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

SUPPORTING THOSE MOST IN NEED

Achievements

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

Challenges

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

[1] Multi Agency Safeguarding Hub
[2] Additionally Resourced Mainstream School
[3] Children with Social Worker
[4] Joint Targeted Area Inspection

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

Forward Look

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

Value for Money

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

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

Prior to the Covid-19 pandemic and the cost-of-living crisis, the Council was already facing substantial financial challenges as a result of ongoing annual reductions in funding received from Central Government as well as additional spending pressures caused by the increase in the cost of living and an increased demand for services in Adult Social Care as a result of having an ageing population.

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

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

[5] Special Educational Needs & Disabilities

[6] Education, Health and Care Plans for children with special educational needs & disabilities

with £69.1m at the 1st April 2022. As pressures on the Council's finances continue, it is anticipated that these reserves will need to be monitored closely to ensure that they are adequate and proportionate to the risks faced by Harrow.

All councils, not just Harrow, continue to find themselves in a very uncertain and volatile situation as a result of external events beyond the Council's control, adversely impacting on funding and demand for Harrow services. Apart from the legacy impact of Covid-19, the impact of Brexit also still remains uncertain as does the impact of Russia's invasion on the Ukraine and the cost of living crisis. Amongst all this uncertainty, the UK's rate of inflation (10.1% March 2023) is the highest it's been in 40 years.

The Secretary of State for the Department of Levelling Up, Housing and Communities recently announced (June 2022) that councils will receive a two-year settlement which will cover the financial years 2023-24 and 2024-25 and whilst this is welcomed (following 4 years of one-year settlements), there remains uncertainty about the impact on Harrow until further details emerge. This continues to create a challenging environment for the role that local government plays in the local community and the positive impact that the Council can have on people's quality of life.

The 3-year MTFS – Medium Term Financial Strategy (2022-23 to 2024-25) was set based on the most accurate information available at the time. Based on this information, the MTFS shows a significant budget gap which the council is in the process of addressing to ensure financial sustainability.

1.3 Explanation of the Financial Statements

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

- The Code of Practice on Local Authority Accounting in the United Kingdom 2022-23;
- All relevant International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

1.4 The Statement of Accounts

- **Statement of Responsibilities for the Statement of Accounts** sets out the respective responsibilities of the Council and the Chief Finance Officer.
- **Comprehensive Income and Expenditure Statement (CIES)** shows the true economic cost of providing services in the year, valued in accordance with proper accounting practices. Differences between the true economic cost of providing services and the level of expenditure allowed by regulations to be funded by local taxation and dwelling rents are explained in the Expenditure and Funding Analysis (EFA).
- **Movement in Reserves Statement (MiRS)** shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. The Total Comprehensive Expenditure and (Income) line shows the true economic cost of providing the Council's services, more details of which are shown in the CIES.
- **Balance Sheet** shows the value of the assets and liabilities recognised by the Council as at 31st March 2023, valued in accordance with proper accounting practices. The net value of these assets and liabilities is matched by the value of the Council's reserves. Usable Reserves can be used to provide services, subject to any statutory limitations on their use. Unusable Reserves cannot be used to provide services. These include reserves holding unrealised gains and losses on assets, which will only become available to provide services if the assets are sold, and reserves holding timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

- **Cash Flow Statement** shows the changes in cash and cash equivalents of the Council during the year. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing or financing activities. Cash flows from operating activities show how the operations of the Council are funded by way of taxation, grant income and receipts from services provided by the Council. Cash flows from investing activities shows cash flows intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.
- **Housing Revenue Account (HRA)** shows the true economic cost in the year of providing housing services, valued in accordance with proper accounting practices. Differences between the true economic cost of providing housing services and the level of expenditure allowed by regulations to be funded by rental income is explained in the Statement of Movement on the HRA Balance.
- **The Collection Fund** is an agent's statement reflecting the Council's statutory obligation to maintain a separate Collection Fund. The statement shows tax income collected from local taxpayers and the distribution of this money to the Council, the Government and the GLA.
- **Annual Governance Statement** sets out the framework within which the effectiveness of the Council's internal controls (including financial controls) are managed and reviewed each year. The review reports on significant weaknesses, areas identified for improvement and the actions taken to strengthen these areas.
- **The Pension Fund Account** provides information about the financial position, performance and financial adaptability of the Fund. It shows contributions to the Council's Pension Fund for employees during the year, together with the pensions and other benefits paid from it, movements in investments during the year and the financial position of the Fund.

1.5 Receipt of further Information and acknowledgements

If you would like to receive further information about these accounts, please do not hesitate to contact me at Sharon.Daniels@harrow.gov.uk.

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

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

2 Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Harrow, that officer is the Director of Finance;
- Manage its affairs to secure economic, efficient and effective use of its resources and safeguard its assets; and
- Approve the statement of accounts (delegated to the Governance, Audit, Risk Management and Standards Committee (GARMS Committee)).

The Director of Finance's Responsibilities

The Director of Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Director of Finance has:

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

The Director of Finance has also:

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

Certification by the Director of Finance:

I certify that the Statement of Accounts as set out in this document presents a true and fair view of the financial position of the Council as at 31st March 2023 and its income and expenditure for the year ended 31st March 2023.

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

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

TO BE INCLUDED ON COMPLETION OF AUDIT

3 Audit Opinion & Certificate

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

TO BE INCLUDED ON COMPLETION OF AUDIT

For and on behalf of Mazars LLP, Statutory Auditor

Chartered Accountants

4 Presentation of Financial Statements

4.1 Comprehensive Income and Expenditure Statement

2021-22 Gross Expenditure £000	2021-22 Gross Income £000	2021-22 Net Expenditure /(Income) £000		Notes	2022-23 Gross Expenditure £000	2022-23 Gross Income £000	2022-23 Net Expenditure /(Income) £000
136,262	(120,650)	15,612	Chief Executive		131,091	(112,147)	**18,944**
27,804	(18,541)	9,263	Resources		39,738	(9,580)	**30,158**
362,528	(222,023)	140,505	People		312,763	(236,262)	**76,501**
122,738	(50,718)	72,020	Place		117,865	(71,807)	**46,058**
28,141	(33,076)	(4,935)	Housing Revenue Account	6.1	33,106	(35,553)	**(2,447)**
222	(4,165)	(3,943)	Corporate Budgets		14,653	(6,067)	**8,587**
677,694	(449,172)	228,522	**Cost of Services**		649,216	(471,415)	**177,801**
10,896	(3,049)	7,847	Other Operating Income and Expenditure	5.8	15,218	(2,243)	**12,975**
28,685	(7,282)	21,403	Financing and Investment Income and Expenditure	5.9	29,618	(13,810)	**15,808**
0	(241,579)	(241,579)	Taxation and Non-Specific Grant Income	5.10		(218,322)	**(218,322)**
		16,192	**(Surplus) Deficit on Provision of Services**				**(11,738)**
		(14,395)	(Surplus) Deficit on revaluation of property, plant & equ	5.25.1			**(265,715)**
		(95,951)	Remeasurements of net pension liability	5.25.4			**(312,647)**
		(110,346)	**Other Comprehensive (Income) and Expenditure**				**(578,362)**
		(94,154)	**Total Comprehensive (Income) and Expenditure**				**(590,100)**

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

4.2 Movement in Reserves Statement (MiRS)

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

4.3 Balance Sheet

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

4.4 Cash Flow Statement

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

5 Notes to the Financial Statements

5.1 Accounting Policies

5.1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2022-23 year and its position as at 31st March 2023. The Council is required to prepare an annual Statement of Accounts in accordance with the Accounts and Audit (England) Regulations 2015, which require preparation in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23 supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Council makes use of estimation techniques as deemed appropriate to specific circumstances and these are disclosed in the accounts where material.

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

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

Going Concern

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

Primacy of Legislative Requirements

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

Accruals of Income and Expenditure

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

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

5.1.2 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

5.1.3 Material Items of Income and Expense

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

5.1.4 Prior Period Adjustments, Changes in Accounting Policies, Estimates and Errors

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

Where a change in accounting policies is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

5.1.5 Charges to Revenue for Non-Current Assets

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

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

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

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

5.1.6 Accounting for Council Tax and NDR

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

Council Tax collected belongs proportionately to the Council and the Greater London Authority. NDR collected by the Council belongs to the Council (30%), to the Department for Levelling Up, Housing & Communities (33%) and to the Greater London Authority (37%).

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

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

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

5.1.7 Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

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

Post-Employment Benefits

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

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

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

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

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefit scheme.
The liabilities of Harrow Council Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees.

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

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

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

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

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

Statutory provisions require the General Fund Balance to be charged with the actual pension amounts payable by the Council to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. This means that there are appropriations in the Movement in Reserves Statement to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

5.1.8 Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

5.1.9 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

This means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest). Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase / settlement. Regulations allow the impact on the General Fund Balance of these gains and losses to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

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

Financial Assets Measured at Amortised Cost

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

Expected Credit Loss Model

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

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

5.1.10 Intangible Assets

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

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

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

5.1.11 Government Grants, Contributions and Donated Assets

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

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

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

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

Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

5.1.12 Investment Property

Investment properties are those that are used solely to earn rentals and / or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently revalued annually at fair value, based on the amount at which the asset could be sold in an orderly transaction between market participants at the measurement date. Investment properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

5.1.13 Joint Operations

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

5.1.14 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. if there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

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

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. if there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

5.1.15 Overheads and Support Services

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

5.1.16 Heritage Assets

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

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

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

- Civic insignia are de-minimis for inclusion in the balance sheet.

5.1.17 Property, Plant and Equipment (PPE)

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

- The purchase price;
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

Donated assets are measured initially at current value. The difference between current value and any consideration paid is credited to the Taxation and Non-specific Grant Income and Expenditure line of the Comprehensive Income and Expenditure Statement.

The gain is then reversed out of the General Fund to the Capital Adjustment Account in the Movement in Reserves Statement.

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

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

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

The Council has a rolling programme that ensures all PPE included in the Balance Sheet at current value are revalued at least every five years and are reviewed at the year end to ensure that their carrying amount is not materially different from their current value. Assets Under Construction are valued in the year that they come into use. Increases in valuations are usually matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service segment line(s) in the Comprehensive Income and Expenditure Statement; and
- Amounts written down against the relevant service segments are transferred to the Capital Adjustment Account in the Movement in Reserves Statement so that there is no charge against Council Tax or the HRA.

Impairment

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

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

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction). Newly acquired or completed assets are depreciated in the year following acquisition or completion.

Depreciation is calculated on the following basis:

- Council dwellings – straight-line allocation over the useful life of the property as estimated by the valuer: generally 90 years, with the exception of material components: 15–20 years;
- Other buildings – straight-line allocation over the useful life of the property as estimated by the valuer: 20-80 years;
- Plant, furniture and equipment – straight-line allocation: 5 years;
- Vehicles – straight-line allocation: 8 years;
- Infrastructure assets – straight-line allocation: 10-80 years;
- Freehold land - not depreciated;
- Community assets are held at nominal value and therefore are not depreciated; and
- Newly acquired or completed assets are depreciated in the year following acquisition or completion.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Componentisation

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

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

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

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

Disposals and Assets held for sale

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

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

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

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

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

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

5.1.18 Infrastructure Assets

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

Recognition

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

Measurement

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

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

Depreciation

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

Annual depreciation is the depreciation amount allocated each year.

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

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

Disposals and derecognition

When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the ‘Other operating expenditure’ line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and

Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

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

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

5.1.19 Fair Value Measurement

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

a) in the principal market for the asset or liability, or

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

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

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

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

5.1.20 Private Finance Initiative (PFI) and Similar Contracts

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

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

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

- Fair value of the services received during the year – debited to the relevant service segment in the Comprehensive Income and Expenditure Statement;

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

5.1.21 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and where it becomes less probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made) the provision is reversed and credited back to the relevant service.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

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

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

5.1.22 Reserves

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

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

5.1.23 Revenue Expenditure Funded from Capital under Statute

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

5.1.24 Accounting for Schools

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

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

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

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

5.1.25 Value Added Tax (VAT)

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

5.1.26 Group Accounts

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

5.2 Critical Judgements in Applying Accounting Policies

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

Funding

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

Group Accounts

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from assumptions and estimates.

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Asset valuations are periodically reviewed to ensure that the Council does not materially misstate its non-current assets and investment properties. However, the valuation of property will inevitably be an estimate and property values can be volatile. Should evidence emerge in 2023/24 that causes the Council to amend these estimates, the estimated fair value of its property and dwellings could change.	A reduction in estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement (CIES). For example, a 10 per cent reduction in the net book value of Council Dwellings (total NBV £490m) would result in a reduction of about £49m Conversely, an increase in value would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the CIES and / or gains being recorded as appropriate in the CIES. Depreciation charges for operational buildings will change in direct proportion to the change in estimated fair value. The net book value of non-current assets subject to potential revaluation is £1.35b.
Pensions Liability	The Pension Fund liability is calculated every three years by the appointed actuary with annual updates in the intervening years. The methodology used follows generally agreed guidelines and is in accordance with IAS 19. The estimates of the net liability to pay pensions depends on several judgements and assumptions. In particular, those relating to the discount rate, the rate at which salaries are projected to increase, change in retirement ages, mortality rates and expected returns on the Fund's assets. The total net pension liability as at 31 March 2023 is £170.9m.	A change in the key assumptions can be illustrated as follows: • 0.1% decrease in the discount rate assumption per annum would result in an increase in promised retirement benefits of £18m • 0.1% increase per annum in the Salary Increase Rate would increase the value of the liabilities by approximately £2m • 0.1% increase per annum in pension increases would increase the liability by approximately £17m • A one-year increase in life expectancy would increase the liability by approximately £45m

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

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom.

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

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

5.5 Expenditure and Funding Analysis

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

2021-22				**2022-23**		
Net Expenditure Chargeable to General Fund and HRA Balances £000	Adjustments between Funding and Accounting Basis Note 5.5.1 £000	Net Expenditure in Comprehensive Income and Expenditure Statement £000		Net Expenditure Chargeable to General Fund and HRA Balances **£000**	Adjustments between Funding and Accounting Basis Note 5.5.1 **£000**	Net Expenditure in Comprehensive Income and Expenditure Statement **£000**
32,073	(16,461)	15,612	Chief Executive	17,136	1,808	18,944
5,441	3,823	9,263	Resources	20,934	9,224	30,158
105,664	34,841	140,505	People	107,090	(30,589)	76,501
29,115	42,905	72,020	Place	36,296	9,762	46,058
597	(5,532)	(4,935)	Housing Revenue Account	1,250	(3,697)	(2,447)
7,147	(11,090)	(3,943)	Corporate Budget	7,671	916	8,587
180,036	48,486	228,522	**Net Cost of Services**	**190,377**	**(12,576)**	**177,801**
(179,439)	(32,891)	(212,330)	Other Income & Expenditure	**(184,173)**	**(5,366)**	**(189,539)**
597	15,595	16,192	**Surplus or Deficit**	**6,204**	**(17,942)**	**(11,738)**
(16,282)			Opening General Fund and HRA Balance	**(15,685)**		
597			Plus Surplus on General Fund and HRA Balance in Year	**1,250**		
(15,685)			Closing General Fund and HRA Balance as at 31 March *	**(14,435)**		

* For a split of this balance between the General Fund and the HRA - see the Movement in Reserves Statement
* 2021-22 balances restated to reflect the current structure of the council

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

2022-23

	Adjustments for Capital Purposes £000	Net Pension Adjustments £000	Earmarked Reserves £000	Non-Specific Grant Income £000	Other Differences £000	Total Adjustments £000
	(Note a)	(Note b)	(Note c)	(Note d)	(Note e)	(Note f)
Chief Executive	0	3,304	(415)		(1,081)	**1,809**
Resources	0	3,466	(1,660)		7,418	**9,224**
People	0	6,726	1,698		(39,013)	**(30,589)**
Place	1,867	7,062	7,994		(7,160)	**9,762**
Housing Revenue Account	49	930	(566)		(4,111)	**(3,697)**
Corporate Budgets		12,466	(14,812)		3,262	**916**
Cost Of Services	1,916	33,955	(7,762)	0	(40,685)	**(12,576)**
Other income and expenditure				(6,818)	1,452	**(5,366)**
Difference between General Fund and HRA (Surplus)/Deficit and Comprehensive Income and Expenditure Statement Provision of Services (Surplus)/Deficit on Provision of Services	**1,916**	**33,955**	**(7,762)**	**(6,818)**	**(39,233)**	**(17,942)**

2021-22

	Adjustments for Capital Purposes £000	Net Pension Adjustments £000	Earmarked Reserves £000	Non-Specific Grant Income £000	Other Differences £000	Total Adjustments £000
	(Note a)	(Note b)	(Note c)	(Note d)	(Note e)	(Note f)
Chief Executive	17,928	(829)				**17,099**
Resources		(829)				**(829)**
People	(12,166)	(11,089)	346	0	(11,932)	**(34,841)**
Place	(48,234)	(6,263)	1,098	0	10,493	**(42,906)**
Housing Revenue Account	(341)	(949)	129	0	6,693	**5,532**
Corporate Budgets	165	3,805	1,557	(51,724)	53,655	**7,458**
Cost Of Services	(42,648)	(16,154)	3,130	(51,724)	58,909	(48,486)
Other income and expenditure	(833)	0	0	51,724	(18,000)	32,891
Difference between General Fund and HRA (Surplus)/Deficit and Comprehensive Income and Expenditure Statement Provision of Services (Surplus)/Deficit on Provision of Services	**(43,481)**	**(16,154)**	**3,130**	**0**	**40,909**	**(15,595)**

* 2021-22 balances restated to reflect new organisational structure

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

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

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

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

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

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

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

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

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

5.7 Earmarked reserves

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

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

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

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

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

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

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

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

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

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

5.8 Other operating income and expenditure

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

5.9 Financing and investment income and expenditure

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

5.10 Taxation and non-specific grant income

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

5.11 Property, plant and equipment

2022-23	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total Property, Plant, IT and Equipment	PFI Assets Included in Property, Plant, IT and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1 April 2022	483,728	614,085	70,334	7,564	60,763	21,993	**1,258,467**	**52,726**
Reversal of accumulated depreciation on revaluation	(7,609)	(10,309)	0	0	0	0	**(17,918)**	0
Additions		0			38,020	0	**38,020**	281
Revaluation increases/(decreases) recognised in the Revaluation Reserve	14,762	233,618	0	(433)	0	17,767	**265,714**	11,657
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services		39,618	0		0		**39,618**	13,237
Derecognition - Disposals	(1,479)		(817)				**(2,296)**	0
Reclassifications/ Transfer - Other	8,173	(1,289)	2,296	267	(19,703)	10,256	**0**	(1,374)
At 31 March 2023	**497,575**	**875,723**	**71,813**	**7,398**	**79,080**	**50,016**	**1,581,605**	**76,527**
Accumulated Depreciation								
At 1 April 2022	(7,609)	(23,572)	(40,450)	0	0	(193)	**(71,824)**	(4,195)
Reversal of accumulated depreciation on revaluation	7,609	10,309	0	0	0	0	**17,918**	0
Depreciation charges for 2022-23	(7,890)	(9,356)	(9,728)	0	0	(4,184)	**(31,158)**	(751)
Derecognition - Depreciation on Disposal	0		604				**604**	0
Reclassifications/ Transfer - Other	0						**0**	0
At 31 March 2023	**(7,890)**	**(22,619)**	**(49,574)**	**0**	**0**	**(4,377)**	**(84,460)**	**(4,946)**
Net Book Value								
At 31 March 2023	**489,685**	**853,104**	**22,239**	**7,398**	**79,080**	**45,639**	**1,497,145**	**71,581**
At 31 March 2022	476,119	590,513	29,884	7,564	60,763	21,800	1,186,643	48,531

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

2021-22	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total Property, Plant, IT and Equipment	PFI Assets Included in Property, Plant, IT and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1 April 2021	472,799	588,289	61,628	1	78,448	17,357	**1,218,522**	**48,403**
Reinstatement of historic cost **	0	0	0	4,972	0	0	**4,972**	**0**
Reversal of accumulated depreciation on revaluation	(6,989)	(7,502)	0	0		0	**(14,491)**	0
Additions	0	0	0	0	66,660	0	**66,660**	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(1,258)	(25,676)	0	0	0	0	**(26,934)**	2,916
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services		16,986	0	0	0	0	**16,986**	0
Derecognition - Disposals	(2,179)	0	0	0		(1,464)	**(3,643)**	0
Derecognition - Other*	0	0	(1,081)	0	0	0	**(1,081)**	
Reclassification - Assets held for sale (5.14)	0	0		0	(3,989)	0	**(3,989)**	0
Reclassifications/ Transfer - Other	21,355	41,988	9,787	2,591	(80,356)	6,100	**1,465**	1,407
At 31 March 2022	**483,728**	**614,085**	**70,334**	**7,564**	**60,763**	**21,993**	**1,258,467**	**52,726**
Accumulated Depreciation								
At 1 April 2021	(6,989)	(12,049)	(34,921)	0	0	(182)	**(54,141)**	(3,470)
Reversal of accumulated depreciation on revaluation	6,989	7,502	0	0	0	0	**14,491**	0
Depreciation charges for 2021-22	(7,609)	(19,025)	(6,610)	0	0	0	**(33,244)**	(725)
Derecognition - Depreciation on Disposal	0	0	0	0	0	(11)	**(11)**	0
Derecognition - Other	0	0	1,081	0	0	0	**1,081**	0
At 31 March 2022	**(7,609)**	**(23,572)**	**(40,450)**	**0**	**0**	**(193)**	**(71,824)**	**(4,195)**
Net Book Value								
At 31 March 2022	**476,119**	**590,513**	**29,884**	**7,564**	**60,763**	**21,800**	**1,186,643**	**48,531**
At 31 March 2021	465,810	576,240	26,707	1	78,448	17,175	1,164,381	44,933

5.11.1 Highways Infrastructure Assets

Highways Infrastructure Assets Movements on balances

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

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

5.11.2 Property, Plant and Equipment

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

5.11.3 Depreciation

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

- Council dwellings – 90 years, with the exception of material components: 15–20 years;
- Other buildings – 20-80 years;
- Plant, furniture and equipment – 5-10 years;
- Vehicles – 8 years;
- Infrastructure assets – 10-80 years; and
- Freehold land – not depreciated.

5.11.4 Revaluations

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

Specialist and out of borough investment properties have been valued by Crosthwaites, Fleurets, Gerald Eve and Knight Frank. The majority of the other valuations have been carried out by Wilks Head & Eve LLP with the remaining carried out by the in-house valuer. All of the valuation work done for the 2022-23 statement of accounts has been overseen by the council's in-house RICS registered valuer. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. In estimating current value, regard has been given to the nature of the property by reference to its use, location, size, method of construction, age, all other relevant matters, and the prevailing market forces.

Rolling revaluation programme:

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

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

5.11.5 Valuation of Surplus Assets

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

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

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

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

5.11.6 Trust, Foundation, Voluntary Aided and Academy Schools

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

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

5.12 Heritage assets

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

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

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

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

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

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

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

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

5.13 Investment properties

2021-22 £000		**2022-23 £000**
77,155	Balance at start of the year	**78,457**
2	Additions	**0**
(620)	Disposals	**0**
1,920	Net gains/(losses) from fair value adjustments	**(5,057)**
78,457	Balance at end of the year	**73,400**

2021-22 £000		**2022-23 £000**
73,115	Investment properties valued using level 2 inputs	**73,400**
5,342	Investment properties valued using level 3 inputs	**0**
78,457	Balance at end of the year	**73,400**

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

5.14 Assets held for sale

The Council has held some assets for sale this year:

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

5.15 Intangible assets

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

Intangible assets have a useful life of 10 years.

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

5.16 Financial instruments

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

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

The balances of debtors and creditors disclosed in the above note differ from the balance sheet because they include only balances relating to contractual arrangements and exclude balances relating to statutory debts that do not arise from contracts. Thus balances relating to Council Tax, NDR, government grants, housing benefits and outstanding parking fines etc. are excluded. The balance of short term debtors exclude £29.7m (£25.4m in 2021-22). The creditors balance excludes £60.2m (£52.0m in 2021-22).

Gains and losses on financial instruments

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

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

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

Fair value of assets and liabilities

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

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

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

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

5.17 Long term debtors

31-Mar-22 £000		31-Mar-23 £000
15,250	West London Waste Authority	**14,907**
120	Other Loans	**113**
15,370	**Total**	**15,020**

5.18 Short term debtors

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

* The decrease in Business Rates and Council Tax debtors is due to the reduction in the carried forward Collection Fund Deficit thereby reducing the Central Government and GLA share. Refer to Section 7 of the accounts.

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

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

5.19 Cash and cash equivalents

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

5.20 Short term borrowing

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

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

5.21 Short term creditors

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

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

5.22 Provisions

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

Insurance: This provision is the estimated liability for insurance claims that the Council self funds, including actual claims submitted, and events for which the Council has not received a claim (incurred but not reported IBNR). The Council's insurance programme consists of a range of insurance covers in three broad classes; liability, property and motor. The Council's maximum potential liability is limited by a series of aggregate stop loss covers with the Council's insurers that are triggered when the total of all claims under the cover exceeds that amount for the period of insurance. It is Council policy not to insure "pound swapping" items (e.g. theft and "all risks" on equipment), or tree related subsidence claims. All IBNR (Incurred but not reported) amounts are calculated by the Council’s actuary. The provision includes £1.25m to cover the cost of payments to Municipal Mutual Insurance in respect of future claims.

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

5.23 Other long term liabilities

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

5.24 Usable reserves

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

5.24.1 Capital receipts reserve

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

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

5.24.2 Capital grants and contributions unapplied

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

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

5.25 Unusable reserves

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

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

5.25.1 Revaluation reserve

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

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

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

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

5.25.2 Capital adjustment account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements, and for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets, under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties.

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

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

5.25.3 Financial instruments adjustment account

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

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

5.25.4 Pensions reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds, or pays pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid, by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Refer to note 5.40 for more details.

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

5.25.5 Collection fund adjustment account

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

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

5.25.6 Accumulating compensated absences adjustment account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

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

5.26 Notes to the Cash Flow Statement

5.26.1 Operating activities

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

5.26.2 Investing activities

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

5.26.3 Financing activities

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

5.27 Expenditure and income analysed by nature

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

2021-22 £000	Expenditure/Income	Notes	2022-23 £000
	Expenditure		
225,624	Employee benefits expenditure		**260,748**
104,316	Housing benefits		**91,972**
281,864	Other service expenses		**292,422**
65,889	Depreciation and impairment		**4,075**
39,582	Other expenditure	5.8 - 5.9	**44,836**
717,275	**Total expenditure**		**694,052**
	Income		
(133,847)	Fees, charges and other service income		**(170,594)**
(315,326)	Revenue grants included within cost of services	5.35.1	**(300,821)**
(251,910)	Other income	5.8 - 5.10	**(234,375)**
(701,083)	**Total income**		**(705,790)**
16,192	**(Surplus)/Deficit on Provision of Services**		**(11,738)**

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

5.28 Road charging schemes under the Transport Act 2000

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

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

5.29 Pooled budgets – Better Care Fund

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

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

5.30 Members' Allowances

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

2021-22 £000		2022-23 £000
921	Allowances	874
921	Total	874

5.31 Remuneration

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

5.31.1 Remuneration bands

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

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

5.31.2 Senior officer remuneration

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

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

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

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

Note 1 The Chief Executive commenced on 05 September 2022.
Note 2 The Corporate Director left the Council on 30th June 2022. The Corporate Director was not a member of the pension scheme.
Note 3 The Corporate Director left the Council on 14th August 2022.
Note 4 The Corporate Director left the Council on 9th October 2022.
Note 5 The Corporate Director commenced on 15 August 2022.
Note 6 The Corporate Director left the Council on 30 April 2022.
Note 7 The Director acted in the role from 01 May 2022 to 31 December 2022. The salary is for the entire year.
Note 8 The Corporate Director commenced on 15 August 2022.The salary is for the entire year. The officer ended the pension scheme from November 2022.
Note 9 The Director commenced on 01 March 2023. The salary is for the entire year.
Note 10 The Director was interim Director of Peoples directorate from 01June 2022 to 30 August 2022. The Director commenced on 31 August 2022.
* Senior Officer was not a member of the pension scheme.

5.32 Termination benefits

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

Exit Payments cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of Exit Payments by cost band		Total cost of Exit Payments in each band	
	2022-23	2021-22	**2022-23**	2021-22	**2022-23**	2021-22	**2022-23**	2021-22
							£000	£000
£0 - £20,000	**5**	24	**1**	3	**6**	27	**16**	165
£20,001 - £40,000	**1**	4	**2**	2	**3**	6	**103**	171
£40,001 - £60,000	**0**	3	**0**	0	**0**	3	**0**	144
£60,001 - £80,000	**0**	0	**0**	0	**0**	0	**0**	0
£80,001 - £100,000	**0**	0	**0**	0	**0**	0	**0**	0
£160,001 - £180,000	**0**	1	**0**	0	**0**	1	**0**	165
Total	**6**	32	**3**	5	**9**	37	**119**	645

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

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

Exit payment liabilities

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

5.33 External audit costs

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

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

5.34 Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by Department for Education and known as the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the local authority area. DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget as defined in the School Finance (England) Regulations 2018.

Details of the deployment of DSG receivable are as follows:

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

5.35 Grants income

5.35.1 Revenue grants included within the cost of services

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

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

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

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

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

5.35.3 Capital grants receipts in advance

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

5.36 Related parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

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

5.36.1 United Kingdom Government and other Public Bodies

Central government has significant influence over the general operations of the Council by providing the statutory framework within which the Council operates, significant funding in the form of grants and by prescribing the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received and payments to levying bodies are disclosed in the notes to the accounts. Payments to precepting bodies are detailed in the Collection Fund and Comprehensive Income and Expenditure Statement. The Better Care Fund pooled budget is disclosed in note 5.29.

Members and senior officers

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

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

The Council has significant influence over the decisions of 2 local organisations due to Members being trustees on their governing bodies. In 2022-23 the Council made the following payments to the organisations:

Organisation	Amount £000
Seva Care Group	784
Community Connex Ltd	1,307

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

5.36.2 London Borough of Harrow Pension Fund

The Council is the Administering Authority for the Pension Fund.

Related Parties Pension Fund

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

5.37 Capital Financing

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

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

5.38 Leases

5.38.1 The Council as Lessee

Finance Leases

Assets acquired under finance leases are included as part of Vehicles, Plant, Furniture and Equipment in the Property, Plant and Equipment balance in the Balance Sheet. The book value of these assets is £1.9m (£2.5m in 2021-22). Outstanding lease liabilities are £2.1m (£2.7 m in 2021-22) and minimum lease payments of £2.7m (£3.6m in 2021-22) will be made over the next 1 to 6 years.

Operating Leases

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

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

31-Mar-22 £000		31-Mar-23 £000
3,096	Not later than one year	**1,114**
1,117	Later than one year and not later than five years	**778**
2,026	Later than five years	**1,964**
6,239		**3,856**
3,236	Min. lease payments charged to revenue in 22-23	**3,161**

5.38.2 The Council as Lessor

Finance Leases

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

Although the legal form of the transfer arrangement is a lease, and the Council retains the freehold, the transfer of schools to Academy status are treated as in substance a disposal in the Council's balance sheet. No maintained schools transferred to Academy status in 2022-23.

Operating Leases

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

Operating leases have been classified as Investment Properties or Property, Plant and Equipment, generating a rental stream of £5.0m in 2022-23 (£4.3m in 2021-22).

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

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

5.39 Private Finance Initiative (PFI)

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

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

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

Outstanding PFI lease liabilities are as follows:

Special schools

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

NRCs

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

5.39.1 Special schools

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

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

	Payment for Services £000	Interest £000	Principal Repayment £000	Contingent Rent £000	Total £000
Schools					
Payable in 2023-24	1,568	780	484	11	2,845
Payable within 2 to 5 years	6,935	2,706	2,214	(67)	11,787
Payable within 6 to 10 years	8,085	1,853	5,011	783	15,732
Payable within 11 to 12 years	870	72	789	188	1,920
Total	**17,458**	**5,411**	**8,498**	**916**	**32,283**

5.39.2 Neighbourhood Resource Centres (NRC)

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

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

	Payment for Services £000	Interest £000	Principal Repayment £000	Contingent Rent £000	Total £000
NRC					
Payable in 2023-24	305	349	255	286	1,195
Payable within 2 to 5 years	1,417	1,160	1,185	1,324	5,086
Payable within 6 to 10 years	1,804	825	2,198	2,280	7,106
Payable within 11 to 12 years	734	48	565	544	1,891
Total	**4,260**	**2,382**	**4,204**	**4,434**	**15,279**

5.40 Defined benefit pension schemes

5.40.1 Participation in pension scheme

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

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

5.40.2 Transactions relating to post-employment benefits

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

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

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

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

5.40.3 Reconciliation of present value of the scheme liabilities

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

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

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

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

The actual return on scheme assets in the year was £40.1m (2021-22: £49.4m).

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

5.40.5 Scheme history

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

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

5.40.6 Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the Projected Unit Method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Scheme liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31st March 2023.

The principal assumptions used by the actuary have been:

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

5.40.7 Scheme assets

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

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

5.40.8 History of experience gains and losses

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

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

	Increase in present value of scheme liabilities	
	%	£000
0.5% decrease in the real discount rate	2	15,704
0.5% increase in rate of increase in salaries	0	1,334
0.5% increase in the rate of increase in pensions	1	14,596
1 year increase in member life expectancy	4	40,928

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

5.41 Teachers' Pension Scheme

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

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

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

5.42 Nature and extent of risks arising from financial instruments

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

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

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

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

Credit risk

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

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

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

	Amount at 31-Mar-23	Historical experience of default	Historical experience adjusted for market conditions at 31-Mar-23	Estimated maximum exposure to default and uncollectability 31-Mar-23
	£000	%	%	**£000**
UK Banks	**77,743**	0.00	0.00	**0**
UK Money Market Funds	**1,651**	0.00	0.00	**0**
Customers	**15,901**	1.24	29.26	**6,579**
Total	**95,295**			**6,579**

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

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

Liquidity risk

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

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

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

The maturity structure of long term borrowing is as follows:

31-Mar-22 £000		31-Mar-23 £000
	Source of Loan:	
(343,461)	Public Works Loan Board	**(343,461)**
(73,800)	Market Loans	**(73,800)**
(64)	Other financial institutions	**(44)**
(417,325)	**Total**	**(417,305)**
	Analysis of loans by maturity:	
(21)	1-2 years (1.4.2024 - 31.3.2025)	**(44)**
(43)	3-5 years (1.4.2025 - 31.3.2028)	**(5,000)**
(20,000)	6-10 years (1.4.2028 - 31.3.2033)	**(25,000)**
(397,261)	More than 10 years (1.4.2033 onwards)	**(387,261)**
(417,325)	**Total**	**(417,305)**

The more than ten years category in the above analysis includes a £20.8m LOBO – Lender Option Borrower Option loan where the lender may ask for the rate payable to be changed. The Council has the option to either accept this increase or repay the loan in full, without penalty. However, if the lender does exercise its rights, this loan can be repaid from prudential borrowing.

Market risk Interest rate risk

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

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

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the (Surplus) or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the (Surplus) or Deficit on the Provision of Services and affect the General Fund Balance.

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

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

The average balance of investments was £103m (£117m in 2021-22). With the base rate currently fixed at 4.25%. A positive movement of 1% in rates received on average investment balances could generate additional investment income of £1.03m.

5.43 Trust funds

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

The Council acts as a custodian for various trust funds. The balance of these trust funds at 31 March 2023 was £215k (£211k at 31 March 2022).

In addition the Council acts as administrator for the Edward Harvist Charity. Charity funds are held in a permanent endowment fund. Income from the investment is distributed to 5 Boroughs who then make grants to appropriate organisations and individuals for the public benefit to improve the lives of their residents. The value of Charity funds at 31 March 2023 was £10.4m (£11.4m at 31 March 2022).

5.44 Interests in subsidiary companies

The Council controls the following subsidiary companies:

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

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

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

5.45 Events after the reporting period

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

6 Housing Revenue Account

6.1 Housing Revenue Account (HRA)

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

2021-22			2022-23	
£000		Note	£000	£000
	Expenditure			
9,265	Repairs and maintenance		**9,908**	
10,142	Supervision and management		**12,204**	
140	Rents, rates, taxes and other charges		**481**	
7,931	Depreciation of non current assets	6.2.3	**8,260**	
0	Impairment of non-current assets		**1,745**	
37	Debt management costs		**37**	
27,515	**Total Expenditure**			**32,635**
	Income			
(28,820)	Dwelling rents (gross)	6.2.1	**(30,017)**	
(496)	Non-dwelling rents (gross)	6.2.2	**(509)**	
(2,040)	Charges for services and facilities		**(1,858)**	
(1,548)	Contributions towards expenditure		**(3,169)**	
(4)	Impairment of non-current assets		**0**	
(32,908)	**Total Income**			**(35,553)**
(5,393)	**Net cost of HRA Services as included in the Whole Authority Comprehensive Income and Expenditure Statement**			**(2,918)**
457	HRA's share of Corporate and Democratic Core			**471**
(4,936)	**Net cost of HRA Services**			**(2,447)**
	HRA share of operating income & expenditure included in the Whole Authority Comprehensive Income & Expenditure Statement			
(2,904)	Loss (Gain) on sale of HRA Fixed Assets			**(2,122)**
775	Pooling payments in respect of Right to Buy disposals			**4,954**
6,446	Interest payable and similar charges			**6,487**
(10)	Interest & investment income			**(183)**
(14,121)	Capital grants & contributions receivable			**(2,871)**
(14,750)	**(Surplus) Deficit for the year on HRA services**			**3,818**

Statement of Movement on the HRA Balance

2021-22 £000		Note	2022-23 £000
(6,274)	**Balance on HRA at end of the previous year**		**(5,678)**
(14,750)	(Surplus)/deficit for the year on the HRA Income & Expenditure Statement		**3,818**
15,475	Adjustment between accounting basis and funding basis under regulations	6.2.9	**(2,021)**
725	Net increase or decrease before transfers from reserves		**1,797**
(129)	Transfer to reserves	6.2.9	**(545)**
596	**(Increase)/decrease in year on the HRA**		**1,252**
(5,678)	**Balance on HRA at end of the current year**		**(4,426)**

6.2 Notes to the Housing Revenue Account

6.2.1 Dwelling Rents Income

This is the total income due for the year after allowance is made for voids etc. At year end 0.98% of lettable properties were vacant (0.65% in 2021-22). The average de-pooled rents were £122.95 per week (£117.43 in 2021-22). There was an average rent increase of 4.7% over the previous year. The average increase, after taking into account service charges, was 4.67%.

6.2.2 Non-dwelling Rents

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

6.2.3 HRA Fixed Assets

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

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

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

A vacant possession valuation for dwellings at 1st April 2022 would have been £1,702m (£1,608m at 1st April 2021), therefore recognising the economic cost to the Government of providing Council housing at less than open market value of £1,226m (2021-22 £1,142m).

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

6.2.4 Major Repairs Reserve

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

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

6.2.5 Capital Expenditure and Funding Statement

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

6.2.6 Capital Receipts

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

Further details are provided in note 5.24.1.

6.2.7 Pensions (IAS 19)

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

Further details are provided in note 5.40.

6.2.8 Housing Revenue Account Statistics

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

6.2.9 Statement of Movement on the HRA Balance

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

7 Collection Fund

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

7.1 Statement of Income and Expenditure

2021-22		2022-23		
		Business Rates & Crossrail	Council Tax	Total
£000		£000	£000	£000
	Income			
(174,269)	Income from Council Tax		(183,104)	(183,104)
(35,545)	Income Collectable from Business Ratepayers	(44,500)		(44,500)
(734)	Income Collectable from Business Ratepayers - BRS	(833)		(833)
(210,548)	**Total Income**	(45,333)	(183,104)	(228,437)
	Expenditure			
	Apportionment of Previous year surplus / deficit			
(9,098)	Central Government	(6,481)		(6,481)
(8,072)	Harrow Council	(5,892)	(254)	(6,145)
(10,141)	Greater London Authority	(7,266)	(57)	(7,323)
	Precepts, demands and shares			
16,880	Central Government	14,089		14,089
155,051	Local Demand (Harrow)	12,809	146,185	158,993
51,433	Greater London Authority	16,624	35,122	51,746
	Impairment of debts / appeals			
1,951	Write offs of uncollectable amounts			0
(2,556)	Increase in bad debt provisions	218	836	1,054
(900)	Increase / (decrease) in provision for appeals	(1,500)		(1,500)
245	Costs of Collection	237		237
194,793	**Total Expenditure**	22,838	181,833	204,671
(15,755)	Movement on Fund balance: (Surplus) / Deficit for the year	(22,495)	(1,271)	(23,766)
35,961	(Surplus) / Deficit brought forward *	20,352	(145)	20,206
20,206	**(Surplus) / Deficit carried forward**	(2,143)	(1,417)	(3,560)

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

Notes to the Collection Fund

7.1.1 Income from Council Tax

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

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

7.1.2 Business Rates

Business Rates are levied on non-domestic properties with the charge based on the rateable value assessed for each property. The Council acts both as an agent, collecting business rates on behalf of the GLA, and also collecting business rates for itself. From 2018-19 the Council became part of the London Business Rates Pool. Business rates collected in the Borough are, for the year 2022-23, split between relevant preceptors at the following percentages: the Council (30%), the GLA (37%) and the Department for Levelling Up, Housing & Communities (33%).

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

7.1.3 Business Rate Supplement - Crossrail

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

8 Annual Governance Statement

8.1 Introduction

Throughout 2022/23 Members and staff working for London Borough of Harrow strived to achieve the Council's vision, priorities and outcomes, initially as outlined in the Harrow Borough Plan 2030 and then through the new vision and priorities which culminated in the Council's new Corporate Plan agreed in February 2023. Arrangements are in place to ensure that the intended positive outcomes for residents are achieved. To ensure good governance these arrangements are agreed and documented and together form the authority's governance structure.

8.2 Responsibility

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

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

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

The authority's governance structure is comprised of a number of key documents that aim to ensure that resources are directed in accordance with agreed policy and according to priorities as set out in the Harrow Borough Plan 2030 and the Corporate Plan, that there is sound and inclusive decision making and that there is clear accountability for the use of resources in order to achieve the desired outcomes for Harrow service users and local communities.

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

8.3 Effectiveness of Key Elements of the Governance Framework

Since 2005/06 the Council has undertaken an annual review of its governance arrangements to ensure the delivery of good governance in accordance with the requirements of the Accounts and Audit Regulations 2015 and in accordance with *Delivering Good Governance in Local Government: Framework 2016* published by the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (Solace). In the early years this approach helped us to identify a number of significant governance gaps, however in more recent years the majority of significant gaps have been identified by Internal Audit work and/or senior management input, with the framework only helping to identify minor governance gaps, many of which are ongoing. Essentially the framework provides a very granular approach to the review of governance and is useful in confirming that the basic building blocks of governance are in place.

The 2022/23 annual review process reviewed the basic building blocks of governance via a

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

The effectiveness of key elements during 2022/23 is covered below:

8.3.1 Behaviour of Members and Staff

Codes of Conduct that define standards of behaviour for Members and staff have been developed and are included in the Council's Constitution. The Council's Constitution and Code of Conduct has been reviewed and updated by the Monitoring Officer. Mechanisms are in place to deal with Member and staff transgressions from these codes and policies are also in place for dealing with whistleblowing and conflicts of interest. The Council values are incorporated into the staff induction programme as well as the performance appraisal process. Through the Big Conversation in February/March 2023 (an engagement programme aimed at developing a new Workforce Strategy in the Council), it was suggested that the Council values should be reviewed over the next year.

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

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

The Corporate Induction covered:
- Welcome from Leader and Managing Director (Head of Paid Service) (their expectations from staff)
- Vision and priorities
- Values and Behaviours for both Staff and Managers
- Organisation structure
- Equalities and Diversity
- Completion of Mandatory training (for staff who do not have IT access)

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

8.3.2 Compliance with Laws and Regulations

Responsibility to comply with relevant laws and regulations and internal policies and procedures rests with the Council's managers some of whom have specific statutory obligations e.g. the Head of Paid Service, Director of Children's Services, Director of Adult Social Services, the Chief Finance Officer (Section 151 Officer), the Monitoring Officer and the Director of Public Health which are outlined in Article 12 of the Council's constitution. The Statutory Monitoring Officer functions to report on likely contravention of any enactment or rule of law and the Chief Finance Officer (CFO) is responsible for identifying any proposal, decision or course of action that will involve incurring unlawful expenditure.

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

8.3.3 Acting in the Public Interest

During 2022/23 the Council can demonstrate a commitment to openness and acting in the public interest. This has been achieved via the implementation of a governance structure which includes codes of conduct, a Standards Committee (GARMS), registers of interests, gifts and hospitality, a whistleblowing policy, a corporate complaints process, a Corporate Anti-fraud & Corruption Strategy, Financial Regulations and Contract Procedure Rules and a Scrutiny Function.

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

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

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

8.3.4 Communication and Consultation

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

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

8.3.5 The Corporate Plan

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

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

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

8.3.6 Putting the Vision into Practice

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

8.3.7 Decision-making

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

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

8.3.8 Measuring Performance and External Assurance

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

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

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

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

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

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

8.3.9 External Audit

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

8.3.10 Roles and Responsibilities

The roles and responsibilities of Members, the most senior managers and statutory officers have been defined and documented in the constitution. The roles and responsibilities of other managers and staff are defined and documented in Role Profiles attached to each post.

8.3.11 Capacity & Capability

Throughout 2021/22 there was a lack of strategic leadership capacity caused by the significant demands on the senior leadership team and a heavy reliance on interims in senior posts that continued throughout 2022/23. A new Chief Executive was appointed in September 2022 following the departure of the previous encumbrant in June 2022. The Corporate Director of People acted as Interim Chief Executive and as Head of Paid Service from June until September 2022 at which point he left the Council and was replaced by a new Corporate Director People. The new Chief Executive has since resigned, leaving the Council at the end of May 2023, he was replaced by the interim Director of Corporate Resources and Transformation who has been appointed internally to the post of Head of Paid Service (Managing Director), with effect from 1 June 2023 for an initial six months to November 2023 with an option to extend for a further three years (which has since been agreed by Council on 30 November 2023).

8.3.12 Financial Management

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

The Council maintained its General Fund Balances at £10m in 2022/23. This maintains the Council's capacity to manage risks arising in future years from continuing demographic pressures, the economy, welfare reforms and further changes to Central Government funding. Council reserves, excluding General Fund balances, are £54m of which £42.3m are earmarked, £14.7m are non-earmarked and there is a negative balance of £2.6m against the High Needs Block.

8.3.13 Monitoring Officer Function

The Statutory Monitoring Officer functions to report on likely contravention of any enactment or rule of law. The duties of the Monitoring Officer are outlined in Article 12 of the Council's constitution and are undertaken by the Council's Director of Legal and Governance Services. During 2022/23 the Monitoring Officer retired from the Council. The deputy Monitoring Officer is covering this role as Monitoring Officer as an interim arrangement ensuring effective arrangements were in place to discharge these duties.

8.3.14 Head of Paid Service Function

The requirements of the Head of Paid Service function are also outlined in Article 12 of the Council's constitution and effective arrangements were in place for the discharge of these duties by the Chief Executive and/or the Managing Director following a change of role title on 1 June 2023) throughout 2022/23.

8.3.15 Development Needs

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

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

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

8.3.16 Managing Risks

The framework for identifying and managing risks consists of a series of Directorate Risk Registers that feed into an overarching Corporate Register that clearly identifies the owner of each risk. The Corporate Risk Register was reviewed and updated four times during 2022/23 for Q1 in May 2022, for Q2 in August 2022, for Q3 in November 2022 and for Q4 in April 2023. Each update was presented to the Corporate Leadership Team (CLT) for review and challenge and Q1, Q2, Q3 and Q4 were presented to the Governance, Audit, Risk Management & Standards (GARMS) Committee to assist the Committee in monitoring progress on risk management in accordance with their Terms of Reference.

The risk management implications section of the report template for Cabinet and other Committee decision reports requires risks to decisions to be identified along with mitigations and red, amber, green (RAG) assurance ratings to be included. This is supported by guidance for report authors and a requirement for this section of the reports to be reviewed and signed-off by the Head of Internal Audit who is operationally responsible for the Corporate Risk Management function.

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

8.3.17 Counter Fraud and Anti-corruption Arrangements

The Council has a Corporate Anti-Fraud Strategy 2016-19 outlining its approach to tackling fraud that is reviewed annually. The refreshed Local Government Fighting Fraud & Corruption Locally Strategy (FFCL) was published online on 26 March 2020 and during 2020-21 the intention was for Harrow's strategy to be reviewed and updated to reflect any changes and best practice that the new FFCL Strategy recommended. However, this was not achieved and was rolled forward to 2021/22 along with an assessment against the checklist contained within the strategy outlining best practice for dealing with fraud and corruption in local authorities. Work undertaken on the significant governance gap identified in 2021/22 (outline in section 5 below) further delayed the Strategy being updated, however it has now been updated and consulted upon. The updated strategy will be presented to the GARMS Committee in due course.

8.3.18 Scrutiny

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

- Health
- Community
- People
- Resources

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

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

During 2022/23 O&S met seven times, P&F three times and H&SC three times.

8.3.19 Internal Audit

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

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

8.3.20 Audit Committee

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

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

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

8.3.21 Joint Working/Council Trading Companies

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

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

Name	Legal Structure	Date Started Trading
Concilium Group Limited (Holding Company)	UK Limited Company	November 2015
Concilium Business Services Limited	UK Limited Company	November 2015
Sancroft Community Care Limited	UK Limited Company	January 2018
Concilium Assets LLP	Limited Liability Partnership	January 2019

Harrow Strategic Development Partnership LLP	Limited Liability Partnership	March 2021

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

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

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

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

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

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

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

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

In January 2019 the Committee on Standards in Public Life published its report on local government ethical standards and made a number of best practice recommendations. **Best practice recommendation 14 states that**: Councils should report on separate bodies they have set up or which they own as part of their annual governance statement and give a full picture of their relationship with those bodies. Separate bodies created by local authorities should abide by the Nolan principle of openness and publish their board agendas and minutes and annual reports in an accessible place.

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

8.4. Level of Assurance

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

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

5. Previous Significant Governance Issues

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

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

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

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

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

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

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

8. Declaration
The Leader of the Council and the Managing Director will sign the final Annual Governance Statement on behalf of the authority having gained assurance from the annual review of the authority's governance arrangements supported by evidence provided by management including the Chief Finance Officer, the Monitoring Officer, Corporate Directors and independent assurance provided by the Head of Internal Audit.

Cllr Paul Osborn	Alex Dewsnap
Leader	Managing Director
Date:	Date:

9.Pension Fund Financial Statements

Pension Fund Certificate

Harrow Council

Pension Fund Accounts 2022-23

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

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

Harrow Pension Fund Account as at 31 March 2023

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

Net Assets Statement as at 31 March 2023

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

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

Sharon Daniels
Interim Director of Finance and Assurance
Date – TBC

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

NOTE 1: DESCRIPTION OF FUND

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

a) General

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

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

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

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

b) Membership

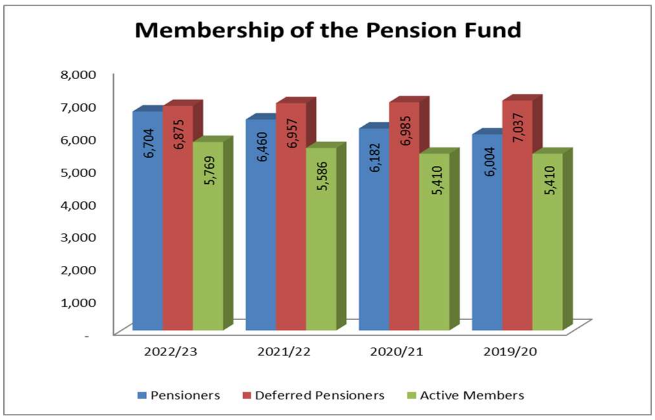
Membership of the LGPS is voluntary and employees are free to choose whether to join the Scheme, remain in the Scheme or make their own personal arrangements outside the Scheme.

Organisations participating in the Fund include the following:

- **Scheduled bodies:** These are the local authority and similar bodies whose staff, are automatically entitled to be members of the Fund.

- **Admitted bodies:** These are other organisations that participate in the Fund under an admission agreement. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing.

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



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

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

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

Employers participating in the Fund pay different rates of contributions depending on their history, their staff profile and any deficit recovery period agreed with the Fund. Employer contribution rates are reviewed as part of the triennial actuarial valuation. The last valuation took place as at 31 March 2022 and showed that the Fund was 96% funded. The deficit is to be recovered by additional employer contributions over the course of 20 years.

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay. Employee contributions are matched by employers’ contributions which are set based on triennial actuarial funding valuations. Currently almost all, employer contribution rates fall within the range 17.2% to 35.4% of pensionable pay.

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

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

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

There are a range of other benefits provided under the Scheme including early retirement, disability pensions and death benefits. For more details, refer to the ‘Brief Guide to the Local Government Pension Scheme’ attached as Appendix 5.

NOTE 2: BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2022-23 financial year and its position as at 31 March 2023. The Accounts have been prepared on a going concern basis in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2022-23' issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based on International Financial Reporting Standards as amended for the UK public sector.

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

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund account – Revenue Recognition

a) Contributions income

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

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

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

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with The Local Government Pension Scheme Regulations 2013 (see notes 8 and 10).

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

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

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

c) Investment income

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

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

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

Fund account – Expense items

a) Benefits payable

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

b) Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense if it arises.

c) Management expenses

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

Administrative expenses

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

Oversight and governance costs

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

Investment management expenses

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

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the values of these investments change.

Where an investment manager's fee invoice or fee information has not been received by the balance sheet date an estimate based on the market value of their mandate as at the end of the year is used for inclusion in the Fund account in 2022-23.

Net Assets Statement

a) Financial assets

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

The values of investments as shown in the Net Assets Statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (See note 16). For the purposes of disclosing levels of fair value hierarchy, the fund had adopted the classification guidelines recommended in '*Practical Guidance on Investment Disclosures (PRAG/Investment association, 2016)'*

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

b) Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes. (See note 15). Derivatives are used by the Fund to reduce its exposure to the risk of fluctuations in currency values in its global equity portfolio. They are valued on the basis of the change in the relative values of sterling and the currency being hedged between the point at which the derivatives were purchased and the balance sheet date.

c) Cash and cash equivalents

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

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

d) Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date with the exception of current liabilities. A financial liability is recognised in the Net Assets Statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund. Current Liabilities are shown at amortised cost - given the short-term nature of these liabilities there are unlikely to be any gains or losses arising from these before settlement.

e) Actuarial present value of promised retirement benefits

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

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

f) Additional Voluntary Contributions

The Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. The Fund has appointed Prudential Assurance, Clerical Medical and Utmost (Previously Equitable Life) as its AVC providers. AVCs are paid to the AVC provider by employers and are specifically intended for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with section 4 (1)(b) of the Local Government Pension Scheme (Management and Investments of Funds) Regulations 2016 but are disclosed as a note only (Note 23)

g) Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

h) Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.
Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

NOTE 4: CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Pension Fund liability

The net Pension Fund liability is calculated every three years by the appointed actuary with annual updates in the intervening years. The methodology used is in line with accepted guidelines.
This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in notes 19 and 20.
These actuarial revaluations are used to set the future employer contribution rates and underpin the Fund's most significant management policies.

Unquoted private equity investments

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

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.
The items in the net assets statement at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

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

NOTE 6: EVENTS AFTER THE REPORTING DATE

These are events that occur between the end of the reporting period and the date when the financial statements are authorised for issue that provide new information about conditions that did not exist as of the balance sheet date. There were no material events after the reporting date for 2022-23 for which the accounts have been adjusted.

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

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

NOTE 7: CONTRIBUTIONS RECEIVABLE

By category

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

By type of employer

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

NOTE 8: TRANSFERS IN FROM OTHER PENSION FUNDS

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

NOTE 9: BENEFITS PAYABLE

By category

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

By type of employer

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

NOTE 10: PAYMENTS TO AND ON ACCOUNT OF LEAVER

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

NOTE 11: MANAGEMENT EXPENSES

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

NOTE 11A: INVESTMENT MANAGEMENT EXPENSES

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

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

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

NOTE 12: INVESTMENT INCOME

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

NOTE 13: EXTERNAL AUDIT COSTS

2021-22		2022-23
£'000		£'000
(16)	Payable in respect of external audit	(17)
(16)		**(17)**

NOTE 14: INVESTMENTS

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

NOTE 14A: RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

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

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

NOTE 14B: INVESTMENTS ANALYSED BY FUND MANAGER

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

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

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

NOTE 14D: STOCK LENDING

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

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

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

Value of Stock on Loan as at 31 March 2023 £36.8m (11.35%) compared to £25.9m (7.25%) as at 31 March 2022.

NOTE 15: ANALYSIS OF DERIVATIVES

Objectives and policies for holding derivatives

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

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

Analysis of Open forward currency contracts:-

Settlement	Currency bought	Local value	Currency sold	Local value	Asset value	liability value
		000		000	£'000	£'000
Up to one month	CHF	4,387	GBP	(3,882)	5	
One to six months	GBP	3,773	AUD	(6,838)	64	
One to six months	GBP	11,103	CAD	(18,380)	117	
One to six months	GBP	4,663	CHF	(5,151)	101	
One to six months	GBP	270	EUR	(304)	3	
Over six months	GBP	27,237	EUR	(30,434)	393	
One to six months	GBP	28,169	HKD	(268,132)	500	
Over six months	GBP	11,564	JPY	(1,811,700)	416	
One to six months	GBP	3,438	NOK	(42,157)	177	
One to six months	GBP	30	NZD	(58)	1	
One to six months	GBP	850	SEK	(10,688)	16	
One to six months	GBP	1,247	SGD	(2,035)	8	
Over six months	GBP	225,332	USD	(263,215)	12,717	
Up to one month	NZD	11	GBP	(6)	0	
Up to one month	SEK	9,647	GBP	(752)	1	
Up to one month	AUD	3,419	GBP	(1,855)		(3)
Up to one month	CAD	9,190	GBP	(5,497)		(3)
One to six months	CHF	764	GBP	(691)		(14)
Up to one month	EUR	9,942	GBP	(8,753)		(13)
One to six months	EUR	912	GBP	(810)		(8)
One to six months	GBP	3,913	CHF	(4,387)		(5)
One to six months	GBP	6	NZD	(11)		(0)
One to six months	GBP	754	SEK	(9,647)		(1)
Up to one month	HKD	134,066	GBP	(13,838)		(19)
Up to one month	JPY	591,200	GBP	(3,607)		(12)
One to six months	JPY	38,100	GBP	(243)		(10)
Up to one month	NOK	17,212	GBP	(1,338)		(8)
One to six months	NOK	7,733	GBP	(635)		(37)
One to six months	NZD	47	GBP	(25)		(1)
One to six months	SEK	1,041	GBP	(82)		(1)
Up to one month	SGD	954	GBP	(582)		(1)
One to six months	SGD	127	GBP	(79)		(2)
Up to one month	USD	85,011	GBP	(68,861)		(96)
One to six months	USD	8,182	GBP	(7,154)		(538)
Open forward currency contracts at 31 March 2023					**14,517**	**(770)**
Net forward currency contracts at 31 March 2023						**13,747**
Prior year comparative						
Open forward currency contracts at 31 March 2022					**1,191**	**(5,232)**
Net forward currency contracts at 31 March 2022						**(4,041)**

NOTE 16: FAIR VALUE – BASIS OF VALUATION

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

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

Sensitivity of assets valued at Level 3

The Fund has determined that the sensitivity of the level 3 investments should be at the level determined by independent advisers for equity investments generally. Set out below is the consequent potential impact on the closing value of investments held at 31 March 2023 using data provided by PIRC.

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

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

NOTE 16A: FAIR VALUE HIERARCHY

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

Level 1

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

Level 2

Assets and liabilities at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.

Level 3

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

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

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

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

NOTE 16B: TRANSFERS BETWEEN LEVELS 1 AND 2

None

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

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

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

NOTE 17: FINANCIAL INSTRUMENTS

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

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

NOTE 18: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and risk management

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet its forecast cash flows. The Council manages these investment risks as part of its overall Pension Fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Committee. The Committee reviews the Fund's risk register on a regular basis.

Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equities holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

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

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

Price risk

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

The Fund's investment managers mitigate this price risk through diversification.

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

Assets type	Potential market movements (+/-) %
Equities	12.32
Bonds	9.34
Alternatives	5.31
Pooled Property	7.04
Private Equity	5.75

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

Asset type	Value as at 31 March 2023	Percentage change	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Investment portfolio assets:				
Pooled equities investments	498,492	12.32	559,899	437,085
Pooled bond investments	134,377	9.34	146,933	121,821
Pooled alternative investments	165,151	5.31	173,920	156,382
Pooled property investments	59,898	7.04	64,114	55,682
Private Equity	4,052	5.75	4,285	3,819
Pooled Infrastructure	72,462	5.31	76,309	68,615
Equity - London CIV	150	0.00	150	150
Total	**934,582**		**1,025,610**	**843,554**

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

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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

The Fund's direct exposure to interest rate movements as at 31 March 2023 and 31 March 2022 and the impact of a 1% movement in interest rates are as follows:

Assets exposed to interest rate risk	Carrying amount as at 31 March 2023	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£'000		£'000	£'000
Cash and cash equivalents	19,105	0	19,105	19,105
Fixed interest securities	46,539	465	47,004	46,074
Global bond fund	43,613	436	44,049	43,177
Total change in assets available	**109,257**	**901**	**110,158**	**108,356**

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

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

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

Currency risk

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

Following analysis of historical data in consultation with the Fund’s advisers the Council considers the likely volatility associated with foreign exchange rate movements to be 7.54%

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

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

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

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

Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund’s assets and liabilities.

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

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

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

The Fund's cash holding at 31 March 2023 was £19.1m (31 March 2022: £24.3m). This was held with the following institutions.

Summary	Rating	Balances at 31 March 2022	Balances at 31 March 2023
		£'000	£'000
Bank accounts			
NatWest PLC	A+ (Fitch)	7,288	7,672
JP Morgan	Aa1 (Moodys)	5,977	27
BlackRock	AAAmmf (Fitch)	11,027	11,406
		24,292	**19,105**

Liquidity risk

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

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

The Fund considers liquid assets to be those that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2023 the value of illiquid assets was £136.4m. This represented 14.30% of the total Fund assets (31 March 2022: £121.9m).

Refinancing risk

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

NOTE 19: FUNDING ARRANGEMENTS

In line with The Local Government Pension Scheme Regulations 2013, the Fund's Actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2022. The next valuation takes place as at 31 March 2025.

The key elements of the funding policy are:

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers).

- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

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

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

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

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

Financial assumptions

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

Demographic assumptions

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

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

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

Commutation assumption

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

NOTE 20: ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

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

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

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

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

IAS19 Assumptions used

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

NOTE 21: CURRENT ASSETS

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

NOTE 21A: LONG TERM DEBTORS

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

NOTE 22: CURRENT LIABILITIES

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

NOTE 23: ADDITIONAL VOLUNTARY CONTRIBUTIONS

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

NOTE 24: AGENCY SERVICES

There were no payments of this type

NOTE 25: RELATED PARTY TRANSACTIONS

Harrow Council

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

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

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

Governance

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

NOTE 25A: KEY MANAGEMENT PERSONNEL

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

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

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

NOTE 26: CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

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

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

NOTE 27: CONTINGENT ASSETS

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

London Borough of Harrow Pension Fund ("the Fund") Actuarial Statement for 2022/23

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

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated March 2023. In summary, the key funding principles are as follows:

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

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 70% likelihood that the Fund will achieve the funding target over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £1,018 million, were sufficient to meet 96% of the liabilities (i.e., the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2022 valuation was £39 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2022 valuation report and FSS.

Method

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

Assumptions

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

The key financial assumptions adopted for the 2022 valuation were as follows:

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

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

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

*Aged 45 at the 2022 valuation.

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

Experience over the period since 31 March 2022

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

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

Steven Law FFA

9 May 2023

For and on behalf of Hymans Robertson LLP

Appendices

Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Non-Domestic Rate (NDR): a flat rate in the pound set by Central Government and levied on businesses in the borough. NDR is now shared between the Council (30%), Central Government (33%) and the Greater London Authority (37%).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Abbreviations

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

LONDON BOROUGH OF
HARROW

Report for:	**GOVERNANCE, AUDIT, RISK MANAGEMENT AND STANDARDS COMMITTEE**

Date of Meeting:	19 March 2024
Subject:	INFORMATION REPORT – Internal Audit & Corporate Anti Fraud Team (CAFT) Progress Report for the period ending 29 February 2024
Responsible Officer:	Sharon Daniels, Interim Director of Finance & Assurance
Exempt:	No
Wards affected:	All
Enclosures:	Appendix 1 - Internal Audit & CAFT Progress Report as at 29 February 2024

Section 1 – Summary and Recommendations

This report sets out the Internal Audit and Corporate Anti Fraud Team (CAFT) progress against the 2023/24 plans and outcomes of reactive investigations. The report includes the Interim Head of Internal Audit's overall audit opinion on the control environment.

The report is presented to enable the Committee to fulfil the requirements of its Terms of Refence to consider reports from the Head of Internal Audit on internal audit's performance, including the performance of external providers of internal audit services.

- The Committee is recommended to note the progress report at Appendix 1

Section 2 – Report

2.1 Background

The GARMS Committee considers progress reports from the Head of Internal Audit covering progress against the agreed annual plan to help fulfil its purpose in accordance with its Terms of Reference.

2.2 Summary of the Internal Audit & CAFT Progress Report

(i) Overall, Internal Audit has achieved 75% of the revised 2023/24 annual internal audit plan, which is slightly below the target for the full year of 90%. A total of 54 recommendations were made to management to improve internal controls of which 100% were agreed for implementation by management, exceeding the 95% target.

(ii) Appendix 1 details the Head of Internal Audit's draft opinion, provides a summary of all the work undertaken during the year and the performance of Internal Audit against the agreed key performance indicators. A summary of the findings of a self assessment carried out be the Interim Head of Internal Audit of the compliance with the Public Sector Internal Audit Standards (PSIAS) is also provided.

(iii) In addition, a statistical summary of the work undertaken by the Corporate Anti Fraud Team for the period to 29 February 2024 is included. In summary, the key financial benefits to arise from selected key areas of enquiry are as follows: -

Investigation Area	Number of Completed Investigations with positive outcomes	Estimated Savings/Avoidance of Loss Arising from Investigations £
Tenancy	8	651,250
NFI	63	413,912
Right to Buy	2	244,100
Internal/Employee	5	300,099
Housing Application	1	6,140

Legal Implications

Accounts & Audit Regulations 2015

Internal Audit
5**.** (1) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

Financial Implications

There are no financial implications to this report, the Internal Audit and Anti Fraud Service is being delivered within budget for 2023/24.

Risk Management Implications

Risks included on corporate or directorate risk register? **No**
Separate risk register in place? **No**
Relevant risks contained in the register are attached/summarised below - **N/A**

The main risk relating to the performance of the internal audit service is as follows:

Risk Description	Mitigations	RAG Status
Insufficient work is undertaken during the year to enable an overall audit opinion to be produced by the Head of Internal Audit	• Annual plan to guide the work of the teams • Performance management of the teams • Performance management reported to GARMS • Adequately resourced IA and CAFT teams and/or appropriate working methods to ensure adequate coverage	

Equalities implications/Public Sector Equality Duty

Not Applicable

Council Priorities

1. **A Council That Puts Residents First**
2. **A Borough That Is Clean and Safe**
3. **A Place Where Those In Need Are Supported**

The work of the Internal Audit and Corporate Anti Fraud services supports the delivery of the Council's priorities by providing assurance on the effectiveness of risk management, control and governance processes, making recommendations to improve these processes and investigating allegations of fraud and irregularity, increasing the likelihood of the achievement of the priorities.

Section 3 - Statutory Officer Clearance

As this is an information report Legal / Finance / Corporate Director clearances are not necessary.

Mandatory Checks

Ward Councillors notified: No, as it impacts on all Wards

Section 4 - Contact Details and Background Papers

Contact: Tracy Barnett, Interim Head of Internal Audit & Corporate Anti-Fraud

Background Papers: None

If appropriate, does the report include the following considerations?

1. Consultation: No
2. Priorities: Yes

London Borough of Harrow

Internal Audit and Corporate Anti Fraud Team Progress Report

as at 29 February 2024

CONTENTS:

1. Introduction

This report outlines the work carried out by the Internal Audit Service and Corporate Anti Fraud Team (CAFT) for the period up to 29 February 2024.

The Internal Audit Plan 2023/24 was based on a level of internal audit input of 366 days and was agreed by the Governance, Audit, Risk Management and Standards Committee on 20 September 2023. Internal Audit work has been performed in compliance with the Public Sector Internal Audit Standards.

2. Head of Internal Audit Opinion

The aim of the internal audit annual plan is to ensure that sufficient internal audit work is undertaken throughout the year to allow an opinion to be given as to the adequacy and effectiveness of governance, risk management and internal control across the Council.

The level of progress against the plan as at the 29 February 2024 indicates that sufficient work will be undertaken to allow an opinion to be given at year-end.

3. Summary of Internal Audit Progress

The work of the Internal Audit Service was affected by the departure of the Head of Internal Audit and an auditor at the beginning of the financial year, leaving only one auditor in post at that time. Since mid-late summer two agency workers were recruited is helping to ensure adequate coverage of the 2023/24 Annual Audit Plan will be achieved. As a result of the vacancies the number of planned reviews for 2023/24 are less than would be expected were there a full complement of auditors.

As at the 29 February 2024 a total of 27 reviews had been started from the 2023/24 Annual Plan, 21 have been completed and one is currently at draft report stage. Progress with the 2023/24 Annual Plan is summarised in Table1 below. The table shows 75% have been completed or are in progress.

2023/24 Internal Audit Plan Stage of Audit Activity	Number of Audit Reviews	Percentage of Revised Plan
Scoping/Terms of Reference Agreed		
Fieldwork in Progress	5	14%
Draft Report Issued	1	3%
Completed	21	58%
Total Work Completed/In progress	**27**	**75%**
Original Plan	35	
Additional Requests	4	
Postponed/Cancelled	3	
Total Revised Plan	**36**	

Table 1

Details of changes to the original audit plan are shown in Table 2 below.

Cancelled or Postponed Reviews	Reasons for Deferral
HSDP/Council Owned Companies Governance	Cancelled at request of management, external review commissioned
Safeguarding Team	Deferred at management request
Marlborough Primary School	Deferred due to Ofsted Inspection
Additional Reviews	**Reasons for Addition**
Fees & Charges	Assurance that charges made are accurate
Employee Expenses	Assurance that these are in accordance with the policy
HBPL	Management assurance
Highways	To assess current assurance

Table 2

3.1 Progress against 2023/24 Annual Plan at 29 February 2024

Review	Assurance Rating	Number of Recommendations			Comment
		H	M	L	
Corporate Risk Based/Governance Reviews					
Annual Corporate Governance Assurance (AGS)	N/A				Completed
Asset Management Assurance					
Financial Management Assurance					
Human Resources					
Information & Data Management					
Performance Management					
Programme & Project Management					
Tell Us Once/Legacy Systems		0	2	2	Completed
Fees & Charges					WiP
Core Financial Systems (2023/24)					
Business Rates		0	4	0	Completed
Capital Expenditure		0	1	0	Completed
Treasury Management		0	0	0	Completed
Housing Rents		0	2	0	Completed
Housing Benefit		0	0	0	Completed
Corporate Accounts Receivable		0	1	1	Completed
Corporate Accounts Payable		0	4	0	Completed
Payroll		0	1	0	Completed
Council Tax		0	4	0	Completed
IT					
Loss of Social Care Data					Q4
Legacy File Storage					Q4
Audit Needs Assessment					Q4
Resources & Assurance					
Financial Resilience					Draft Report
HR Policies (Evaluations & Honorariums)		1	3	4	Completed
Employee Expenses					Q4
HBPL					WiP
Place					
Facilities Management Statutory Compliance		2	3	3	Completed
HSDP/Council Owned Companies Governance					Cancelled
Housing Planned Investment		0	1	2	Completed
Licensing		2	3	2	Completed
Aids & Adaptations		1	4	1	Completed
Highways					WiP
People					
Children's Placements					Q4
Safeguarding Team					Deferred

Occupational Therapy					Q4
Schools					
Glebe Primary					WiP
Marlborough Primary					On hold
Weald Rise Primary					Completed
Shaftesbury High School					Completed
St John's C of E School					WiP
Grant Assurance					
Together with Families Grant	N/A				Completed
SVFS	N/A				Completed
Bus Subsidy Grant	N/A				Completed

Table 3

Final red and red/amber assurance reports are presented to the GARMS Committee individually for review and comment with relevant managers attending the meetings.

3.2 Follow Up Work Conducted/Due

In order for the Council to derive maximum benefit from internal audit, agreed actions should be implemented. Whilst management is responsible for implementing recommendations, in accordance with the internal audit protocol follow-ups of recommendations are undertaken for Red, Red/Amber & Amber assurance reports and report recommendations are followed-up until at least an Amber assurance rating is achieved. Table 4 below summarises the follow up work performed up to 29 February 2024.

Review	Original Assurance Rating		Re-Assessed Assurance Rating		Comments
Capital Expenditure	**Amber**	**Green**	**Green**		Completed
NDR	**Amber**	**Green**	**Amber**	**Green**	Completed
HMO 2nd Follow-up	**Amber**		**Amber**	**Green**	Completed
Highways Review 2nd Follow-up					Replaced by system review of Highways
Leaseholder Service Charges	**Amber**		**Green**		Completed
Parking Operations 2nd Follow-up					WiP
Housing Repairs Compliance					Q4
Woodland Investigation	**Amber**		**Green**		Completed
Cedar Manor Investigation					WiP
Cedar Manor Governance & Finance					WiP

Table 4

3.3 Performance of Internal Audit at 29 February 2024

A number of Key Performance Indicators (KPIs) were agreed as part of the 2023/24 Internal Audit Plan, performance against these are set out in Table 5 below.

	Internal Audit Performance Indicator	Target	Actual to date	Comments
1	Recommendations agreed for implementation	95%	100%	Exceeded

2	Follow up undertaken – Red & Red/Amber Assurance Reports	100%		All in progress, online to meet target
3	Follow up undertaken – Amber Assurance Reports	56.25% (70% full year)	83%	Exceeded
4	Plan achieved for key control reviews	100%	100%	Achieved
5	Plan achieved overall (key indicator)	45% (90% full year)	75%	Exceeded
	Corporate Performance Indicator			
1	Implementation of recommendations	90%	74%	Online to meet target

Table 5

Of the six internal audit performance indicators three were exceeded and one was met with the final two expected to meet the target by the end of the financial year.

3.4 Summary of the UK Public Sector Internal Audit Standards Self-Assessment Review 2023

The UK Public Sector Internal Audit Standards (PSIAS) requires local authorities to undertake periodic self-assessments and externally validated assessments every five years as part of the Quality Assurance and Improvement Programme of the authority's internal audit service. The last external assessment took place in 2017, a self-assessment was undertaken during 2019.

The Interim Head of Internal Audit & CAFT has recently undertaken a self-assessment. The findings of the assessment are that although Harrow's Internal Audit Service was non-compliant with the standards due to the length of time since an assessment was undertaken. This is similar to most local authorities due to the effect of the Covid 19 pandemic which resulted in the cancellation of all external assessments during 2020. Assessments recommenced in 2021/22. Enquiries are underway to arrange an external assessment during 2024/25.

Despite the lack of assessments the overall result was that Harrow 'generally conforms' with the standards. There are a small number of areas where improvement is necessary, largely around undertaking assessments. This is a similar result across the country as assessments were halted during the Covid pandemic. Areas identified for improvement and actions required are detailed in the Quality Assurance and Improvement Action Plan (QAIP) at Appendix B, a brief summary of areas for improvement are outlined in Table 6 below: -

Summary of PSIAS Self-Assessment Action Plan

PSIAS Core Principles	Findings	Priority	Agreed Actions/ Responsible Officer/Date	Status
Organisational Independence	Partially conforming	High	Restructure of the service is currently being proposed. HIA - 01/04/24	In progress
Quality Assurance and Improvement Programme	Not conforming	Medium	Prepare QAIP HIA - 01/04/24	In progress
Internal Assessments	Not conforming	Low	Summary included in IA Progress for GARMS 31/01/24	Completed
External Assessments	Not conforming	High	HIA to investigate options with London Audit Group – 01/04/24	Ongoing
Reporting on the QAIP	Not conforming	Medium	To be included in annual report to GARMS HIA - 01/06/24	Due 01/06/24

Disclosure of Non-conformance	Not conforming	Medium	HIA - 31/01/24	In progress

Table 6

4. Summary of Corporate Anti Fraud Team Work

The CAFT received 97 referrals during 2023/24 to date. A breakdown of the outcomes and values of loss/loss avoidance as a result of the work carried out by the team is provided in Table 7 below.

4.1 Fraud Referrals, Outputs and Savings Summary as at 29 February 2024[1]

Fraud Risk Area	Referrals (2023/24)	Positive Outcomes (2023/24 to date)	Loss/Loss Avoidance Value (£)	Live cases Under Investigation	Cases Closed
Tenancy	14	8	651,250	45	32
Right to Buy	11	2	244,100	3	13
Housing Application	2	1	6,140	4	4
Internal/Employee	15	5	300,099	21	9
Social Care	21	0	0	17	27
Blue Badge	14	0	0	0	14
Revenue/CT/CTRS/HB/Grants	10	0	0	1	12
Other	0	0	0	0	1
Totals	**97**	**15**	**£1,201,589**	**91**	**112**

Table 7

In addition to investigating referrals received CAFT also coordinates the Council's response to the National Fraud Initiative, a biennial data matching exercise conducted by the Cabinet Office involving public sector organisations across the country. Matches are investigated by various teams within Harrow over the two-year cycle, CAFT investigates some matches and coordinates the Council's overall response. It needs to be recognised that matches are flags that further enquiries may be needed, they do not necessarily result in an investigation. The most recent matches were provided to CAFT in January 2023. The total number of matches 6,516 included 366 categorised as high priority. Participants are expected to further risk assess the results to determine those that require further investigation. To date of the 366 high priority matches there have been 63 positive outcomes this year resulting in savings/loss avoidance in excess of £413,000.

Outcomes from National Fraud Initiative (NFI) 2023

Matches Received in January 2023	Positive Outcomes (to date)	Loss/Loss Avoidance Value (£)	Live cases under Investigation
All Matches - 6,516 High Risk Matches - 366	63	413,912	4

The CAFT undertakes pro-active reviews throughout the year as agreed in its Pro-active Anti-fraud Plan. Details of progress are shown in Table 8 below. With the exception of Cifas employee screening all the work streams in the Pro-Active Anti-Fraud Plan 2023/24 are on target for completion by the end of the financial year.

[1] Statistical data, other than number of referrals, may include cases ongoing from previous periods.

4.2 Progress against the 2023/24 Pro-Active Anti-Fraud Plan as at 29 February 2024

	Fraud Work Stream	Status	Comments
1.	Corporate Fraud Risk Assessment	Completed	
2.	Corporate Anti-Fraud & Corruption Strategy 2022-26	Completed	
3.	Corporate Anti-Fraud & Corruption Strategy 2022-26 Self-assessment	On target	
4.	National Fraud Initiative co-ordination role	On target	
5.	Fraud E-learning	Completed	
6.	Cifas employee screening	In progress	Further consultation required
7.	Corporate Anti-Fraud Awareness	On target	
8.	Fraud Liaison	On target	
9.	Challenging Organised Crime Groups (OCG's)	Completed	
10.	Housing Fraud	In progress	See KPI's below
11.	Social Care Fraud	On target	
12.	Risk assess allegations of internal fraud and corruption	On target	See KPI's below
13.	Risk assess allegations of fraud and corruption	On target	See KPI's below

Table 8

4.3 Performance of CAFT at 31 December 2023

A number of Key Performance Indicators (KPIs) were agreed as part of the 2023/24 Pro-Active Anti-Fraud Plan, performance against these are set out in Table 9 below.

No.	Key Performance Indicators 2023/24	Year-end target	Output at the end Feb 2024	Comments
1.	Seek to recover a combined total of 11 Council social housing units and disrupt/intercept fraudulent Right to Buy applications	11	9	In progress
2.	Fraud validation checks commenced on Right to Buy applications and resources deployed in 10 working days with 100% check before purchase completion	90%	100% (11/11)	Exceeding
3.	Internal fraud and corruption referrals risk assessed and resources deployed in 5 working days	85%	93% (14/15)	Exceeding
4.	Fraud and corruption referrals risk assessed and resources deployed in 10 working days	85%	100% (82/82)	Exceeding
5.	Fraud risk recommendations agreed for implementation	85%	94% (17/8)	Exceeding

Table 9

Of the five key performance indicators, four were exceeding and one is in progress at the time of writing the report.

Appendix A: Audit Report Assurance Levels

Internal audit reports are given Red, Red/Amber, Amber, Amber/Green or Green assurance ratings as follows: -

Assurance Rating	Description

Red	Red reports indicate systems/functions/establishments with a low overall percentage of controls in place that represent a high risk to the authority needing immediate attention to improve the control environment
Red/Amber	Red/Amber reports indicate systems/functions/establishments that represent a high to medium risk to the authority needing immediate attention to improve the control environment
Amber	Amber reports indicate a fair level of controls operating that represent a medium risk in need of attention to prevent them becoming high risk
Amber/Green	Amber/Green reports indicate medium to low risk in need of attention to prevent them becoming high risk.
Green	Green reports indicate a high level of controls operating effectively, including all critical controls, that represent low risk areas.

A formula for converting audit findings into a Red, Red/Amber, Amber, Amber/Green or Green rating has been developed as follows: -

Assurance Rating	Description
Red	Red reports will be those where there is one or more of the following: • A low overall percentage of controls in place (0-50%) • An absence of critical controls, reflected as high risk recommendations • A significant deterioration in control systems • Poor progress with implementation of previous recommendations
Red/Amber	Red/Amber reports will be those that have 51-60% of controls operating and no more than 40% of controls absent are critical (40% of recommendations made).
Amber	Amber reports will be those that have 61-70% of controls operating and no more than 25% of controls absent are critical (25% of recommendations made).
Amber/Green	Amber/Green reports are those that have 71-80% of controls operating and no more than 10% of controls absent are critical (10% of recommendations made).
Green	Green reports are those having 81-100% of controls operating including all critical controls and no absence of critical controls (no high risk recommendations).

Controls operating/substantially operating will be combined to give an overall assurance rating.

Appendix B: PSIAS Quality Assurance and Improvement Plan

PSIAS Core Principles	Findings	Comment of HIA	Priority	Agreed Actions/ Responsible Officer/Date	Status
Organisational Independence	Currently the role has status but seniority of the CAE is not in line with other senior officers in the Council, respect is shown by colleagues and Members.	Resources have been challenging in recent years. The position in the Council is below that expected. This is supported by benchmarking.	High	Restructure of the service is currently being proposed. HIA -01/04/24	In progress
Quality Assurance and Improvement Programme	No QAIP prepared since the last external assessment in 2017.	A QAIP will be prepared following this self-assessment	Medium	Prepare QAIP HIA - 1/04/24	In progress
Internal Assessments	1. The last self-assessment was completed in 2019 but did not get reported anywhere.	Self-assessment completed in December 2023. Findings to be reported to GARMS in Jan 2024.	Low	Summary included in IA Progress for GARMS 31/01/24	Completed
	2. Customer satisfaction surveys are not undertaken at the conclusion of audits.	The response rate has historically been poor to customer satisfaction surveys. Consultation will be undertaken with FDMT with a view to reintroduce for a trial period.	Low	Consult with FDMT to reintroduce for trial period Annually carry out survey with senior managers. HIA- 01/04/2	Ongoing
External Assessments	Last external assessment was in 2017. A review should have taken place by 2022. Due to the Covid pandemic external peer reviews were suspended until 2021/22. These have now resumed but most LAs are non-conforming.	Enquiries to be made with the London Audit Group to organise a peer review in 2024/25.	High	HIA - 01/04/24	Ongoing
Reporting on the QAIP	This has not happened since 2017.	Findings of 2023 will be reported to GARMS, progress on future QAIPs to be included in annual report.	Medium	To be included in annual report to GARMS HIA - 01/06/24	
Disclosure of Non-conformance	No assessment of any kind since 2019 has not been reported to GARMS.	This will be reported to GARMS in January 2024.	Medium	HIA - 31/01/24 January Meeting of GARMS was cancelled, deferred to April 2024	In progress

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LONDON BOROUGH OF
HARROW

Report for:	**GOVERNANCE, AUDIT, RISK MANAGEMENT AND STANDARDS COMMITTEE**
Date of Meeting:	19 March 2024
Subject:	Corporate Anti-Fraud and Corruption Strategy 2022-26
Responsible Officer:	Sharon Daniels, Interim Director of Finance and Assurance
Exempt:	No
Wards affected:	List Ward(s) affected by decision. All
Enclosures:	Appendix 1 – Corporate Anti-Fraud and Corruption Strategy 2022-26

Section 1 – Summary and Recommendations

This report sets out the process and refresh of the Council's Corporate Anti-Fraud and Corruption Strategy 2022-26

Recommendations:

The GARMS Committee is requested to:

1) Review the Corporate Anti-Fraud and Corruption Strategy 2022-26 and provide any comments on the draft strategy.
2) Refer the Corporate Anti-Fraud and Corruption Strategy 2022-26 to Full Council for approval.

Section 2 – Report

Background

2.1 Fraud and corruption risks pose a real threat to the Council not delivering its Corporate Objectives. Fraud not only removes resources from critical services but can cause untold social harms to individuals and communities and create poor morale amongst employees.

2.2 At a time when fraud and corruption represents more than 40%[1] of all crime against individuals in England and Wales, it is vital that the Council has a framework in place to deal with fraud risks and then any subsequent fraud incidents and related losses. Having a robust corporate anti-fraud and corruption strategy in place can help mitigate fraud and corruption risks to prevent and disrupt criminals from committing fraud and enable the Council to react robustly and swiftly when fraud is identified.

2.3 The Corporate Anti-Fraud and Anti-Corruption Strategy is a key strategy document that forms part of the Council's constitution. The strategy has not had a significant refresh for a number of years. This draft strategy came before the Committee in November 2022 for consideration as part of a wider cross Council consultation.

2.4 Consultation has taken place with each Directorate Departmental Management Teams (DMTs), in addition to the interim Director of Legal and Governance and their team.

2.5 The Strategy has been refreshed to reflect changes made to the Local Government Strategy for fraud; Fighting Fraud and Corruption Locally 2020s Strategy [2] and to account for changes in the fraud risk landscape since the last major refresh that took place in 2019.

2.6 It is vital that the authority's approach to countering fraud and corruption remains agile and is able to adapt when fraud risks change. Ensuring that the authority has a robust anti-fraud framework and response is critical to ensuring it protects its finances and resources so that it can deliver on its vision and corporate priorities.

2.7 Under the Council's constitution, one of this committee's responsibilities is 'To monitor the counter-fraud strategy, actions and resources and the Council's approach to tackling fraud and corruption and promote an anti-fraud culture.' The Strategy is part of the constitution and so will require approval by full Council.

[1] https://publications.parliament.uk/pa/cm5803/cmselect/cmjust/12/summary.html
[2] https://www.cifas.org.uk/insight/public-affairs-policy/fighting-fraud-corruption-local-authorities/ffcl-strategy-2020

Legal Implications

Section 151 of the Local Government Act 1972 sets out that the authority should make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs. This includes ensuring that the authority has arrangements in place to prevent, detect and manage risks relating to fraud and corruption, bribery and money laundering.

Financial Implications

There are no financial implications to this report, the Internal Audit and Anti-Fraud Service is being delivered within budget for 2023/24.

Risk Management Implications

Risks included on corporate or directorate risk register? **No**

Separate risk register in place? **No**

The relevant risks contained in the register are attached/summarised below.
N/A

Equalities implications / Public Sector Equality Duty

Not applicable

Council Priorities

1. **A Council That Puts Residents First**
2. **A Borough That Is Clean and Safe**
3. **A Place Where Those In Need Are Supported**

Having a robust Corporate Anti-Fraud and Corruption Strategy contributes to all of the Council's corporate priorities. The work of the Internal Audit and Corporate Anti-Fraud services supports the delivery of the Council's priorities by providing assurance on the effectiveness of risk management, control and governance processes, making recommendations to improve these processes and investigating allegations of fraud and irregularity, increasing the likelihood of the achievement of the priorities.

Section 3 – Statutory Officer Clearance

Statutory Officer: Sharon Daniels

Signed by the Chief Financial Officer

Date: 19 January 20204

Statutory Officer: Jessica Farmer
Signed by the Monitoring Officer :

Date: 19 January 2024

Mandatory Checks

Ward Councillors notified: NO, as it impacts on all Wards

Section 4 - Contact Details and Background Papers

Contact: Justin Phillips, Corporate Anti-Fraud Manager, 020 8424 1609

Background Papers: None

If appropriate, does the report include the following considerations?

1.	Consultation	NO
2.	Priorities	YES

HARROW COUNCIL

CORPORATE ANTI-FRAUD
AND
CORRUPTION STRATEGY

2022 – 2026

CONTENTS PAGE NO

1.0 FOREWORD BY THE LEADER OF HARROW COUNCIL, COUNCILLOR PAUL OSBORN AND MANAGING DIRECTOR, ALEX DEWSNAP

Fraud and corruption continues to provide a significant threat to the UK economy, to businesses and individuals. Estimated losses to fraud and corruption in the UK range from the last most reliable set of local authority figures published in 2013 by the National Fraud Authority of £52 billion of which £2.1 billion was attributed to local authorities, to a more recent report published in 2021 by Crowe UK & The University of Portsmouth called the Financial Cost of Fraud 2021 putting the losses at £137 billion. Whatever the real cost of fraud and corruption to the UK, it is significant.

Harrow Council acknowledges these threats and accepts that we have to rise to the challenges presented by the fraud and corruption threats. Fraud and corruption not only removes finite resources from their intended purpose but it can cause untold social harms to individuals and our community.

Harrow Council will not tolerate fraud and corruption and will push for the strongest penalties against those that think it is acceptable to commit fraud against the authority.

Having launched our Corporate Plan 2023-26 for '*Restoring Pride in Harrow 2023-26'* supported by three clear Corporate Priorities, we will ensure that the public funds that we are entrusted with are protected against misuse and meet the needs of those that require our support the most and so that the people that live and work in Harrow can be proud of their borough.

Harrow Council Corporate Priorities

- A Council that Puts Residents First
- A Borough that is Clean and Safe
- A Place where those in need are Supported

The Corporate Plan sets out how we will restore pride in Harrow. The Plan includes 24 flagship actions and each of these actions seek to deliver a well-run Council that provides good value for money.

Having just emerged from some of the most financially and public health challenging times following the Covid-19 pandemic, we are now in the midst a cost-of-living crisis. The authority is committed to supporting those in need most which will not be easy given the current economic climate. The Council's financial position is a challenging one with an estimated budget gap of £12.466m for 2025/26 and £6.732m for 2026/27. This will involve difficult decisions to be made around service provision, but we are fully committed to doing everything in our powers to help individuals and businesses.

It is therefore vital, that we take a strong position around financial management and governance arrangements of the authority. The Council are determined therefore to protect ourselves from fraud and corruption from within and outside the organisation. The Council advocates a zero-tolerance approach and will seek to prevent fraud and corruption, including bribery, in all areas of the organisation and the services we deliver. Where any instances are discovered, the Council will take all action as is necessary to hold perpetrators to account and reduce losses to an absolute minimum.

Our aim is to make absolutely clear to all that the Council will not tolerate fraud or corruption. The Council expects anyone with a concern, to report the matter immediately so that it can be investigated. The Council will make sure that these reports are dealt with promptly and professionally and where a report is substantiated the Council will take effective and speedy action to protect the organisation.

As Harrow's largest employer, the Council has a duty to make clear to all members, employees and contractors that malpractice in any form will not be tolerated. The authority needs to demonstrate the highest standards of probity and transparency. All council employees are reminded that it is their duty to report any financial or professional misconduct.

The Council have designed this strategy to fight fraud and corruption by acknowledging and understanding our fraud risks, preventing and detecting more fraud and being stronger in punishing fraud and recovering losses. We urge you to study it carefully and join with us in ensuring Harrow Council retains its good name for corporate governance and fairness.

Councillor Paul Osbourn
Leader of the Council

Alex Dewsnap
Managing Director

2.0 INTRODUCTION

This strategy sets out the authorities' framework for managing, mitigating, identifying, investigating and improving internal controls to combat fraud and corruption perpetrated against the authority from both an internal and external perspective. It has the full support of the Corporate Leadership Team (CLT) relevant Members including the Governance, Risk Management and Standards Committee (GARMS), the Leader and the Portfolio Holder for Corporate Finance.

The Council takes its responsibilities for the stewardship of public finances very seriously and is committed to the highest standards of transparency and accountability in order to ensure appropriate use of public funds and assets.

As a living document it is envisaged that this strategy will continually evolve as the Council gains a better understanding of the fraud and corruption risks it faces and responds to new and emerging threats. This strategy will be supported by an annual Fraud Plan developed and delivered by the Corporate Anti-Fraud Team and reported to the Governance, Risk Management and Standards Committee regularly.

The Council has a duty to prevent fraud and corruption, whether it is attempted by someone within or outside the Council such as another organisation, a resident, an employee, contractor or Councillor. The Council is committed to creating and maintaining an effective anti-fraud and corruption culture, by promoting high ethical standards and encouraging the prevention and detection of fraudulent activities.

In all its dealings, the Council will adhere to the seven principles of public life set out in the Nolan Committee's report on *Standards in Public Life*. See below: -

- ***Selflessness***
  Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their families, or their friends.

- ***Integrity***
  Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.

- ***Objectivity***
  In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

- ***Accountability***
  Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

- ***Openness***
  Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands. Openness requires an inclusive approach, an outward focus and a commitment to partnership working.

- ***Honesty***
  Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

- ***Leadership***
  Holders of public office should promote and support these principles by leadership and example.

3.0 AIMS AND OBJECTVES

The aims and objectives of the strategy are to: -

- Acknowledge and understand our fraud risks on at least an annual basis.
- Raise awareness of the impact of fraud both on the organisation and the individual.
- Promote the prevention of fraud, corruption and bribery with Council services.
- Help people pursue and detect fraud, corruption and bribery.
- Establish an effective response to suspected cases of fraud and corruption, to ensure all suspicions are properly and thoroughly investigated.
- Be innovative and explore technology to ensure the authority is ahead of the curve in relation to countering fraud and corruption.
- Create a strong anti-fraud and anti-corruption culture within the Council and reinforce an organisational culture of zero tolerance.
- Take appropriate and robust action to deal with proven fraudsters, applying sanctions against people who commit fraud.
- Vigorously pursue all forms of redress for frauds, overpayments and to recover financial losses.

4.0 SCOPE

This strategy applies to the following groups: -

- Harrow Council employees (including volunteers and agency staff);
- Councillors;
- Staff and Committee Members of council funded voluntary organisations;
- Harrow Council's partners;
- NHS partners;
- Maintained schools;
- Council suppliers, contractors and consultants;
- Customers

5.0 DEFINITIONS

Fraud
The Fraud Act 2006 details the legal definitions of fraud and is used for the criminal prosecution of fraud offences. The Council also deals with fraud in non-criminal disciplinary matters such as tenancy fraud and recovery of property.

For the purposes of this document fraud is defined as; the dishonest action designed to facilitate gain (personally or for another) at the expense of the Council, the residents of the Borough or the wider community. Fraud can be committed in three main ways: -

- Dishonestly making a false statement or representation;
- Dishonestly failing to disclose to another person, information which they are under a legal duty to disclose;
- Committing fraud by abuse of position, including any offence as defined in the Fraud Act 2006.

The definition covers various offences including but not limited to deception, forgery, theft, misappropriation, collusion and misrepresentation. Use in this context is not intended to limit the full use of the Fraud Act 2006 in the investigation and prosecution, of any offences by the Council.

Corruption
Corruption is defined as 'the abuse of entrusted power for private gain'[1]. It can be captured by the offering or acceptance of inducements designed to influence official action or decision making. These inducements can take many forms including (but not limited to) cash, holidays, event tickets, meals.

Bribery
The Bribery Act 2010 reformed the criminal law to provide a new, modern and comprehensive scheme of bribery offences that will enable courts and prosecutors to respond more effectively to bribery at home or abroad. A bribe is defined under the UK Bribery Act as 'a financial or other advantage given or received etc., with the intention of inducing or rewarding the improper performance of a relevant function or activity'.

Theft
Theft is stealing any property belonging to the Council or which has been entrusted to it (i.e., client funds), including cash, equipment, vehicles or data.
Theft does not necessarily require fraud to be committed. Theft can also include the stealing of property belonging to our staff or members whilst on Council property.

Money Laundering
Money laundering is the process by which criminals attempt to 'recycle' the proceeds of their criminal activities in order to conceal its origins and ownership and which leaves them with money that cannot be traced back. All employees are instructed to be aware of the increasing possibility of receiving requests that could be used for money laundering and illicit requests for money through e-mails. Detailed guidance is set out in the Council's Money Laundering Policy.

Any Service that receives money from an external person or body is potentially vulnerable to a money laundering operation. The need for vigilance is vital and if there is any suspicion concerning the appropriateness of the transaction then advice must be sought. Officers should seek the advice from management, Internal Audit or the Corporate Anti-Fraud Team.

[1] Transparency International

6.0 THE SCALE OF FRAUD AND CORRUPTION IN THE UK

The true scale of fraud and corruption in the UK is unknown, but it is significant. There is not one exact measurement and various publications have been released by reputable bodies over the past few years all stating different levels of fraud and its impact upon the UK economy.

Fraud is now the most common crime in England and Wales costing the UK economy in the region of £137bn annually [2]. According to the Office for National Statistics in England and Wales Crime Survey (year ending December 2021), fraud increased 41% to 5.2 million offences when compared to the same period for the year ending December 2019.

On 12 November 2022, the *House of Lords Fraud Act 2006 and Digital Fraud Committee* published a *report* confirming fraud represents 41% of all crime against individual in England and Wales and an adult aged 16 or over in England and Wales is more likely to become a victim of fraud than any other individual crime type.

Fraud is not a victimless crime; it causes untold harm to individuals and communities.

Local Authorities continue to face significant fraud risks as the country emerges out of the Covid-19 pandemic where central government spending supporting individuals and businesses reached record levels.

For every £1 that the authority loses to fraud, a £1 is removed from budgets of essential services such as adult social care or homelessness. Fraud and corruption are a drain on resources and can lead to reputational damage and instability at Executive and Political level.

Criminals evolve and are constantly adapting and fine tuning their skills and techniques, therefore as a local authority we are committed to doing the same, being a part of innovative and trailblazing counter fraud projects where it is economic to explore, particularly where regional cross boundary schemes allow data to be shared in a co-ordinated way.

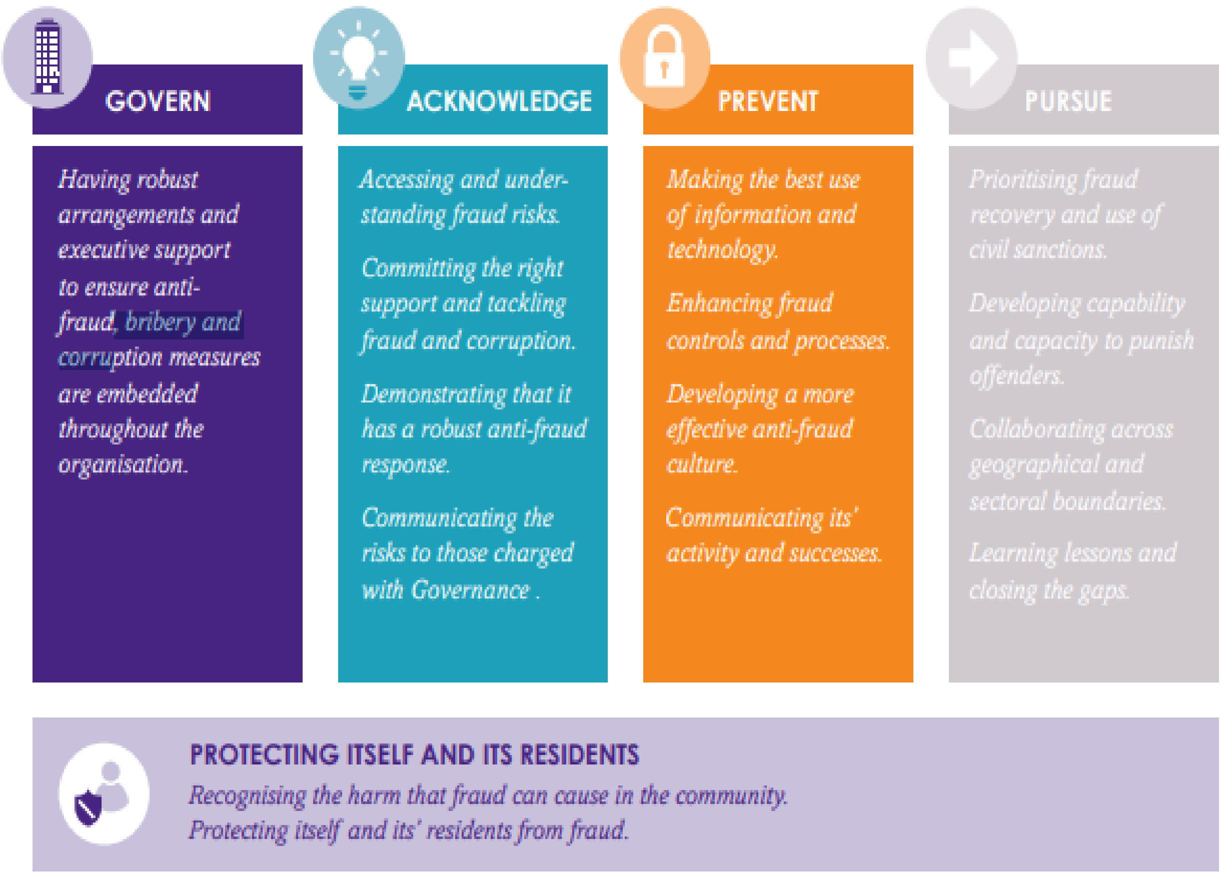
7.0 FIGHTING FRAUD AND CORRUPTION LOCALLY 2020 (FFCL)

[2] Financial Cost of Fraud 2021 Crowe UK & The University of Portsmouth

Our strategy is aligned to the [Fighting Fraud & Corruption Locally] strategy which was first released in 2011 to support and assist local authorities combat fraud at a time when they faced significant financial challenges. The strategy is aimed at Council Leaders, Chief Executives, Finance Directors, Audit Committees and those with portfolio and governance responsibilities.

When it was refreshed in 2020 it retained the three pillars of activity that had been central to the strategy in 2011 and 2016; this being *Acknowledge, Prevent* and *Pursue,* but in addition to these a further two were added, namely *Govern* and *Protect*. The *Govern* pillar was included to ensure that local authorities should have in place a 'tone from the top' and the *Protect* pillar about ensuring it had protection against serious and organised crime.

The authority has embraced FFCL since its launch and has always strived to meet the challenges, standards and best practice contained within it. Contained within FFCL strategy is a best practice checklist that the Council will seek to comply with. See Appendix 1



8.0 THE ANTI-FRAUD FRAMEWORK AND OUR APPROACH

The Council's approach to tackling fraud and corruption aligns with FFCL's 5 pillars framework.

GOVERN	Executive support	The Council's commitment to tackling fraud threats is clear and this 'tone from the top' is critical. Fraud will not be tolerated by the authority and there is executive support for taking a zero tolerant approach. Anti-fraud e-learning has been mandatory for all employees since October 2022 (and refreshed every 3 years) with bespoke fraud risk training for services provided by the Corporate Anti-Fraud Team where the fraud risk is assessed as high. There are whistleblowing procedures and support for those who come forward to report suspected fraud and failures in service standards.
	Anti-Fraud culture embedded	The authority treats fraud risks like any other risks that impact the organisation's ability to deliver our corporate objectives. The risk of fraud is included on the Corporate Risk Register and specific fraud risks are being developed on Directorate risk registers. The authority has a Whistleblowing policy which all staff commit to and encouraged to report concerns around service failure. Contractors and partners are encouraged to sign up also.
	Robust arrangements	The Corporate Anti-Fraud Team and Internal Audit has unfettered access to information within the authority and their work is independent of process. If fraud is reported, swift decisive action will be taken and there is executive support for strong measures against those found guilty of criminal offences including disciplinary action for those staff involved. Fraud committed by employees is listed as an example of 'gross misconduct' for the purposes of disciplinary action. There is an expectation that where evidence demonstrates a serious breach, the authority will always seek the strongest action including dismissal and robust recovery action where appropriate.

ACKNOWLEDGE	Assessing and understanding fraud risks	There is an annual fraud risk assessment undertaken as part of the annual fraud plan development. The plan development process draws upon internal consultation with the directorates, evidence from previous anti-fraud activity, local intelligence gleaned from London's anti-fraud community and from the Cifas membership sharing best practice.
	Commit the right support and resources	There is an effective Corporate Anti-Fraud Team with accredited counter fraud officers able to target resources to ensure the delivery of the annual plan which is a combination of proactive and reactive anti-fraud work based on a fraud risk assessment

	Communicating risks to those charged with governance	The annual fraud plan is considered by the Corporate Leadership Team (CLT) and the Governance, Audit, Risk Management and Standards Committee (GARMS) each year and progress against the plan is reported regularly throughout the year and at year end points.

PREVENT	Better use of Information Technology	We will explore the use of data and analytical software to prevent and detect fraudulent activity. We will always look for opportunities to share data and fraud intelligence to increase our capability to uncover fraud as we have done in becoming members of Cifas utilising the National Fraud Database as a source of intelligence supporting our investigation work and we will explore the option of using the Cifas Internal Fraud Database for employee fraud in appropriate cases and subject to data protection legislation. We will continue to play an active part in National Fraud Initiative (NFI) data matching exercise subject to complying with data protection principles.
	Enhancing fraud controls and processes	The mandatory fraud e-learning training will build better fraud risk resilience and equip staff with the tools to be able to identify when something in their service does not look right and signpost them to seek further advice and guidance from the Corporate Anti-Fraud Team. We will promote strong management and good governance that provides scrutiny and independent challenge to risks and management controls. Internal Audit reviews will seek to highlight vulnerabilities in the control environment and make recommendations for improvement. The Corporate Anti-Fraud Team investigations and reports will also provide management with actions and recommendations to improve controls and reduce fraud risks.
	Anti-fraud culture	We will promote and develop a strong counter fraud culture, raise awareness of fraud and actively encourage improved verification of customer data and accompanying applications so that we can obtain assurance about customer interactions with the Council. We will also conduct robust recruitment vetting of staff prior to employment to prevent staff found to be dishonest from joining the Council which is a far more cost-effective solution than suffering losses and investigating after the event has taken place.

PURSUE	Fraud Recovery	A crucial element of our response to tackling fraud is recovering any monies or assets lost through fraud. This is an important part of our strategy and will be rigorously pursued. We will use both the civil and criminal routes to recover losses to the full force of the law including confiscation under the Proceeds of Crime Act 2002.

	Punishing Fraudsters	We will apply realistic and effective sanctions for individuals or organisations where an investigation identifies fraud. This may include legal action, criminal and/or disciplinary action. We will also seek to publicise successes to act as a deterrent to those seeking to commit fraud.
	Enforcement	We will investigate instances of suspected fraud detected through the planned proactive work including data matching, cases of suspected fraud referred from internal or external stakeholders or received via the whistleblowing procedure and prioritised on a fraud risk basis. We have key performance indicators to turn referrals around in a timely manner and determine whether further resources are required to invest in the suspicion. We will work with internal / external partners including law enforcement agencies where common ground exists and where intelligence can be lawfully shared.

PROTECT	**Protecting against Serious and organised crime**	In 2023/24 and beyond we will explore a project to pilot software with the Department for Business, Energy & Industrial Strategy (BEIS) and Synalogik, identifying organised crime groups operating in and around Harrow. We will also explore the National Fraud Initiative (NFI) London Fraud Hub project to assess whether the fit is right for Harrow and that it is economically sound. We will always look to collaborate with enforcement partners and to share intelligence and best practice where the law allows it.
	Protecting public funds	We take protecting the public funds incredibly seriously and we will ensure that if weaknesses in the control environment are identified, steps will be taken to strengthen and improve systems.
	Combatting cyber- crime	The Council is committed to following the National Cyber Security Centre guidance and security best practice to ensure the best protection is afforded to the Council's environment. This includes but not limited to cyber security awareness training in the Council's e-learning platform to educate and inform users, a back-up policy in place stored off site, software patches regularly updated, antivirus software and firewalls installed on all devices, password protection into place including PIN and facial recognition and multi factor authentication (NFA) enabled for all users.

9.0 ROLES & RESPONSIBILITIES

RESPONSIBILITIES STAKEHOLDER	SPECIFIC RESPONSIBILITIES
Head of Paid Service	The Head of Paid Service maintains overall responsibility for staffing matters.
Director of Finance (Section 151 Officer)	The Section 151 Officer will ensure the fraud risk registers are established and reviewed annually and maintained by the Directorates. They will ensure the implementation of appropriate measures to prevent and detect fraud and corruption and that the anti-fraud strategy and fraud response plan is consistent with legislation. They are responsible for the Corporate Anti-Fraud Team ensuring that effective procedures are in place to identify fraud and to investigate promptly and responsible for ensuring progress against annual fraud plans is reported to GARMS twice yearly.
Monitoring Officer and Director of Legal & Governance Services	To advise Councillors and Officers on ethical issues, standards and powers to ensure that the Council operates within the law and statutory Codes of Practice. To ensure formal codes of conduct for members and officers are established and widely publicised and a Registers of Interests for members and officers are maintained and the receipt of hospitality and gifts covering members. To have overall responsibility for the maintenance and operation of the Whistleblowing Policy including ensuring that individuals are able to make disclosures which will be treated diligently and robustly investigated.
Governance, Audit, Risk Management and Standards Committee (GARMS)	GARMS role is to review the assessment of fraud risks and potential harm to the council from fraud and corruption. To monitor the counter-fraud strategy, actions and resources and the Council's approach to tackling fraud and corruption and promote an anti-fraud culture. To review and approve the annual Corporate Anti-Fraud Team Plan. To consider reports from the Head of Internal Audit/ Corporate Anti-Fraud Manager on the Corporate Anti-Fraud Team's performance throughout the year and at year-end.
Councillors	To comply with the Code of Conduct and related Council policies and procedures, to be aware of the possibility of fraud, corruption

	and theft, and to report any genuine concerns accordingly.
External Audit	Statutory duty to ensure that the Council has adequate arrangements in place for the prevention and detection of fraud, corruption and theft.
Internal Audit	Internal audit is responsible for evaluating the potential for the occurrence of fraud and how the organisation manages fraud risk[3]
Corporate Anti-Fraud Team	Responsible for the co-ordination of the authorities' anti-fraud and corruption strategy, including the measures in place to govern, acknowledge, prevent, pursue and protect against fraud and corruption activity. This also includes a key co-ordination role in the National Fraud Initiative (NFI) which is a fraud prevention and detection exercise based around bulk data matching that is led by the Cabinet Office every two years.
Corporate Directors, Directors, Heads of Service and Service Managers	Manage the risk of fraud and corruption. To promote staff awareness and ensure that all suspected or reported irregularities are immediately referred to Corporate Anti-Fraud or Internal Audit. To ensure that there are mechanisms in place within their service areas to assess the risk of fraud, corruption and theft and to reduce these risks by implementing strong internal controls. It is vital that this group show leadership in supporting investigations into fraud and corruption and that they are responsive to implementing actions arising from this work. Their role in the NFI exercise is to provide data for matching and to analyse the outputs from the matching exercise and take appropriate action.
Employees	Our employees are the first line of defence against fraud and corruption. They are expected to conduct themselves in ways which are beyond reproach, above suspicion and fully accountable. Also responsible for reporting malpractice through well established 'whistleblowing' procedures. Employees are expected to adhere to the Employee Code of Conduct, Financial Regulations and Contract Procedure Rules

[3] UK Public Sector Internal Audit Standards

10.0 REPORTING & REVIEW

The Council recognises that the primary responsibility for the prevention and detection of fraud rests with management. If anyone believes that someone is committing a fraud or suspects corrupt practices, these concerns should be raised in the first instance directly with line management then the Corporate Anti-Fraud Team or Internal Audit.

Where managers are made aware of suspected fraud by employees, they have responsibilities for passing on those concerns to the Corporate Anti-Fraud Team by emailing fraud@harrow.gov.uk, by completing an online fraud report form or by contacting the Corporate Anti-Fraud Manager directly. In their absence, reports should be made to the Head of Internal Audit and Corporate Anti-Fraud. Managers should react urgently to suspicions of potential internal fraud or corruption.

Head teachers of LA-maintained schools should also notify their Chair of Governors. Notifications must be treated with the utmost confidentiality. Any person that is implicated in the alleged offence should not be included in the notification procedure.

The Head of Internal Audit, Corporate Anti-Fraud Manager and Director of Finance (s.151 Officer) has responsibility for ensuring the authority has a robust anti-fraud and corruption response.

The Council's Governance, Audit, Risk Management and Standards Committee will ensure the regular review and amendment of this strategy to ensure that it remains compliant with good practice national public sector standards, primarily the FFCL strategy, and to continues to meet the needs of Harrow Council.

APPENDIX 1 FFCL CHECKLIST

1.	The local authority has made a proper assessment of its fraud and corruption risks, has an action plan to deal with them and regularly reports to its senior Board and its members
2.	The local authority has undertaken a fraud risk assessment against the risks and has also undertaken horizon scanning of future potential fraud and corruption risks. This assessment includes the understanding of the harm that fraud may do in the community
3.	There is an annual report to the audit committee, or equivalent detailed assessment, to compare against FFCL 2020 and this checklist
4.	The relevant portfolio holder has been briefed on the fraud risks and mitigation
5.	The audit committee supports counter fraud work and challenges the level of activity to ensure it is appropriate in terms of fraud risk and resources
6.	There is a counter fraud and corruption strategy applying to all aspects of the local authority's business which has been communicated throughout the local authority and acknowledged by those charged with governance
7.	The local authority has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business
8.	The risks of fraud and corruption are specifically considered in the local authority's overall risk management process
9.	Counter fraud staff are consulted to fraudproof new policies, strategies and initiatives across departments and this is reported upon to committee
10.	Successful cases of proven fraud/corruption are routinely publicised to raise awareness
11.	The local authority has put in place arrangements for monitoring compliance with standards of conduct across the local authority covering: – codes of conduct including behaviour for counter fraud, anti-bribery and corruption – register of interests – register of gifts and hospitality
12.	The local authority undertakes recruitment vetting of staff prior to employment by risk assessing posts and undertaking the checks recommended Fighting Fraud and Corruption Locally A strategy for the 2020s 28 in FFCL 2020 to prevent potentially dishonest employees from being appointed
13.	Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and business. This is checked by auditors and reported to committee
14.	There is a programme of work to ensure a strong counter fraud culture across all departments and delivery agents led by counter fraud experts
15.	There is an independent and up-to-date whistleblowing policy which is monitored for take up and can show that suspicions have been acted upon without internal pressure
16.	Contractors and third parties sign up to the whistleblowing policy and there is evidence of this. There should be no discrimination against whistleblowers
17.	Fraud resources are assessed proportionately to the risk the local authority faces and are adequately resourced
18.	There is an annual fraud plan which is agreed by committee and reflects resources mapped to risks and arrangements for reporting outcomes. This plan covers all areas of the local authority's business and includes activities undertaken by contractors and third parties or voluntary sector activities
19.	Statistics are kept and reported by the fraud team which cover all areas of activity and outcomes
20.	Fraud officers have unfettered access to premises and documents for the purposes of counter fraud investigation
21.	There is a programme to publicise fraud and corruption cases internally and externally which is positive and endorsed by the council's communications team

22.	All allegations of fraud and corruption are risk assessed.
23.	The fraud and corruption response plan covers all areas of counter fraud work: – prevention – detection – investigation – sanctions – redress
24.	The fraud response plan is linked to the audit plan and is communicated to senior management and members
25.	Asset recovery and civil recovery are considered in all cases
26.	There is a zero-tolerance approach to fraud and corruption that is defined and monitored and which is always reported to committee
27.	There is a programme of proactive counter fraud work which covers risks identified in assessment
28.	The counter fraud team works jointly with other enforcement agencies and encourages a corporate approach and co-location of enforcement activity
29.	The local authority shares data across its own departments and between other enforcement agencies
30.	Prevention measures and projects are undertaken using data analytics where possible.
31.	The counter fraud team has registered with the Knowledge Hub so it has access to directories and other tools
32.	The counter fraud team has access to the FFCL regional network

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LONDON BOROUGH OF
HARROW

Report for:	**Cabinet**
Date of Meeting:	15 February 2024
Subject:	Annual Treasury Management Strategy Statement including Prudential Indicators, Minimum Revenue Provision Policy Statement, Annual Investment Strategy and Annual Capital Strategy for 2024/25
Key Decision:	Yes
Responsible Officer:	Sharon Daniels, Interim Director of Finance and Assurance
Portfolio Holder:	Councillor David Ashton Portfolio Holder for Finance and Human Resources
Exempt:	No
Decision subject to Call-in:	No
Wards affected:	All wards
Enclosures:	**Appendix A** - Legislation and Regulations Impacting on Treasury Management **Appendix B** - Treasury Management Delegations and Responsibilities **Appendix C** - Minimum Revenue Provision (MRP) Policy Statement **Appendix D** - Interest Rate Forecasts 2024-26 **Appendix E** - Economic Background **Appendix F** – Counterparties: Investment Criteria **Appendix G** - Capital Strategy 2024/25 **Appendix H** - Glossary

Section 1 – Summary and Recommendations

This report sets out the Council's Annual Treasury Management Strategy Statement including Prudential Indicators, Minimum Revenue Provision Policy Statement the Annual Investment Strategy, and the Annual Capital Strategy for 2024/25.

Recommendations:
Cabinet is asked to recommend to Council that they approve the Treasury Management Strategy Statement for 2024/25 including:

1. Prudential Indicators for the period 2024/25 to 2026/27
2. Minimum Revenue Provision Policy Statement for 2024/25, (see para 2.20 and Appendix C)
3. Annual Investment Strategy for 2024/25 (Appendix F)
4. Annual Capital Strategy (Appendix G)

Reason: (for recommendations)
To promote effective financial management relating to the Authority's borrowing and investment powers contained in the Local Government Act 2003, and supporting regulations and guidance detailed below:

1. the Local Authorities (Capital Finance and Accounting) Regulations 2003 (as amended),
2. CIPFA Prudential Code (2021) and CIPFA Treasury Management Code of Practice (2021), and accompanying Guidance Notes
3. DLUHC (Previously MHCLG) Investment Guidance (2018) and MRP Guidance (2018)

Section 2 – Report

Introduction

1.0. The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

1.1. The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economically beneficial, any debt previously drawn may be restructured to meet Council risk or cost objectives.

1.2. The contribution the treasury management function makes to the Authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

1.3. CIPFA defines treasury management as:
"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.4. The Local Government Act 2003 (the Act) and supporting regulations require the Council to 'have regard to' the CIPFA Prudential Code (The Prudential Code for Capital Finance in Local Authorities and accompanying Guidance Notes) and CIPFA Treasury Management Code (Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes), in setting Prudential and Treasury Indicators for the next three years and in ensuring that the Council's capital investment programme is affordable, prudent and sustainable. This report has been prepared in accordance with the 2021 CIPFA Prudential Code and Treasury Management Code of Practice publications.

1.5. The Act, the CIPFA Codes and Department for Levelling Up Housing and Communities (DLUHC, formally MHCLG) Statutory Investment Guidance (2018) require the Council to set out its Treasury Strategy for Borrowing and to prepare an Annual Investment Strategy that establishes the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments, ahead of any yield considerations. A summary of the relevant legislation, regulations and guidance is included as Appendix A.

1.6. The budget for each financial year includes the revenue costs that flow from capital financing decisions. Under the CIPFA Prudential Code and Treasury Management Code of Practice, increases in capital expenditure should be limited to levels whereby increases in interest charges, running costs and provision debt repayment are affordable within the Council's budget.

1.7. The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.

1.8. The Council recognises that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

1.9. It is not considered necessary to produce a separate treasury management strategy for the Housing Revenue Account (HRA) in light of the co-mingling of historic debt and investments between HRA and the General Fund. Where appropriate, details of allocations of balances and interest to HRA are contained in this report and Prudential Indicators are broken down between the General Fund and HRA where required.

Reporting Requirements

1.10. The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

Treasury Management Strategy Statement Report – (TMSS, this report) The first, and most important report is forward looking and covers:

- the capital plans, (including prudential indicators)
- a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time)
- the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
- an investment strategy, (the parameters on how investments are to be managed)

Mid-Year Review Report – This is primarily a progress report presented to Cabinet in December/January and updates Members on the progress of the Capital Programme, reporting on prudential indicators to give assurance that the treasury management function is operating within the treasury limits and prudential indicators set out in the TMSS.

Treasury Management Outturn Report – This is a backward looking review, typically presented to Cabinet in June/July and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the TMSS and Mid-Year Reports.

1.11. **Capital Strategy** – In addition to the three main treasury management reports, the CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report which provides the following:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

1.12. The aim of the Capital Strategy is to ensure that all elected members on the full Council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite. The Capital Strategy Report is set out in Appendix G.

1.13. **Scrutiny** – The above reports are required to be adequately scrutinised, normally before being recommended to Cabinet/Council, with the role being undertaken by the Governance, Audit, Risk Management and Standards Committee (GARMS). The Council has complied with the CIPFA Treasury Management Code of Practice to the extent that all Treasury Management reports have been scrutinised though the efficient conduct of the Council's business may require consideration by GARMS after being reviewed by Cabinet/Council.

1.14. The Council has delegated responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Section 151 Officer. The Section 151 Officer chairs the Treasury Management Group (TMG), which monitors the treasury management activity and market conditions monthly. Further details of delegated responsibilities are given in Appendix B.

1.15. The Section 151 Officer is required to establish procedures to monitor and report performance against Prudential Indicators at least quarterly as part of the Authority's integrated revenue, capital and balance sheet monitoring.

Options considered

1.16. This report has been produced in accordance with the Local Government Act 2003 and the reporting requirements of:

- CIPFA Treasury Management Code of Practice 2021
- CIPFA Prudential Code 2021
- DLUHC Investment Guidance 2018
- DLUHC MRP Guidance 2018

Treasury Management Strategy for 2024/25

1.17. The strategy for 2024/25 covers the following areas:

Capital Issues (Section 2)

- Capital Financing Summary
- Capital Programme and Capital Prudential Indicators 2024/25 to 2026/27
- Council's Borrowing Need (Capital Financing Requirement)
- Minimum Revenue Provision (MRP) Policy Statement
- Core funds and expected investment balances

Borrowing (Section 3)

- Current and estimated portfolio position
- Treasury indicators: limits to borrowing activity
- Prospects for interest rates and economic commentary
- Borrowing strategy
- Treasury management limits on activity
- Policy on borrowing in advance of need
- Debt rescheduling
- Approved sources of long and short term borrowing

Annual Investment Strategy (Section 4)

- Investment policy
- Creditworthiness policy

- Country limits
- Annual Investment Strategy
- Investment risk benchmarking
- End of year investment report

Other Treasury Issues (Section 5)
- Policy on the use of financial derivatives
- The use of Brokers
- Member and Officer Training
- Policy on use of external service providers

Capital Issues

2.0. The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

2.1. The figures and tables in this report are based on the final Capital Programme which is set out in a separate report to Cabinet.

2.2. Cabinet has received a report on the Harrow Strategic Development Partnership on 24th January 2024 which included the business plans in respect of the Byron Quarter and Poets Corner developments. The report requests approval to spend up to £1.54m (Byron Quarter) and up to £2.24m (Poets Corner) on Phase 1 of each of the schemes over the next 12 months. Due to the current financing arrangements with Wates Residential, while the Council as joint partner underwrites 50% of the expenditure incurred there is no immediate cashflow implications for the Council anticipated in 2024/25. The Council is expected to advance funds for Byron Quarter in 2025/26 and 2026/27. The prudential indicators within the treasury strategy will be updated once greater certainty over the expenditure and investment profiles becomes known.

2.3. The CIPFA Prudential Code and Treasury Management Code of Practice, differentiate service and commercial investment from treasury investments. In doing so, the Codes recognise that these types of investment will have different objectives and risk profiles to the security and liquidity before yield principals that are applied to treasury investments within this strategy.

Capital Expenditure

2.4. This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.

2.5. Tables 1 and 2 below summarise the capital expenditure plans of the Authority including how this will be financed, which generates the net financing need for the year (borrowing):

Table 1: Capital Expenditure

Capital expenditure £'000	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
- Resources Directorate	3,641	11,026	2,300	2,300	0
- People's Directorate	3,265	19,330	2,700	9,071	0
- Place Directorate	18,842	75,728	23,753	29,595	894
General Fund	**25,748**	**106,084**	**28,753**	**40,966**	**894**
HRA	**14,988**	**57,505**	**20,524**	**47,206**	**62,181**
Total	**40,736**	**163,589**	**49,277**	**88,172**	**63,075**

Table 2: Financing of Capital Expenditure

Financing of capital expenditure £'000	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
General Fund					
Capital Receipts	3,541	0	0	0	0
Capital Grants	6,593	34,681	5,957	12,183	0
BCiL	3,477	5,408	1,925	1,900	0
NCiL	209	966	500	500	0
Section 106	613	1,091	250	750	0
Revenue	0	0	0	0	0
External Funding	**14,433**	**42,146**	**8,632**	**15,333**	**0**
Borrowing Requirement (GF)	**11,315**	**63,938**	**20,121**	**25,633**	**894**
Total General Fund Funding	**25,748**	**106,084**	**28,753**	**40,966**	**894**
HRA					
Capital Receipts	1,761	4,933	2,037	6,101	7,318
Capital Grants	1,400	4,511	3,094	10,997	2,250
Section 106	419	1,638	620	0	-
Revenue	7,621	17,726	10,340	8,295	8,844
External Funding	**11,201**	**28,808**	**16,091**	**25,393**	**18,412**
Borrowing Requirement (HRA)	**3,787**	**28,697**	**4,433**	**21,813**	**43,769**
Total HRA Funding	**14,988**	**57,505**	**20,524**	**47,206**	**62,181**
Total					
GF & HRA Capital Expenditure	**40,736**	**163,589**	**49,277**	**88,172**	**63,075**
External Funding	**25,634**	**70,954**	**24,723**	**40,726**	**18,412**
Borrowing Requirement (Council)	**15,102**	**92,635**	**24,554**	**47,446**	**44,663**

The Council’s borrowing need (Capital Financing Requirement)

2.6. The second prudential indicator is the Council’s Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council’s indebtedness and therefore its underlying borrowing need. Any capital expenditure in tables 1 and 2 above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

2.7. The CFR includes any other long term liabilities (e.g. PFI or finance leases). Whilst these increase the CFR, and therefore the Council’s borrowing requirement, these types of schemes include a funding facility and so the Council is not required to borrow separately for them. As at 31st March 2024 the Council is forecast to have £14m of such schemes within the CFR.

2.8. The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the Council’s indebtedness in line with each asset’s life, and so charges the economic consumption of capital assets as they are used.

2.9. The Council is asked to approve the CFR projections below (included within the Prudential Indicators):

Table 3: Capital Financing Requirement

Capital Financing Requirement £'000	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
CFR – General Fund	418,002	457,236	451,712	451,439	427,292
CFR – HRA	161,226	189,923	194,356	216,169	259,939
Total CFR	**579,228**	**647,159**	**646,068**	**667,608**	**687,231**
Movement in CFR	**-8,872**	**67,931**	**-1,091**	**21,540**	**19,623**

Movement in CFR represented by					
Net financing need for the year (table 2)	15,102	92,635	24,554	47,446	44,663
Less MRP/VRP and other financing movements	-23,974	-24,704	-25,645	-25,906	-25,040
Movement in CFR	**-8,872**	**67,931**	**-1,091**	**21,540**	**19,623**

Liability Benchmark

2.10. The Liability Benchmark was introduced as a new Prudential Indicator in 2023/24 following the revisions to the CIPFA Prudential Code and Treasury Management Code of Practice in 2021.

2.11. The Liability Benchmark provides a forecast of the external borrowing required to meet approved prudential borrowing. It compares the approved capital expenditure commitments of the Authority to the current external borrowing portfolio over the long term to identify the borrowing required when taking a net book approach to treasury management. The Liability Benchmark is therefore used to inform future borrowing decisions based on an integrated borrowing and investment strategy.

2.12. The Liability Benchmark is made up of 4 components:

- **Existing loan debt outstanding**: the Authority's existing borrowing portfolio
- **Loans CFR**: the Authority's CFR adjusted to exclude other long-term liabilities, projected into the future based on approved prudential borrowing and planned MRP.
- **Net Loans Requirement:** the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
- **Liability Benchmark (or Gross Loans Requirement):** this equals the net loans requirement plus short-term liquidity allowance. The short term liquidity allowance is to provide the Authority with an adequate level of treasury investments for liquidity purposes.

2.13. The Liability Benchmark is presented as a graph below, and illustrates a borrowing metric which looks at a net book approach to treasury management where:

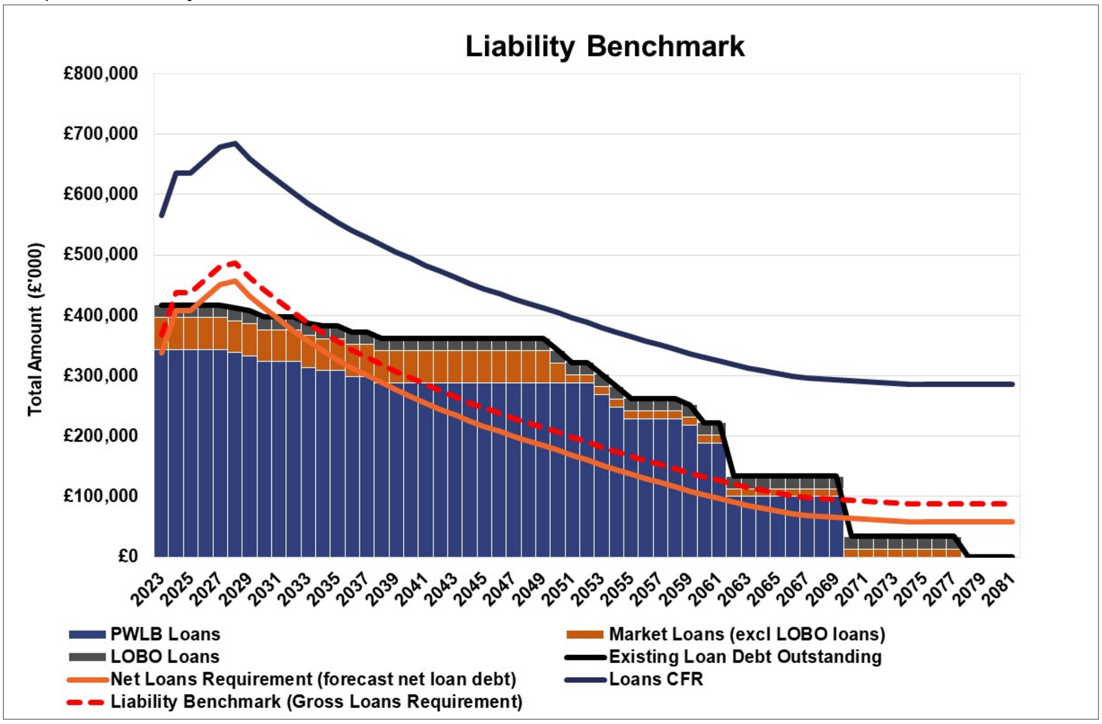
- borrowing and investments are netted down (while maintaining appropriate investments for liquidity purposes) in order to reduce the treasury risks resulting from running debt and investment portfolios at the same time.

- the management of borrowing and investments is integrated so that both are reviewed together when monitoring and managing treasury risks.

2.14. While CIPFA recognise that different borrowing positions can be taken relative to the Liability Benchmark, it requires the Authority to have regard to the benchmark when undertaking future borrowing decisions, and for it to be analysed as part of the annual treasury management strategy. Any years where actual loans are less than the benchmark indicate a future borrowing requirement to maintain sufficient liquid investment balances, while any years where actual loans outstanding exceed the benchmark represent an overborrowed position relative to the benchmark, which will result in excess cash over and above the liquidity allowance requiring investment.

2.15. CIPFA view the Liability Benchmark as a live tool to inform borrowing decisions in respect of identifying the quantum and the duration of new borrowing to match the Authority's future borrowing requirement and to minimise treasury risks, based on known and approved prudential borrowing. There are no future assumptions built into the Liability Benchmark, outside of the current capital programme.

Graph 1: Liability Benchmark



2.16. The Liability Benchmark suggests that based on the current capital expenditure commitments within the General Fund capital programme and the HRA Business Plan the Authority has a small future borrowing requirement between 2023/24 and 2032/33, where the current borrowing portfolio is forecast to be below the Liability Benchmark. The figures for 2023/24 are based on revised budget figures and therefore may not reflect the latest position in respect of slippage within the capital programme.

2.17. The Authority's Liability Benchmark incorporates a liquidity allowance of £30m. Using this to determine the borrowing metric therefore means that the

Authority would use internal borrowing to support its capital expenditure plans up to a point at which it would maintain £30m of short term treasury investments.

2.18. Following 2032/33, MRP applied to the General Fund CFR and provisions within the HRA Business Plan to repay principal means that the Loans CFR and the Liability Benchmark trend down, remaining below the long-term borrowing portfolio over the long term until the final decade of the current maturity profile. This indicates that relative to the Liability Benchmark no additional external borrowing would be required to meet current approved capital expenditure, and that treasury investments would be forecast remain above the £30m liquidity allowance factored into the benchmark.

2.19. The Authority will keep the Liability Benchmark under review, updating it when new information becomes available, and it will be reviewed ahead of any future borrowing decisions.

Minimum revenue provision (MRP) policy statement

2.20. Capital expenditure is generally defined as expenditure on assets that have a life expectancy of more than one year e.g. buildings, vehicles, machinery etc. The accounting approach is to spread the cost over the estimated useful life of the asset. The mechanism for spreading these costs is through an annual MRP. The MRP is the means by which capital expenditure, which is financed by borrowing or credit arrangements, is charged to the General Fund and therefore funded by Council Tax.

2.21. Regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) requires the Council to approve an MRP Statement setting out what provision is to be made in the General Fund for the repayment of debt, and how the provision is to be calculated. The purpose of the policy Statement is to ensure the provision is prudent meeting the requirement of the Regulations. This is to ensure the debt liability will be repaid over a period reasonably commensurate with that over which the capital expenditure benefits. The Council is recommended to approve the statement as detailed in Appendix C.

2.22. There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a depreciation charge to be made.

2.23. MRP Overpayments - A change introduced by the revised 2018 DLUHC (previously MHCLG) MRP Guidance was an allowance that any charges made over the statutory MRP required, referred to as an overpayment and itemised as a Voluntary Revenue Provision (VRP) can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, it is recommended to disclose the cumulative overpayment made each year in a disclosure statement to full Council. At 31 March 2023 the balance of VRP was £6.8m (£6.8m 31 March 2022).

2.24. DLUHC is currently consulting on revisions to the Statutory MRP Guidance with the expectation that new Guidance will be published for application from the 1 April 2024. Should the final outcome of the consultation require amendments to the Council's current MRP Policy contained in Appendix C, a revised MRP Policy will be presented to Full Council for approval as part of either the Mid-Year Treasury Report or at an earlier date.

Core funds and expected investment balances

2.25. The application of resources (grants, capital receipts etc.) to finance capital expenditure or budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.).

2.26. The cash investment balance will be kept at a minimum of £30m. The working capital and borrowing position will be managed to maintain this level of cash balances as a minimum position for the Authority. This has been incorporated as the liquidity allowance within the Liability Benchmark in paragraphs 2.10 – 2.19.

Borrowing

3.0. The capital expenditure plans set out in Table 1 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

Current portfolio position

3.1. The overall treasury management portfolio on 31 March 2023 and corresponding position at 31 December 2023 are shown below for both borrowing and investments.

Table 4: Borrowing Portfolio

Borrowing Portfolio £'000	31-Mar-23			31-Dec-23		
	Principal	Average Rate (%)	Average Life (yrs)	Principal	Average Rate (%)	Average Life (yrs)
- PWLB	343,461	3.43%	34.54	343,461	3.43%	33.79
- Market	73,800	3.53%	39.69	73,800	3.53%	38.94
Total borrowing	417,261	3.45%	35.45	417,261	3.45%	34.70

Table 5: Investment Portfolio

Investment Portfolio £'000	31-Mar-23			31-Dec-23		
	Principal	Average Rate (%)	Average Life (days)	Principal	Average Rate (%)	Average Life (days)
MMFs	1,651	3.95%	1	40,008	5.29%	1
Government	29,000	3.99%	7	29,550	5.19%	7
Banks	48,743	2.01%	1	32,677	4.39%	1
Total Investments	79,394	2.77%	3	102,235	4.97%	3

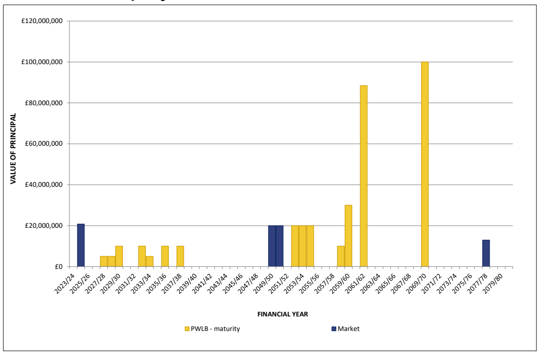
3.2. The Council maintains upper and lower limits with respect to the maturity structure of its borrowing. This Prudential Indicator, reflecting the earliest date at which a lender can require payment is set to ensure refinancing risk is managed regarding the concentration of loan maturities in any one period. Table 6 below illustrates the actual position on both 31 March 2023 and 31 December 2023, compared to the upper and lower limits in place. The accompanying graphs illustrate the maturity profile, based on the earliest and final maturity dates. The difference is one market LOBO (Lenders Option Borrowers Option) loan, which has a final maturity date of 06/12/2077 but has call dates every 6 months. This means that under the structure of the loan, the Lender has the option to seek to revise the interest rate on the loan at specific call dates through the loan term. If that were to happen, the Council as the Borrower would then have the option to either accept the revised interest rate or elect to repay the loan at par without penalty.

Table 6: Maturity Structure of Borrowing

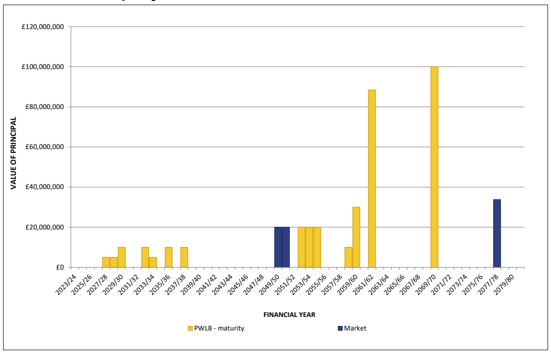
Maturity structure of borrowing	Lower Limit	Upper Limit	Actual 31.03.23	Actual 31.12.23
Under 12 months	0%	30%	5%	5%
12 months to 2 years	0%	40%	0%	0%
2 years to 5 years	0%	50%	1%	2%
5 years to 10 years	0%	60%	6%	6%
10 years and above	0%	100%	88%	87%

Graph 2: Maturity Profile of Borrowing Portfolio

Earliest Repayment Date



Latest Repayment Date



3.3. The Council’s forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement or CFR), highlighting any over or under borrowing. The expected change in borrowing has been calculated with reference to the Liability Benchmark in paragraphs 2.10-2.19. This assumes internal borrowing is utilised to a point at which the Authority maintains £30m of treasury investments. The figures for 2023/24 are based on revised budget figures and therefore may not reflect the latest position in respect of slippage within the capital programme.

Table 7: Gross Debt v Capital Financing Requirement

£'000	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
External Debt					
Borrowing at 1 April	422,261	417,261	437,443	457,758	500,951
Expected change in borrowing	-5,000	20,182	20,315	43,193	64,275
Other long-term liabilities (OLTL)	16,258	14,875	13,539	12,314	10,976
Expected change in OLTL	-1,383	-1,336	-1,224	-1,338	-1,458
Actual gross debt at 31 March	**432,136**	**450,981**	**470,072**	**511,927**	**574,743**
CFR	**579,228**	**647,159**	**646,068**	**667,608**	**687,231**
Under / (over) borrowing	**147,092**	**196,178**	**175,996**	**155,681**	**112,488**

3.4. Within the range of Prudential Indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus future estimates of the CFR for 2023/24 and the following two financial years. This allows some flexibility for limited early borrowing in advance of need for approved expenditure but ensures that borrowing is not undertaken for revenue or speculative purposes.

3.5. The Director of Finance reports that the Council complied with this Prudential Indicator in the current year and does not envisage difficulties for the future. This view considers current commitments, existing plans, and the proposals in this budget report.

3.6. The Prudential Code framework is a principles based system whereby the Council should demonstrate through a series of Prudential Indicators that its capital plans are prudent, affordable and sustainable. One of the Prudential Indicators of affordability is the ratio of financing costs to net revenue stream, assessing the actual and estimated cost of capital against the income of the Authority. Table 8 provides the expected trends based on the forthcoming capital programme, for both the General Fund and HRA.

Table 8: Ratio of Financing Costs to Net Revenue Stream

Ratio of financing costs to net revenue stream %	**2022/23 Actual**	**2023/24 Estimate**	**2024/25 Estimate**	**2025/26 Estimate**	**2026/27 Estimate**
General Fund	17%	16%	16%	16%	16%
HRA	19%	19%	18%	20%	22%
Total	18%	17%	17%	17%	17%

3.7. The revised CIPFA Prudential Code and Treasury Management Code of Practice defined an Authority’s investments as either treasury or non-treasury, with the non-treasury investments further categorised between service and commercial investment. A new Prudential Indicator was also introduced intending to demonstrate that the risks associated with investments for service and commercial purposes are proportionate to the financial capacity of the Authority. The ratio of net income from commercial and service investments to net revenue stream illustrates the reliance of the Authority on income derived from such investments.

Table 9: Net income from Service and Commercial investments to Net Revenue Stream

	2022/23 Actual	**2023/24 Estimate**	**2024/25 Estimate**	**2025/26 Estimate**
Net income from service and commercial Investments to net revenue stream %	2%	1%	1%	1%

3.8. The returns expected from the Harrow Strategic Development Partnership investments in the Byron Quarter and Poets Corner will not impact on this indicator going forward as the financial return is one-off. Any loans advanced to the Partnership will be classed as service investments, recognising the investment objectives and risk profiles will be different from treasury investments which are invested through applying security and liquidity before yield principals.

Treasury Indicators: limits to borrowing activity.

The operational boundary

3.9. This is the limit beyond which external debt is not normally expected to exceed. The boundary is based on the Council's programme for capital expenditure, capital financing requirement and cash flow requirements for the year.

Table 10: Operational Boundary

Operational boundary £'000	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Borrowing	579,228	647,159	646,068	667,608	687,231
Other long term liabilities	16,258	14,875	13,539	12,314	10,976
Total	**595,486**	**662,034**	**659,607**	**679,922**	**698,207**

The authorised limit for external debt.

3.10. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council.

3.11. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

The Council is asked to approve the following authorised limit:

Table 11: Authorised Limit

Authorised limit £'000	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2025/26 Estimate
Borrowing	609,228	677,159	676,068	697,608	717,231
Other long term liabilities	26,258	24,875	23,539	22,314	20,976
Total	**635,486**	**702,034**	**699,607**	**719,922**	**738,207**

Prospects for Interest Rates

3.12. The Council's Treasury Management Adviser, Link Group, provided the following interest rate forecast on 8 January 2024. This includes forecasts for PWLB certainty rates, calculated as gilt yields plus 80 bps.

Table 12: Link Group Interest Rate Forecast: 8 January 2024

Link Group Interest Rate View 08.01.24													
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.60	4.10	3.70	3.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.40	3.90	3.60	3.20	3.10	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

3.13. Link Groups central forecast for interest rates in their 8 January 2024 update reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by maintaining Bank Rate at 5.25% until at least the second half of 2024. Link Group expect rate cuts to commence when both CPI inflation and wage/employment data are supportive of such a move, and when there is a likelihood of the overall economy enduring at least a slowdown or mild recession over the coming months (although most recent GDP releases have surprised with their on-going robustness).

3.14. Link Group believe that timing will be one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

3.15. In the upcoming months, Link Groups interest rate forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recovery in China as well as the on-going conflict between Russia and Ukraine, and Gaza and Israel.

3.16. Risks identified by Link Group to current forecasts for UK Gilt yields and PWLB Rates include:

Downside Risks:

- Labour and supply shortages prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, could keep gilt yields high for longer).
- The Bank of England has increased Bank Rate too fast and too far over recent months, and subsequently brings about a deeper and longer UK recession than we currently anticipate.
- Geopolitical risks, for example in Ukraine/Russia, the Middle East, China/Taiwan/US, Iran and North Korea, which could lead to increasing safe-haven flows.

Upside risks

- Despite the tightening in Bank Rate to 5.25%, the Bank of England allows inflationary pressures to remain elevated for a long period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project.
- The pound weakens because of a lack of confidence in the UK Government’s pre-election fiscal policies, which may prove inflationary, resulting in investors pricing in a risk premium for holding UK sovereign debt.
- Projected gilt issuance, inclusive of natural maturities and QT, could be too much for the markets to comfortably digest without higher yields compensating.

3.17. Additional commentary on the prospects for interest rates, (Appendix D) and economic background, (Appendix E) are contained within the appendices to this report.

3.18. Updates to Link Groups interest rate forecasts are received by officers throughout the year.

Borrowing strategy

3.19. As shown in paragraph 3.1 on 31 December 2023 the Council had a debt portfolio of £417.261m, with an average rate of 3.45% and an average life of 34.7 years.

3.20. The Council is currently maintaining an under-borrowed position, which was £147m at 31 March 2023. This means that the Capital Financing Requirement has not been fully funded with external loan debt as internal cash balances have been used temporarily to finance the capital programme. In foregoing lost investment income, the Council benefits from the differential between this and the external borrowing cost. This strategy is kept under review by the Director of Finance.

3.21. In terms of future borrowing, the Council has a range of funding sources available and will need to base its decisions on optimum borrowing times and periods taking into account current interest rates, forecast movements and the "cost of carry" (the difference between rates for borrowing and rates for investments). With the introduction of the Liability Benchmark as a Prudential Indicator, the Council will also have regard to this when taking future borrowing decisions.

3.22. Against this background and the risks within the economic forecast, caution will be adopted in the 2024/25 treasury management operations. The Treasury Management Group will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances. This includes taking advice from Link Group, the Council's Treasury Management Advisers.

- *If it was felt that there was a significant risk of a sharp FALL in borrowing rates, then borrowing will be postponed.*

- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.*

3.23. The Council has previously adopted a single pooled approach for debt. Allocations to HRA are based on its CFR, with interest charged to HRA at the average rate on all external borrowing. Longer term, the HRA's ability to repay borrowing will depend on future revenues and the capital expenditure programme.

Policy on borrowing in advance of need

3.24. The Council will not borrow more than or in advance of its needs purely to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved CFR estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

3.25. Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

Debt rescheduling

3.26. Rescheduling of current borrowing in the Council's debt portfolio may be considered whilst premature redemption rates remain elevated but only if there is surplus cash available to facilitate any repayment, or rebalancing of the portfolio to provide more certainty is considered appropriate.

3.27. Any debt rescheduling opportunities will be reviewed and assessed in respect of providing a benefit to the Authority over the remaining life of the loan(s) and in the context of the Authority's forecast future borrowing requirement defined by its CFR. All rescheduling will be reported to Cabinet at the earliest meeting following the exercise.

Approved Sources of Long and Short term Borrowing

On Balance Sheet	**Fixed**	**Variable**
PWLB	●	●
Municipal bond agency	●	●
Local authorities	●	●
Banks	●	●
Pension funds	●	●
Insurance companies	●	●
UK Infrastructure Bank	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock issues	●	●
Local temporary	●	●
Local Bonds	●	
Local authority bills	●	●
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	

Medium Term Notes	●	
Finance leases	●	●

Annual Investment Strategy

Investment policy

4.0. The Council's investment policy has regard to the following: -

- DLUHC's (formally MHCLG) Guidance on Local Government Investments 2018 ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")
- CIPFA Treasury Management Guidance Notes 2021

4.1. The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and within the Council's risk appetite.

4.2. The above guidance from the DLUHC and CIPFA places a high priority on the management of risk. This Authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

- Minimum acceptable **credit criteria** are applied to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are short term and long-term ratings.

- **Other information**: ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as **"credit default swaps"** and overlay that information on top of the credit ratings.

- **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

- This Authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use, which are classified as either specified investments or non-specified investments in accordance with the DLUHC (previously MHCLG) Investment Guidance, last updated in 2018.

  - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.
  - **Non-specified investments** are long term investments with high credit quality, investments of any duration with counterparties recognised as less high credit quality, and/or more complex instruments which require greater consideration by members and officers before being authorised for use.

4.3. The Council acknowledges that both specified and non-specified investments may be subject to valuation changes, both positive and negative, prior to maturing. The Director of Finance will take all reasonable steps to ensure that day to day liquidity does not rely on the sale of such investments prior to maturity, and therefore that the Council is not exposed to realising any losses. Moreover, the Director will take measures to ensure that any potential unrealised gains or losses are proportionate to revenue budgets and reserves.

4.4. However, this Authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance. Regular monitoring of investment performance will be carried out during the year.

Creditworthiness policy

4.5. The primary principle governing the Council's investment criteria is the security of its investments, followed by ensuring sufficient liquidity although the return on the investment is also a key consideration. After this main principle, the Council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security.

- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

4.6. The Director of Finance will maintain a counterparty list in compliance with the criteria detailed in Appendix F and will revise the criteria and submit any changes to Council for approval as necessary. These criteria are separate to those which determine which types of investment instrument are either specified or non-specified as they provide an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

4.7. The minimum rating criteria uses the lowest common denominator method of selecting counterparties and applying limits, unless in the opinion of the Director of Finance, or a delegated manager authorised under the Financial Services and Markets Act 2000 (FSMA), there is an overriding reason to favour or disregard a particular agency's view. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance, if an institution is rated by two agencies, one meets the Council's criteria, the other does not, and the institution will fall outside the lending criteria.

4.8. Credit rating information is supplied by the Link Group on all active counterparties that comply with the prescribed criteria detailed in Appendix F. Any counterparty failing to meet the criteria would be omitted from the counterparty list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating watch applying to counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.

4.9. The Council's criteria for an institution to become a counterparty are detailed in Appendix F. The Council will apply the creditworthiness service provided by Link Group, which employs a sophisticated modelling approach combining credit ratings and market metrics in a weighted scoring system which results in a suggested duration indicating the relative creditworthiness of counterparties.

Country Limits

4.10. The Council has determined that it will only use approved counterparties from the UK or from countries with a minimum sovereign credit rating of AA-. The current UK sovereign rating is AA- or equivalent. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

Investment Strategy

In-house Funds

4.11. The Council's funds are mainly cash derived primarily from the General Fund and HRA. Balances are also held to support capital expenditure. Investments are made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

4.12. Since April 2011, pension fund cash balances have been held separately from those of the Council. The Pension Fund currently holds cash with RBS, JP Morgan (The funds custodian) and in Money market funds.

4.13. The Council has decided against joining a collective investment arrangement as part of a shared service with the GLA, managed by the GLA's investment subsidiary, London Treasury Limited, which is authorised and regulated by the Financial Conduct Authority. A Cabinet report dated 15 July 2021, set out an initial recommendation for the Council to participate in the shared service arrangement but officers have determined that the Authority will not join the service at this time.

Investment returns expectations

4.14. Link Group's Interest Rate Forecast from 8 January 2024 suggests that Bank Rate, currently 5.25% following the last of a series of increases commencing in December 2021 and ending in August 2023, will reduce from mid 2024 and reach a neutral long term rate of 3%.

4.15. The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

- 2023/24 (remainder): 5.3%
- 2024/25: 4.55%
- 2025/26: 3.10%
- 2026/27: 3.00%

Investment treasury indicator and limit - total principal funds invested for greater than 365 days

4.16. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

4.17. With the Liability Benchmark, advocating a net book approach to treasury management, the Authority is expected to hold the majority of its investments short term and liquid.

4.18. The Council is asked to approve the following treasury indicator and limit:

Table 13: Upper limit for investments over 365 days

Upper limit for principal sums invested for longer	2023/24	2024/25	2025/26	2026/27
Principal sums invested for longer than 365 days	£30,000	£30,000	£30,000	£30,000

Investment performance / risk benchmarking

4.19. The Council previously used LIBOR rates for benchmarking purposes. The publication of LIBOR and associated LIBID rates ceased at the end of 2021, as part of a move within financial markets to move to risk free reference rates. For sterling markets LIBOR has been replaced with the Sterling Overnight Index Average (SONIA), published by the Bank of England, which is based on actual transactions between banks, financial institutions, and institutional investors.

4.20. Link Group will provide the Authority with compounded SONIA rates in the same way that they did with LIBOR / LIBID rates for investment benchmarking purposes.

4.21. The Council is a member of a Link Group's investment portfolio benchmarking group through which performance is measured against peer London authorities. The risk of default attached to the Council's portfolio is reported by Link Group monthly.

End of year investment report

4.22. At the end of the financial year the Council will report on its investment activity as part of the Treasury Management Outturn Report.

Other Treasury Issues

Derivatives

5.0. A financial derivative is a contract, whose value is based on, or 'derived' from, an underlying financial instrument such as a loan. Local Authorities have previously been able to make use of financial derivatives embedded into loans and investments, both to reduce interest rate risk (e.g. forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans).

5.1. The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment). The CIPFA Code requires local authorities to clearly detail their policy in the use of derivatives in the annual strategy. The Council does not intend to use standalone financial derivatives (such as swaps, forwards, futures and options). No change in strategy will be made without Full Council approval.

Brokers

5.2. The Council uses four brokers on a regular basis, as well as dealing directly with leading institutions. Wherever possible the Council will spread its business amongst them on a regular basis, though this may not always be possible. Brokers currently being used are:

- RP Martins
- Tradition
- BGC Sterling
- Imperial Treasury

5.3. The limited function performed by brokers is acknowledged; however, the Council would expect to be informed if a broker had any doubts about an organisation that we were dealing with.

Training

5.4. The CIPFA Treasury Management Code of Practice requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in this area. This especially applies to Members responsible for scrutiny. Member training on treasury management took place on 23 May 2023, provided by Link Group.

5.5. The training needs of Treasury Management officers are periodically reviewed as part of the Learning and Development programme with appropriate training and support provided.

External Advisors

5.6. The Council has engaged Link Group as its external Treasury Management Adviser.

5.7. It also recognises that there is value in employing external providers of treasury management services to acquire access to specialist skills and resources. The Council ensures that the terms of their appointment and the methods by which their value is assessed are properly agreed and documented and subjected to regular review.

5.8. However, the Council recognises that responsibility for treasury management decisions always remains with itself and will ensure that undue reliance is not placed upon external service providers.

Implications of the Recommendation

6.0. The recommendations primarily relate to the requirements for the Council to comply with statutory duties. However, the content of the report, covering borrowing and investment strategies, has implications for the Council's ability to fund its capital projects and revenue activities.

Risk Management Implications

7.0. Risks included on corporate or directorate risk register? No - the identification, monitoring and control of risk are central to the achievement of treasury objectives. Potential risks are identified, mitigated and monitored in accordance with treasury practice notes approved by the Treasury Management Group.

7.1. Separate risk register in place? **No**

The relevant risks contained in the register are attached/summarised below. **N/A**

The risks of treasury management activity are clearly acknowledged in the main body of the report along with appropriate mitigations however the following key risks should be taken into account when agreeing the recommendations in this report:

Risk Description	**Mitigations**	**RAG Status**
Cash not available when needed	• Working capital and borrowing position designed to maintain the required level of cash balances • The balance of debt and investment operations ensure liquidity • The treasury management function ensures that the Council's cash is	**GREEN**

Risk Description	Mitigations	RAG Status
	organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy.	
Sums invested result in a loss	• The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's low risk appetite.	**GREEN**
Council's capital investment programme is not affordable, prudent or sustainable	• One of the Prudential Indicators of affordability is the ratio of financing costs to net revenue stream, assessing the actual and estimated cost of capital against the income of the Authority. Table 8 • Limits on borrowing activity • The Council is currently maintaining an under-borrowed position. This is estimated to be £196m as at 31st March 2024.	**GREEN**
VFM is not achieved	• The Council will monitor the yield from investment income against appropriate benchmarks for investment performance. • Regular monitoring of investment performance will be carried out during the year.	**GREEN**
Provision made in the General Fund for debt is not prudent	• MRP Statement setting out what provision is to be made in the General Fund for the repayment of debt, and how the provision is to be calculated. The purpose of the Statement is to ensure the provision is prudent, allowing the debt to be repaid over a period reasonably commensurate with that over which the capital expenditure benefits. Appendix C.	**GREEN**
Too many loans mature in one period impacting on ability to refinance risk	• The Council maintains upper and lower limits with respect to the maturity structure of its borrowing. This Prudential Indicator, reflecting the earliest date at which a lender can require payment is set to ensure refinancing risk is managed	**GREEN**

Risk Description	Mitigations	RAG Status
	regarding the concentration of loan maturities in any one period. • The introduction of the Liability Benchmark is intended to inform future borrowing decisions in respect of the quantum and duration required to meet known long term liabilities based on the approved capital programme and a net book approach to treasury management	
Borrowing is undertaken for revenue or speculative purposes	• Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2023/24 and the following two financial years	GREEN
Exceptional levels of volatility in PWLB rates	• The Council's Treasury Management Adviser, Link Group, has provided an interest rate forecast (Table 12). • The current expectation is for Bank Rate to have peaked at 5.25% and for this to fall in the second half of 2024 as inflation comes back to the 2% target. PWLB rates are also expected to have peaked and be on a gradual downward trajectory.	AMBER
Default on Council Loans	• The risk of default attached to the Council's portfolio is reported by Link Group on a monthly basis and this is currently very low, which is reflective of the low risk investment strategy, and the high credit quality of the investment counterparties used by the Authority, which includes the UK Government.	GREEN

Procurement Implications

8.0. There are no procurement implications arising from this report.

Legal Implications

9.0. The Local Government Act 2003 requires the Council to 'have regard to' the Prudential Code and Treasury Management Code of Practice and to set Prudential and Treasury Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. These are contained within this report.

9.1. The Act, accompanying statutory guidance and Codes of Practice referred to through capital financing regulations requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy. This sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments ahead of yield considerations. This report assists the Council in fulfilling its statutory obligation under the Local Government Act 2003 to monitor its borrowing and investment activities.

Financial Implications

10.0. In addition to supporting the Council's revenue and capital programmes the Treasury Management interest budget is an important part of the revenue budget. Any additional income obtained, savings achieved, or overspends incurred, has a direct impact on the financial performance of the budget.

Equalities implications / Public Sector Equality Duty

11.0. There is no direct equalities impact.

Council Priorities

12.0. This report deals with the Treasury Management Strategy which plays a significant part in supporting the delivery of all the Council's corporate priorities.

Section 3 - Statutory Officer Clearance

Statutory Officer: Sharon Daniels
Signed on behalf of the Chief Financial Officer
Date: 29/01/2024

Statutory Officer: Sharon Clarke
Signed on behalf of the Monitoring Officer
Date: 31/01/2024

Chief Officer: Sharon Daniels
Signed on behalf of the Corporate Director
Date: 29/10/2024

Head of Procurement: Nimesh Mehta
Signed by the Head of Procurement

Date: 29/01/2024

Head of Internal Audit: Neale Burns
Signed on behalf of the Head of Internal Audit
Date: 29/01/**20**24

Has the Portfolio Holder(s) been consulted? Yes

Mandatory Checks

Ward Councillors notified: NO, as it impacts on all Wards

EqIA carried out: NO, an EqIA is not required for Cabinet to take a decision

EqIA cleared by: NA

Section 4 - Contact Details and Background Papers

Contact: Sharon Daniels, Director of Finance and Assurance
Sharon.Daniels@harrow.gov.uk

Background Papers: None

Call-in waived by the Chair of Overview and Scrutiny Committee: No

APPENDIX A

LEGISLATION AND REGULATIONS IMPACTING ON TREASURY MANAGEMENT

The following items numbered 1 - 4 show the sequence of legislation and regulation impacting on the treasury management function. The sequence begins with primary legislation, moves through Government guidance and Chartered Institute of Public Finance and Accountancy (CIPFA) Codes of Practice and finishes with implementation through the Council's own Treasury Management Practices.

1. Local Government Act 2003

Link: **Local Government Act 2003**

Below is a summary of the provisions in the Act dealing with treasury management.

In addition the Secretary of State is empowered to define the provisions through further regulations and guidance which he has subsequently done through statutory instruments, Ministry of Housing, Communities and Local Government Guidance (now Department of Levelling Up Housing and Communities) and CIPFA Codes of Practice.

Power to borrow

The Council has the power to borrow for purposes relevant to its functions and for normal treasury management purposes – for example, to refinance existing debt.

Control of borrowing

The main borrowing control is the duty not to breach the prudential and national limits as described below.

The Council is free to seek loans from any source but is prohibited from borrowing in foreign currencies without the consent of Treasury, since adverse exchange rate movements could leave it owing more than it had borrowed.

All of the Council's revenues serve as security for its borrowing. The mortgaging of property is prohibited.

It is unlawful for the Council to 'securitise', that is, to sell future revenue streams such as housing rents for immediate lump-sums.

Affordable borrowing limit

The legislation imposes a broad duty for the Council to determine and keep under review the amount it can afford to borrow. The Secretary of State has subsequently defined this duty in more detail through the Prudential Code produced by CIPFA, which lays down the practical rules for deciding whether borrowing is affordable.

It is for the Council (at a meeting of the full Council) to set its own 'prudential' authorised limit in accordance with these rules, subject only to the scrutiny of its external auditor. The Council is then free to borrow up to that limit without Government consent. The Council is free to vary the limit during the year, if there is good reason.

Requirements in other legislation for the Council to balance its revenue budget prevent the long-term financing of revenue expenditure by borrowing. However the legislation does confer limited capacity to borrow short-term for revenue needs in the interests of cash-flow management and foreseeable requirements for temporary revenue borrowing are allowed for when borrowing limits are set by the Council.

The Council is allowed extra flexibility in the event of unforeseen needs, by being allowed to increase borrowing limits by the amounts of any payments which are due in the year but have not yet been received.

Imposition of borrowing limits
The Government has retained reserve power to impose 'longstop' limits for national economic reasons on all local authorities' borrowing and these would override authorities' self-determined prudential limits. Since this power has not yet been used the potential impact on the Council is not known.

Credit arrangements
Credit arrangements (e.g. property leasing, PFI and hire purchase) are treated like borrowing and the affordability assessment must take account not only of borrowing but also of credit arrangements. In addition, any national limit imposed under the reserve powers would apply to both borrowing and credit arrangements .

Power to invest
The Council has the power to invest, not only for any purpose relevant to its functions but also for the purpose of the prudential management of its financial affairs.

Guidance
The Act contains a requirement for the Council to have regard to guidance:
- Issued directly by the Secretary of State
- DLUHC (formally MHCLG) Investment Guidance
- DLUHC (formally MHCLG) MRP Guidance
- Other guidance the Secretary of State may refer to through regulations
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003
- CIPFA Prudential Code
- CIPFA Treasury Management Code of Practice

Ministry of Housing, Communities and Local Government Investment Guidance (2018)

The Guidance recommends that for each financial year the Council should prepare at least one Investment Strategy to be approved before the start of the year. The Strategy must cover:

Investment security
- Investments should be managed prudently with security and liquidity being considered ahead of yield

- Potential counterparties should be recognised as “specified” and “non-specified” with investment limits being defined to reflect the status of each counterparty

Investment risk

- Procedures should be established for monitoring, assessing and mitigating the risk of loss of invested sums and for ensuring that such sums are readily accessible for expenditure whenever needed.
- The use of credit ratings and other risk assessment processes should be explained
- The use of external advisers should be monitored. The training requirements for treasury management staff should be reviewed and addressed
- Specific policies should be stated as regards borrowing money in advance of need

Investment Liquidity

- The Strategy should set out procedures for determining the maximum periods for which funds may prudently be committed

The Strategy should be approved by the full Council and made available to the public free of charge. Subject to full Council approval, or approved delegations, the Strategy can be revised during the year.

Ministry of Housing, Communities and Local Government Minimum Revenue Provision Guidance (2018)

Minimum Revenue Provision (MRP) is the mechanism by which capital expenditure funded though prudential borrowing is charged to revenue over time. The aim of MRP is to align the charge to revenue over a period which the capital expenditure provides benefit.

Before the start of each financial year the Council is required to approve an MRP Policy Statement specifying how it will make prudent MRP during that year. Subject to full Council approval, the MRP Policy Statement can be revised during the year.

Treasury Management in the Public Services: CIPFA Code of Practice (2021) and Guidance Notes (2021)

The primary requirements of the Code are:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council’s treasury management activities.
- Creation and maintenance of Treasury Management Practices (“TMPs”) that set out the manner in which the Council will seek to achieve those policies and objectives.
- Receipt by the full Council or Cabinet of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and

Minimum Revenue Provision Policy Statement - for the year ahead, a Half-year Review Report and an Annual Report (stewardship report) covering activities during the previous year.
- Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
- Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body.

The 2021 CIPFA Treasury Management Code of Practice introduced the requirement from 2023/24:
- to present the Liability Benchmark as a new Treasury Indicator, to support the financing risk management of the capital financing requirement.
- Updates to Treasury Management Practices (TMPs) in respect of incorporating Environment, Social and Governance (ESG) policies and the development of a knowledge and skills framework proportionate to the size and complexity of the treasury management operations
- The creation of Investment Management Practices (IMPs) to manage risks associated with non-treasury investments (similar to TMPs)

CIPFA Prudential Code (2021) and Guidance Notes (2021)

The CIPFA Prudential Code is a framework developed to support local strategic planning, asset management and options appraisal. The objectives of the Prudential Code are to ensure that the Council's capital expenditure plans are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved.

The Prudential Code sets out a number of indicators which demonstrate the impact of the approved capital programme. Since 2017 local authorities have been required to produce an annual Capital Strategy, which sets out the long-term context in which capital expenditure and investment decisions are made.

The 2021 CIPFA Prudential Code introduced the requirement from 2023/24 to:
- Present a Prudential Indicator in looking at income from non treasury investments as a proportion of net revenue stream to ensure a proportionate approach to service and commercial investment
- address ESG policies within the Capital Strategy.

2. CIPFA Treasury Management Code of Practice (2021) and Prudential Code (2021) definition of investment

All investments and investment income must be attributed to one of the following three purposes: -

Treasury management
Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury

risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

Service delivery
Investments held primarily and directly for the delivery of public services including housing, regeneration, and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is “either related to the financial viability of the project in question or otherwise incidental to the primary purpose”.

Commercial return
Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to a council’s financial capacity – i.e., that ‘plausible losses’ could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

TREASURY MANAGEMENT DELEGATIONS AND RESPONSIBILITIES

The respective roles of the Council, Cabinet, GARMSC, the Section 151 officer, the Treasury Management Group the Treasury and Pensions Manager and the Treasury Team are summarised below. Further details are set out in the Treasury Management Practices.

Council

Under the Constitution, the Council is responsible for "decisions relating to the control of the Council's borrowing requirement."

It agrees the annual Treasury Management Strategy Statement including Prudential Indicators, Minimum Revenue Provision Policy Statement and Annual Investment Strategy.

Cabinet

Under the Constitution, the Cabinet "will exercise all of the local authority functions which are not the responsibility of any other part of the local authority, whether by law or under this Constitution."

It considers and recommends to Council the annual Treasury Management Strategy Statement and receives a mid-year report and annual outturn report on Treasury Management activities.

Governance, Audit, Risk Management and Standards Committee

GARMSC reviews the Treasury Management Strategy and monitors progress on treasury management in accordance with CIPFA codes of practice.

Director of Finance (Section 151 Officer)

Under S151 of the Local Government Act 1972 the Council "shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs." At Harrow, this responsibility is exercised by the Director of Finance.

The Director is responsibility for implementing the policies agreed by the Council and Cabinet.

Under the Local Government Finance Act 1988 and the Local Government Act 2003 the Director also has responsibilities in respect of budget arrangements and the adequacy of resources. In terms of Treasury Management this means that the financing costs of the Capital Programme are built into the Revenue Budget as are any assumptions on investment income.

The Director chairs the Treasury Management Group and agrees major treasury management decisions, specifically including any borrowing decisions, delegated to officers.

Treasury Management Group

Comprises Director of Finance, Head of Strategic and Technical Finance (Deputy S151 Officer), Treasury and Pensions Manager, Senior Finance Officer and is responsible for:

1. Monitoring treasury management activity against approved strategy, policy, practices and market conditions;
2. Ensuring that capital expenditure plans are continually reviewed in line with budget assumptions throughout the year to forecast when borrowing will be required.
3. Approving changes to treasury management practices and procedures;
4. Reviewing the performance of the treasury management function using benchmarking data on borrowing and investment provided by the Treasury Management Adviser (Link Asset Services);
5. Monitoring the performance of the appointed Treasury Management Adviser and recommending any necessary actions
6. Ensuring the adequacy of treasury management resources and skills and the effective division of responsibilities within the treasury management function;
7. Monitoring the adequacy of internal audit reviews and the implementation of audit recommendations

Treasury and Pensions Manager

Responsible for the execution and administration of treasury management decisions, acting in accordance with the Council's Treasury Management Strategy Statement and CIPFA's "Standard of Professional Practice on Treasury Management"

Treasury Team

Headed by Senior Finance Officer with responsibility for day-to-day treasury and investment and borrowing activity in accordance with approved Strategy, policy, practices and procedures and for recommending changes to the Treasury Management Group

APPENDIX C

Minimum Revenue Provision (MRP) Policy Statement

For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be the equal annual reduction of 2% of the outstanding debt at 1 April 2015 for the subsequent 50 years.

For all capital expenditure financed from unsupported (prudential) borrowing (including PFI and finance leases), MRP will be based upon an asset life method in accordance with Option 3 of the guidance.

In some cases where a scheme is financed by prudential borrowing it may be appropriate to vary the profile of the MRP charge to reflect the future income streams associated with the asset, whilst retaining the principle that the full amount of borrowing will be charged as MRP over the asset's estimated useful life.

The regulations allow the Council to charge VMRP, which can be used to reduce future MRP by the same amount. A change introduced by the revised MHCLG MRP Guidance is that the voluntary MRP must be disclosed in a statement to the full council in order to reclaim it in future years as deemed necessary and prudent. As at March 2023, the VRP was £6.8 (31st March 2022 £6.8m.)

Estimated life periods and amortisation methodologies will be determined under delegated powers. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, these periods will generally be adopted by the Council. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

Freehold land cannot properly have a life attributed to it, so for the purposes of Asset Life method it will be treated as equal to a maximum of 50 years, in line with the maximum asset life permitted by statutory guidance.

As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

Repayments included in annual PFI or finance leases are applied as MRP.

Where borrowing is undertaken for the construction of new assets, MRP will only become chargeable once such assets are completed and operational.

APPENDIX D: Link Group: Interest Rate Forecasts 2024 – 2027.

PWLB forecasts shown below have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012.

The Link Group forecasts are as at 08.01.24.

Link Group Interest Rate View 08.01.24													
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.60	4.10	3.70	3.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.40	3.90	3.60	3.20	3.10	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

APPENDIX E

Economic Background

- The third quarter of 2023/24 saw:
  - A 0.3% m/m decline in real GDP in October, potentially partly due to unseasonably wet weather, but also due to the ongoing drag from higher interest rates. Growth for the second quarter, ending 30th September, was revised downwards to -0.1% and growth on an annual basis was also revised downwards, to 0.3%;
  - A sharp fall in wage growth, with the headline 3myy rate declining from 8.0% in September to 7.2% in October, although the ONS "experimental" rate of unemployment has remained low at 4.2%;
  - CPI inflation continuing on its downward trajectory, from 8.7% in April to 4.6% in October, then again to 3.9% in November;
  - Core CPI inflation decreasing from April and May's 31 years' high of 7.1% to 5.1% in November, the lowest rate since January 2022;
  - The Bank of England holding Bank Rate at 5.25% in November and December;
  - A steady fall in 10-year gilt yields as investors revised their interest rate expectations lower.
- The revision of GDP data in Q2 to a 0.1% q/q fall may mean the mildest of mild recessions has begun. Indeed, real GDP in October fell 0.3% m/m which does suggest that the economy may stagnate again in Q3. The weakness in October may partly be due to the unseasonably wet weather. That said, as the weakness was broad based it may also be the case that the ongoing drag from higher interest rates is more than offsetting any boost from the rise in real wages.
- However, the rise in the flash composite activity Purchasing Managers Index, from 50.7 in November to 51.7 in December, did increase the chances of the economy avoiding a contraction in Q3. The improvement was entirely driven by the increase in the services activity balance from 50.9 to 52.7. (Scores above 50 point to expansion in the economy, although only tepid in this instance.) The press release noted that this was primarily driven by a revival in consumer demand in the technological and financial services sectors. This chimes with the further improvement in the GfK measure of consumer confidence in December, from -24 to -22. The services PMI is now consistent with non-retail services output growing by 0.5% q/q in Q3, but this is in stark contrast to the manufacturing sector where the output balance slumped from 49.2 to 45.9 and, at face value, the output balance is consistent with a 1.5% q/q fall in manufacturing output in Q3.
- The 0.3% m/m fall in retail sales volumes in October means that after contracting by 1.0% q/q (which was downwardly revised from -0.8% q/q) in Q2, retail activity remained weak at the start of Q3. That suggests higher interest rates are taking a bigger toll on real consumer spending.
- Higher interest rates have filtered through the financial channels and weakened the housing market but, overall, it remains surprisingly resilient with the Halifax house price index recently pointing to a 1.7% year on year increase whilst Nationwide's December data pointed to a -1.8% year on year decrease. However,

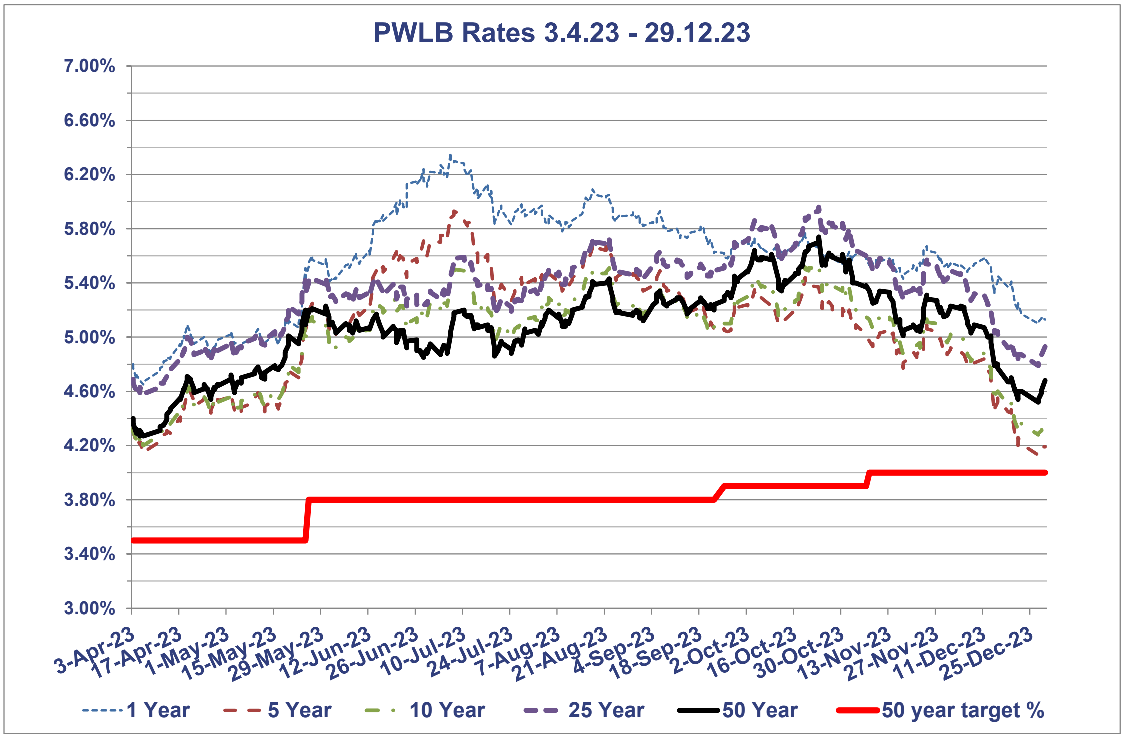
the full weakness in real consumer spending and real business investment has yet to come as currently it is estimated that around two thirds to a half of the impact of higher interest rates on household interest payments has yet to be felt.

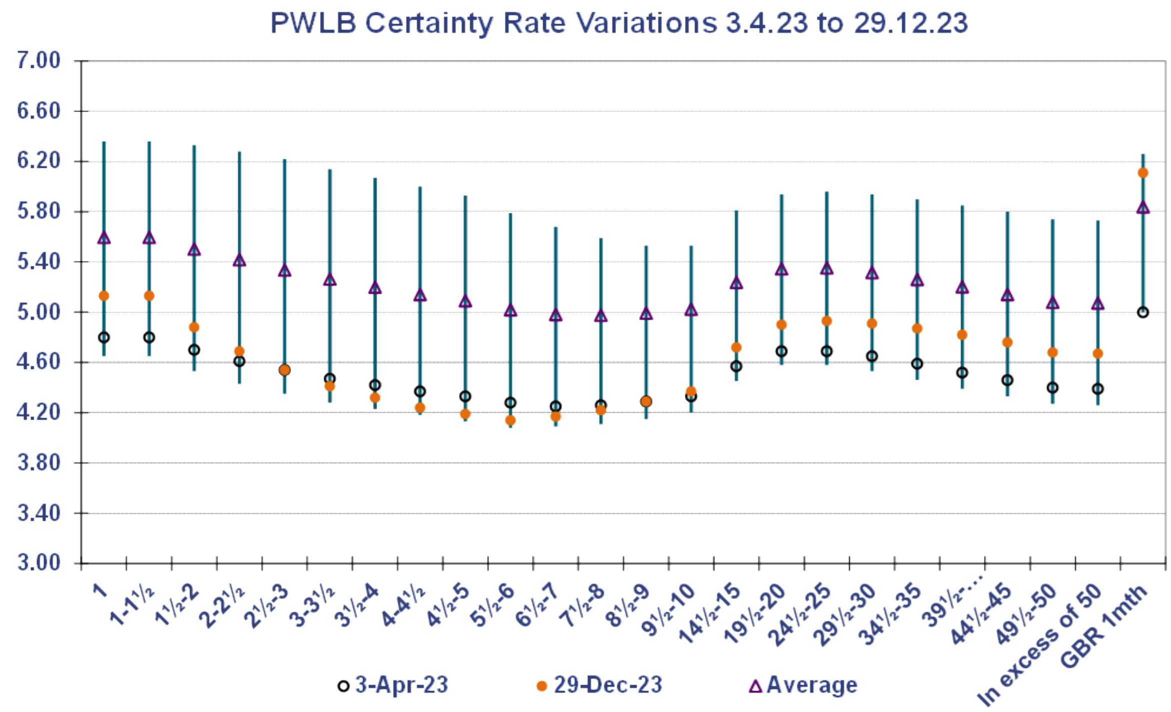
- Overall, we expect real GDP growth to remain subdued throughout 2024 as the drag from higher interest rates is protracted but a fading of the cost-of-living crisis and interest rate cuts in the second half of 2024 will support a recovery in GDP growth in 2025.
- The labour market remains tight by historical standards, but the sharp fall in wage growth seen in October will reinforce the growing belief in markets that interest rates will be cut mid-2024. Wage growth eased in October much faster than the consensus expected. Total earnings fell by 1.6% m/m, which meant the headline 3myy rate eased from 8.0% in September to 7.2% in October. This news will be welcomed by the Bank of England. Indeed, the timelier three-month annualised rate of average earnings growth fell from +2.4% to -1.2%. Excluding bonuses, it fell from 5.3% to 2.0%. Furthermore, one of the Bank's key barometers of inflation persistence, regular private sector pay growth, dropped from 7.9% 3myy to 7.3%, which leaves it comfortably on track to fall to 7.2% by December, as predicted by the Bank in November.
- The fall in wage growth occurred despite labour demand being stronger in October than expected. The three-month change in employment eased only a touch from +52,000 in September to +50,000 in October. But resilient labour demand was offset by a further 63,000 rise in the supply of workers in the three months to October. That meant labour supply exceeded its pre-pandemic level for the first time, and the unemployment rate remained at 4.2% in October. In the three months to November, the number of job vacancies fell for the 17th month in a row, from around 959,000 in October to around 949,000. That has reduced the vacancy to unemployment ratio as demand for labour eases relative to supply, which may support a further easing in wage growth in the coming months.
- CPI inflation fell from 6.7% in September to 4.6% in October, and then again to 3.9% in November. Both these falls were bigger than expected and there are clear signs of easing in domestic inflationary pressures. The fall in core CPI inflation from 5.7% to 5.1% in November was bigger than expected (consensus forecast 5.6%). That's the lowest rate since January 2022. Some of the decline in core inflation was due to the global influence of core goods inflation, which slowed from 4.3% to 3.3%. But some of it was due to services inflation falling from 6.6% to 6.3%. The Bank views the latter as a key barometer of the persistence of inflation and it came in further below the Bank's forecast of 6.9% in its November Monetary Policy Report. This will give the Bank more confidence that services inflation is now on a firmly downward path.
- The Bank of England sprung no surprises with its December monetary policy committee (MPC) meeting, leaving interest rates at 5.25% for the third time in a row and pushing back against the prospect of near-term interest rate cuts. The Bank continued to sound hawkish, with the MPC maintaining its tightening bias saying that "further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures". And it stuck to the familiar script, saying that policy will be "sufficiently restrictive for sufficiently long" and that "monetary policy is likely to need to be restrictive for an extended period of time". In other words, the message is that the MPC is not yet willing to endorse investors' expectations that rates will be cut as soon as May 2024.

- Looking ahead, our colleagues at Capital Economics forecast that the recent downward trends in CPI and core inflation will stall over the next few months before starting to decline more decisively again in February. That explains why we think the Bank of England won't feel comfortable cutting interest rates until H2 2024.
- The fall in UK market interest rate expectations in December has driven most of the decline in 10-year gilt yields, which have fallen in line with 10-year US Treasury and euro-zone yields. 10-year gilt yields have fallen from 4.68% in October 2023 to around 3.70% in early January, with further declines likely if the falling inflation story is maintained.
- Investors' growing expectations that the Fed will cut interest rates soon has led to an improvement in risk sentiment, which has boosted the pound and other risky assets. In addition, the rise in the pound, from $1.21 in November to $1.27 now, has also been supported by the recent relative decline in UK wholesale gas prices.
- The further fall in 10-year real gilt yields in December has supported the recent rise in the FTSE 100. That said, the index remains 5% below its record high in February 2023. This modest rise in equities appears to have been mostly driven by strong performances in the industrials and rate-sensitive technology sectors. But UK equities have continued to underperform US and euro-zone equities. The FTSE 100 has risen by 2.2% in December, while the S&P 500 has risen by 3.8%. This is partly due to lower energy prices, which have been a relatively bigger drag on the FTSE 100, due to the index's high concentration of energy companies.

In the chart below, the rise in gilt yields across the curve in the first half of 2023/24, and therein PWLB rates, is clear to see, prior to the end of year rally based on a mix of supportive domestic and international factors.

PWLB RATES 3.4.23 - 29.12.23





HIGH/LOW/AVERAGE PWLB RATES FOR 3.4.23 – 29.12.23

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.65%	4.13%	4.20%	4.58%	4.27%
Date	06/04/2023	27/12/2023	06/04/2023	06/04/2023	05/04/2023
High	6.36%	5.93%	5.53%	5.96%	5.74%
Date	06/07/2023	07/07/2023	23/10/2023	23/10/2023	23/10/2023
Average	5.60%	5.09%	5.03%	5.35%	5.08%
Spread	1.71%	1.80%	1.33%	1.38%	1.47%

MPC meetings 2nd November and 14th December 2023

- On 2nd November, the Bank of England's Monetary Policy Committee (MPC) voted to keep Bank Rate on hold at 5.25%, and on 14th December reiterated that view. Both increases reflected a split vote, the latter by 6 votes to 3, with the minority grouping voting for an increase of 0.25% as concerns about "sticky" inflation remained in place.
- Nonetheless, with UK CPI inflation now at 3.9%, and core inflating beginning to moderate (5.1%), markets are voicing a view that rate cuts should begin in Q1 2024/25, some way ahead of the indications from MPC members. Of course, the data will be the ultimate determinant, so upcoming publications of employment, wages and inflation numbers will be of particular importance, and on-going volatility in Bank Rate expectations and the gilt yield curve can be expected.
- In addition, what happens outside of the UK is also critical to movement in gilt yields. The US FOMC has kept short-term rates in the range of 5.25%-5.50%, whilst the ECB has moved its Deposit rate to a probable peak of 4%. Markets currently expect both central banks to start cutting rates in 2024.

APPENDIX F

Counterparties and approved investments

This Authority applies the creditworthiness service provided by the Link Group. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays: -

1. "watches" and "outlooks" from credit rating agencies;
2. CDS spreads that may give early warning of changes in credit ratings;
3. sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, and any assigned Watches and Outlooks, in a weighted scoring system which is then combined with an overlay of CDS spreads. The end-product of this is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Authority to determine the suggested duration for investments. The Authority will, therefore, use counterparties within the following durational bands

- Yellow 5 years *
- Dark pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
- Light pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

The Link creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Typically, the minimum credit ratings criteria the Authority uses will be a short-term rating (Fitch or equivalents) of F1 and a long-term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

The Authority is alerted to changes to ratings of all three agencies through its use of the Link creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Authority's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Authority will be advised of information in movements in Credit Default Swap spreads against the iTraxx European Senior Financials benchmark and other market data on a

daily basis via its Passport website, provided exclusively to it by Link. Extreme market movements may result in downgrade of an institution or removal from the Authority's lending list.

Sole reliance will not be placed on the use of this external service. In addition, this Authority will also use market data and market information, as well as information on any external support for banks to help support its decision-making process.

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

	Colour (and long-term rating where applicable)	Monetary limit per Counterparty	Duration limit
Banks & UK Government	**Yellow**	**£20m**	**5yrs**
Banks	**Purple**	**£20m**	**2 yrs**
Banks & Building Societies	**Orange**	**£20m**	**1 yr**
Banks – part nationalised	**Blue**	**£20m**	**1 yr**
Banks & Building Societies	**Red**	**£20m**	**6 mths**
Banks & Building Societies	**Green**	**£20m**	**100 days**
Banks & Building Societies	**No Colour**	**Not to be used**	**Not to be used**
Authority's Banker (RBS)		**£50m**	**Instant Access**
DMADF	**UK sovereign rating**	**unlimited**	**6 months**
Local authorities	**Yellow**	**£20m**	**5yrs**
	Fund rating		**Time Limit**
Money Market Funds CNAV	**AAA**	**£20m**	**liquid**
Money Market Funds LVNAV	**AAA**	**£20m**	**liquid**
Money Market Funds VNAV	**AAA**	**£10m**	**liquid**
Ultra-Short Dated Bond Funds with a credit score of 1.25	**Dark Pink / AAA**	**£5m**	**liquid**
Ultra-Short Dated Bond Funds with a credit score of 1.50	**Light Pink / AAA**	**£5m**	**liquid**

Councils own Bank – RBS

The Council will have an overriding limit of £50m with RBS to be held on instant access. If the Council makes an investment with RBS in accordance with the Banks suggested duration according to the Link Credit Methodology (as per the colour bandings/limits in the table above above) the £50m limit for RBS in respect of funds that could be held on instant access will be reduced accordingly.

Sovereign
The Authority will invest in counterparties based in the UK plus those domiciled in countries with a minimum sovereign rating of AA-.

Groups of Companies
The Authority will treat groups of companies as one counterparty and therefore one limit will apply across all entities within that group.

Specified Investments

The MHCLG Investment Guidance defines a specified investment if all the following apply:

- The investment is denominated in sterling and any payments or repayments in the respect of the investment are payable only in sterling.
- The investment is not a long term investment. This means that the local authority has contractual right to repayment within 12 months, either because that is the expiry term of the investment or through a non conditional option.
- The making of the investment is not defined as capital expenditure by virtue of Regulation 25(1)(d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [as amended].
- The investment is made with a body or in an investment scheme described as high quality (see paragraph 33 or with one of the following bodies:
  - The United Kingdom Government;
  - A local authority in England or Wales (as defined in section 23 of the 2003 Act) or a similar body in Scotland or Northern Ireland;
  - A parish council or community council.

The Authority as part of its treasury strategy defines what it believes constitutes high credit quality.

For the purposes of this strategy the Authority determines high credit quality to be any investment up to 365 days meeting the requirements of the table above in accordance with the Link Group Creditworthiness Methodology.

Non Specified Investments
The MHCLG Investment Guidance defines a non specified investment as any financial investment that is not classified as a loan or a specified investment.

The Authority does not intent to make investments outside of the counterparty criteria contained in the table above. Therefore, it will only undertake non specified investments if it makes long term investments over 365 days within the above parameters with regards counterparty limits and investment duration. This would be subject to cashflow forecast illustrating the Authority had sufficient funds available to enter into long term investments.

Loan
The MHCLG Investment Guidance defines this as a loan that an Authority has elected to make to local enterprises, local charities, wholly owned companies and joint ventures as part of a wider strategy for local economic growth even though those loans may not all be seen as prudent if adopting a narrow definition of prioritising security and liquidity.

The Authority will undertake specific due diligence in respect of any loans to third parties in support of Council objectives prior to any decision on a loan being made.

Contents

Section 1 – PRINCIPLES OF THE CAPITAL STRATEGY

1. Introduction

In December 2017, the Chartered Institute of Public Finance & Accountancy issued a revised Prudential and Treasury Management Code, requiring all local authorities to produce a Capital Strategy report from 2019/20 onwards to show:

1. a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
2. an overview of how the associated risk is managed
3. the implications for future financial sustainability.

This capital strategy meets the requirement by setting out the Council's capital investment programme and how it contributes to the achievement of strategic priorities being refreshed through the Borough Plan, while considering resource availability and the wider financial context. It is intended to be supportive of the Council's other strategy framework documents.

2. Objectives and Principles

The strategy details show how the Council sets out its priorities for Capital investment including links to existing delivery plans and strategy documents. It also considers the ways in which capital expenditure may be financed, including the impact that the Strategy has on the budgets of both the General Fund and the Housing Revenue Account (HRA). The strategy will also set out the links with Treasury Management objectives and determine the authority's approach to risk in those objectives.

This document is part of the Council's business planning process from both a financial and service perspective. It sets out a framework whereby the authority's capital resources can be effectively allocated to those projects which may help the Council achieve wider corporate objectives, protect existing assets and support financial sustainability.

Principles of the Capital Strategy

1. Capital Investment is a vital tool in delivering strategic priorities.

2. The Capital Programme will include only these schemes in accordance with the agreed criteria.

3. The evaluation of capital schemes for inclusion on the programme will follow an agreed process which allows scrutiny whilst not limiting innovation and adaptability.

4. The funding of the Capital Programme must be considered alongside the revenue budget and balance sheet position as part of the Council's Medium Term Financial Strategy (MTFS).

6. Capital projects will be monitored and reported to Cabinet on a quarterly basis.

3. Background

As part of its wider treasury management objectives the Council must have regard to the "Prudential Code for Capital Finance in Local Authorities" (henceforth to be referred to as the Prudential Code), as produced by the Chartered Institute of Public Finance & Accountancy (CIPFA). The 2017 revision of the Prudential Code introduces the requirement for authorities to produce a Capital Strategy from 2019/20. It is a live document underpinning the Council's Capital Programme and therefore will be subject to amendment.

4. Capital Expenditure

Capital Expenditure is that which is incurred on the acquisition, creation or enhancement of an asset. These assets can be tangible such as buildings or vehicles, as well as intangible such as software products.

5. The link between Revenue and Capital

Capital and revenue expenditure are separate components of local authority budgets and funding for each is considered separately. However, a vital component of successful financial planning is that revenue and capital budgets are intrinsically linked as the impact of capital expenditure must be reflected in revenue budgets. Therefore, this capital strategy should be deemed to form a key part of the authority's medium term financial planning process.

The impact and affordability of capital expenditure must be considered in the assessment of capital projects at the business case stage. Effective financial planning must fully reflect the impact of capital plans in the revenue budget.

The following table sets out some of the key impacts of capital expenditure upon the revenue budget.

Revenue Savings
•Direct Income from assets
•Reduced maintenance costs of new or improved assets
•Savings in labour costs
Revenue Costs
•Running costs of new assets
•Minimum Revenue Provision (loan principal)
•Interest costs from borrowing

As an indication of the current cost of the existing capital programme, the table below shows the capital financing costs that are already factored into the existing MTFS for 2024/25 to 2026/27 in relation to the existing and historic capital programmes:

Capital Financing Costs as % of the Net Revenue Budget for 2024/25 of £202.6m

	Capital Financing Costs	Capital financing costs as % of 2024/25 Net Budget
	£m	%
2024/25	33.1	16.3%
2025/26	34.1	16.8%
2026/27	36.0	17.8%

6. The Purpose of Capital Investment

Investment through capital expenditure may serve a number of purposes; these can typically be classified as being related to service priorities, invest-to-save projects, regeneration programme, and the planned improvement of the current investment property portfolio.

7. Existing Capital Priorities

Instead of inviting service directorates to bid for capital resources, a review was undertaken on the existing Capital Programme and the outcome of which was used to refresh the programme by re-profiling existing budgets where applicable into 2026/27 to form a 3-year Capital Programme in the MTFS. Any new capital allocation for 2026/27 will form part of the 2025/26 budget and MTFS process.

The criteria used for the inclusion of any new capital bids remain unchanged from previous years which is for capital to be contained within the following categories:

1. Life and Limb/Health and Safety.
2. Statutory Requirement/legislation.
3. Schemes fully funded by external sources.
4. Invest to Save Schemes (the capital expenditure must generate a revenue stream to cover the capital financing costs and make a net contribution to the MTFS).

In addition, with the approval of the Council's Corporate Plan, capital investment in the borough aims to support the delivery of our priorities to residents and businesses. The Corporate Plan includes a number of flagship actions, many of which will be supported by the investment in the Capital Programme.

The updated Capital Programme 2024/25 to 2026/27 will be approved by Cabinet and Council in February 2024.

8. Use of Commercial Investment

The Council took its Investment Property Strategy to Council in December 2015. Under this strategy the Council has incurred £51.1m of capital expenditure to 31 March 2023 on commercial investments. The Council acquired 7 Commercial properties, 6 of them are located outside of Harrow Borough and one in Harrow Town Centre. There is no further Capital for

Commercial Investments in the Capital Programme to be approved by Council in February 2024.

9. Asset Management

Asset Management is the process by which the authority considers whether its assets are appropriate to deliver the high-quality services demanded by residents. This process may identify a number of different outcomes for assets including:

1. Change in use to meet the demands of a service

2. Investment is required to improve the condition of an asset

2. A new asset is required to better meet the Council priorities

3. The need to dispose of the asset to realise its value in monetary terms

The Council will use active asset management to consider both its current asset base and its future asset base. The capital programme will be used to bridge the gap to ensure that the authority has sufficient assets in the long term.

10. Capital Disposals

The asset management process may determine that the value of an asset is best realised through disposal. Sale of assets should be through an open market process to determine the best value.

Cash received from a sale of a property is a capital receipt. The use of these funds is restricted to purchasing new assets or repayment of existing debt. The Council will not make decisions about the ring-fencing of capital receipts before amounts are known and the use of such receipts has been considered in the light of the Council's overall financial position.

The existing General Fund capital programme includes a limited amount of capital receipts in relation to two regeneration schemes – Haslam House and Waxwell Lane. The HRA capital programme includes assumptions on levels of right to buy receipts as well as other capital receipts.

11.Multi-Year Capital Projects

Capital projects deliver assets which will provide services and/or income to the Council for a number of years. As a result of the significance and complexity of a number of these projects they may take a number of years to plan and deliver.

When setting the Capital Programme Council will approve the schemes to be included, the budget for their delivery and the timescale in which they are to be achieved. Unless schemes have clearly defined development and delivery phases with separate objectives, budgets and timescales Council should be asked to approve a budget to cover the whole of the project being delivered. Approval of the entire budget at the point of inception gives certainty for the project and assists officers in ensuring delivery.

The budget for approval will include an expected cash flow projection showing how much of the anticipated project budget will be incurred in each year of the Capital Programme. Any variations in timing of cash flows between years will be reported as part of the budget monitoring process. This should be regarded as part of the normal development of a capital project.

12.Use of capital receipt flexibilities

In the Spending Review 2015, it was announced that to support local authorities to deliver more efficient and sustainable services, the government will allow local authorities to send up to 100% of their fixed asset receipts on the revenue costs of reform projects.

The flexibility was initially offered to the sector for the three financial years 2016/17 to 2018/19. In December 2017, the Secretary of State announced, alongside the provisional local government finance settlement, the continuation of the capital receipts flexibility programme for a further three years, covering 2019/20 to 2021/22. The flexibility has been extended on numerous occasions. In December 2023, the government announced the extension of this scheme to March 2030 and would also explore additional capital flexibility options to enable invest-to-save and transformation initiatives. There is currently a consultation on these options which will close on 31 January 2024.

Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners.

Local authorities are given the power to use capital receipts from the disposal of property, plant and equipment assets received in the years in which this flexibility is offered, to spend up to 100% of their fixed asset receipts (excluding Right to Buy receipts) on the revenue costs of reform projects. Local Authorities may not use their existing stock of capital receipts to finance the revenue costs of reform.

The Council signified its intent to make use of this flexibility in its final budget report to Cabinet and Council in February 2016 and has continued to do so as part of the Annual Budget Setting process in order to provide the Council with the flexibility should it be needed. To date, the following use has been made of capital flexibilities:

2016/17	£2,377,000
2017/18	£1,738,000
2018/19	£1,200,000
2019/20	£3,100,000
	£8,415,000

The MTFS 2024/25 to 2026/27 includes a budget of £1.250m to fund the Regeneration Team. The nature of this spend meets the capital flexibility criteria and the team will be funded under the capital flexibilities scheme in 2024/25 and 2025/26. This will be reviewed as part of the 2025/26 budget process as there will be more information on additional capital flexibility options following the consultation as detailed below.

The Department for Levelling Up, Housing and Communities (DLUHC) has recently published a call for views on new local authority capital flexibilities, which include a set of options with respect to capital flexibilities and borrowing, to be managed locally, that could be used to encourage and enable local authorities to invest in ways that reduce the cost of service delivery and provide more local levers to manage financial resources. The calls for view close on 31 January 2024. At the time of writing this report, the outcome of this is not yet known.

Section 2 – SELECTING, APPROVING AND MONITORING CAPITAL SCHEMES

13.The Importance of Capital Business Cases

The processes described in the following section are to be regarded as the authority's formal procedures for setting and monitoring capital projects. This process has been developed to ensure that the Council's Capital Programme contains schemes which are in line with objectives, meet its asset management requirements and are both affordable and deliverable. This process will give elected members confidence that decisions they are being asked to make regarding the capital programme have been based on a sound system of decision making.

All capital schemes included in the Capital Programme have been the subject of an evaluation process including a business case to ensure the Council can target its capital resources effectively.

14. Information to be considered in Capital Decision Making

When making decisions as to which schemes are included on the capital programme the presented business case must include information on these main factors.

(i) Financials – All anticipated costs (both capital and ongoing revenue), along with any potential revenue streams must be set out. This should include risk analysis to show factors which may impact upon those numbers and where appropriate sensitivity analysis to show potential future scenarios.

(ii) Strategic Objectives – Capital schemes must meet Council priorities and the ability of a scheme to impact upon objectives must be clearly demonstrated. This should include the wider social and environmental impact of the capital project. This must be accompanied by evidence supporting the conclusions made.

(iii) Capacity - All capital schemes, even those funded by external sources, require officers within the Council to implement them and this must be considered as part of the appraisal process. Where a project requires the procuring of additional resource to deliver the scheme this detail must be included in the financial analysis.

(iv) Deliverability - The success of capital projects depends not just on the financial and non-financial resources of the Council. External factors which impact on the deliverability of the project should also be considered as part of the planning process.

15.Governance of the Capital Programme

This strategy sets out the governance relationship relating to the Capital Programme and the respective role of Members and Officers in relation to the decision making process. The roles of the various groups are as follows.

Decision making on the Capital Programme is likely to be an iterative and often circular process with information flowing both ways between these respective groups.

As an example the following timescale may be followed for producing the Capital Programme during the main budget setting process.

Council

•Formally agrees the Capital Programme

•Receives budget monitoring reports covering financial and non-financial elements of capital schemes

•Approves commercial capital investments

Capital Forum

•Allows panel a chance to comment on capital schemes before formal approval of releasing the funding approved as part of the Capital Programme

Corporate Team

•Reviews Business Cases submitted

•Performs initial sift of viable schemes

•Approves proposed list of capital schemes

Service Managers / Heads of Service

•Identify priorities and opportunities for capital investment

•Act as, or appoint, project managers to lead on schemes and complete outline business cases

16. In-Year Capital Decisions

The inclusion of projects in the Capital Programme must remain possible outside of the usual capital budget setting process where a project is being resourced by external funding, e.g. Government grant or other external funding. In order to facilitate this, the Financial Regulations allow for capital projects to be added to the capital programme where they are funded from external sources.

17.Monitoring Capital Projects

Effective monitoring of projects is a vital element of good capital governance.

Capital projects are often significant not only in terms of financial resources required but in terms of organisational capacity, impact upon Service delivery and reputational risk. It is therefore vital that there is sufficient monitoring carried out upon schemes to allow stakeholders to be informed of progress and for members and officers to make decisions as required.

In order to meet these requirements the Corporate Team prepare quarterly monitoring reports showing the current spend against capital projects, the forecast for the end of the financial year include the underspend or slippage into the following year at the end of each financial quarter, with an outturn report at year-end.

Cabinet receives quarterly information on the progress of capital projects as part of the quarterly finance update on revenue and capital budget monitoring

Section 3 - FINANCING THE CAPITAL PROGRAMME

18. Capital Funding

There are a number of distinct sources of funding which can be utilised to finance capital expenditure. Some funding sources are ring fenced and can only be used for Housing Revenue Account capital expenditure, or a particular capital project. Consideration of funding must be made when projects are at the planning stage. No capital project will be put forward without funding having been identified to complete the project. Where capital schemes are in multiple phases, perhaps requiring an initial development phase to ensure funding for the final phases, this will be considered as part of the planning stage and clearly reported.

Capital funding cannot be used to fund revenue costs which may arise from a capital scheme such as consultant’s costs on feasibility before a project is identified.

19.Capital Resources

Capital Receipts

The sale of assets with a value of more than £10,000 generates income known as capital receipts. Legislation requires these to be spent on either new capital investment or the repayment of existing debt. The government allows some flexibility in the use of capital receipts in the form of capital flexibilities as set out in paragraph 12.

HRA Right to Buy compulsory sale of council houses generate receipts that may be retained to cover the cost of transacting the sales and to cover outstanding debt on the property sold, but a proportion of the remainder must be surrendered to Central Government. Though for 2022/23 and 2023/24 the Government has allowed LA to all receipts subject to restrictions.

All other HRA capital receipts may be retained provided they are spent on affordable housing, regeneration or paying off housing debt.

General Fund capital receipts can be retained in full. These can arise from the sale of land and buildings, vehicles, plant and equipment, and also through the repayment of loans or grants.

An active asset management planning process is needed to review the asset requirements of the Council and therefore to identify surplus assets which may be sold to generate capital receipts.

Prudential Borrowing

The Council is able to borrow money on the money market or from the Public Works Loans Board (PWLB) to fund capital schemes. A preferential Certainty Rate of interest is allocated to Councils who apply for it and it is the policy of this Council to take advantage of the certainty rate each year.

For all schemes initially funded from borrowing, the Council will have to fund the repayment and interest costs as there is no longer any central government "supported borrowing" allocations and related revenue support.

The Council is only able to borrow for Prudential Borrowing, under the guidance contained in the CIPFA Prudential Code whereby, in summary, the Council is required to ensure that all borrowing is both prudent and affordable. All schemes funded from prudential borrowing are approved by full Council. As part of the Treasury Management Strategy each year full Council approves a limit for affordable borrowing and capital schemes will be considered in the light of that limit.

20.External Funding Sources

Capital Grant from Government or Government Agency

Central government and government agencies provide capital grant funding that can be either ring fenced, or non-ring fenced. Examples of ring-fenced grants that the Council has received are disabled facilities grants (DFG's) and Transport for London (TfL) funding.

Community Infrastructure Levy (CIL)

Any monies received from developers for infrastructure from the Community Infrastructure Levy will not be allocated to a specific service but will be allocated under the CIL arrangements ("the Regulation 123 List") in line with Council's capital scheme priorities.

The process for allocating CIL funds will be in accordance with the process agreed by Cabinet.

The Community Infrastructure Levy (CIL) enables the council to raise funds for infrastructure from new development. It is levied on the net increase in floor space arising from new developments and is paid when that development starts. The Community Infrastructure Levy (CIL) is a tool for local authorities to support the development of their area by funding the provision, improvement, replacement, operation or maintenance of infrastructure. However the focus of CIL is on the delivery of new infrastructure to meet and mitigate the impacts of new development in an area.

CIL receipts can be used to fund a wide range of infrastructure including transport, schools, health and social care facilities, libraries, play areas, green spaces and sports facilities. Harrow's list of strategic infrastructure requirements known as a Regulation 123 list is shown below:

Regulation 123 List

The following table comprises Harrow Council's Regulation 123 List. It includes the strategic infrastructure that the Council currently considers it is likely to apply CIL revenues to. The Regulation 123 List will be kept under review and may change depending upon the following:

- Changes to local or national funding streams in respect of CIL eligible infrastructure; and
- The requirements of the regulations governing the level of the "meaningful proportion" of CIL that is to be passed to local communities.

Infrastructure currently considered likely to benefit from the application of CIL funding	
Education facilities	Early years, primary and secondary schools
Health services	GPs, acute healthcare
Social care	Supported accommodation
Emergency services	Police, Ambulance and Fire Services
Cultural and community facilities	Libraries and community halls
Improvements to public open space	Parks, natural green space, civic space and green corridors and green grid
Improvements to biodiversity	
Public recreation and leisure facilities	Neighbourhood and Youth Play space, sports and leisure centres, swimming pools and playing pitches
Cemeteries and burial space	
Strategic transport facilities	Roads, buses, cycling, rail and underground
Strategic flood mitigation	

Of all CIL monies collected, 85% is used to fund strategic borough wide infrastructure projects, which includes a 5% allowance to cover the administrative costs of CIL. The decisions on where to spend CIL at a borough-wide level is determined by the Council. The remaining 15% is allocated to Neighbourhood CIL (NCIL) and must be spent on projects that have taken account of the views of the communities in which the income was generated and these projects should support the development of the area.

In 2017, the principle was adopted by the Major Development Panel (14th November 2017) and Cabinet (7th December 2017) that the allocation of Borough and Neighbourhood CIL is included as part of the Annual Budget Setting process and included in the Capital Programme report which goes to Cabinet in draft (in December each year) and in its final version in February (this report). In agreeing the Borough CIL allocations process, Cabinet also indicated that this should be informed by the Harrow Local Plan, Infrastructure Delivery Plan (IDP), corporate priorities and external funding opportunities.

In this regard, a new Local Plan is currently being prepared and this will be informed by an updated IDP (due mid-2024). The IDP will provide an up to date assessment of infrastructure required to support the development envisaged in the new Local Plan, including the increased housing targets set by the London Plan. In this context, it is considered prudent not to fully allocate current BCIL balances / anticipated receipts as the forthcoming IDP may identify infrastructure needs that would benefit from BCIL to ensure timely provision.

In terms of the Neighbourhood element of CIL (NCIL) a review of the process was undertaken during 2022/23, and the outcomes and recommendations were presented to Cabinet in February 2023. A new process of NCIL allocation and project delivery is now in place.

The Borough CIL element will be used to fund the core Capital programme and can be considered as a funding source for new capital bids as well as existing projects in the Capital programme. Considerations should also be given on the allocation of BCIL funding while the updated IDP and Harrow Local Plan are being prepared.

In addition to the principles already reached on how CIL funding should be used to fund the capital programme, in light of the budget gaps in future years, it was recommended by Cabinet in December 2018, that CIL should be **first** be applied to any schemes in the existing capital programme rather than applying it to new schemes. The rationale for this is that if applied to schemes that are currently funded from borrowing, by funding from CIL instead, this will reduce the existing capital financing costs.

Section 106 Agreements

Developer consents may attract Section 106 funding to spend on a particular asset or site as an alternative to CIL.

Capital contributions from partner organisation

When capital projects are devised it is open for project managers to invite funding from a range of partner organisations.

Revenue contributions

Services who are leading a capital project may make savings within their revenue budgets during a particular year and in some circumstances use that saving to part-fund a capital project.

21. Policy on use of Capital Funding

The Council will look to use external funding sources where possible to meet the funding requirements of its capital programme.

Where the use of Council resources is required the authority will look to utilise reserves, revenue funding or capital receipts as these create no long term revenue cost implications on the Council.

Borrowing will be used as the last possible source of funding and should be restricted only to those schemes which generate sufficient savings or income to meet the costs of interest and the Minimum Revenue Provision.

Any borrowing incurred to support the provision of new build housing within the Housing Revenue Account must be demonstrated to be affordable over a period of 30 years.

22.Relationship between Capital Strategy and Treasury Management

Treasury management refers to the processes of managing and reporting on the Council's performance in matters of investment and borrowing.

The Council's policy on Treasury Management has numerous links to the Capital Strategy. It is not intended that this Strategy replace the reporting requirements of the Treasury Management Strategy and includes a summary of the major points of that strategy and associated governance processes.

Key Treasury decisions are the responsibility of full Council and are contained within the Treasury Management Strategy.

These include:

1. Approved limits on borrowing
2. Limits for investment types and counterparty limits
3. Planned capital expenditure
4. Estimates for the future Capital Financing Requirement
5. Policy on the Minimum Revenue Provision

Detailed discussion on these matters is delegated to the GARMS Committee who then makes recommendations to Cabinet. The key impact of a capital programme using borrowing is the creation of a "Capital Financing Requirement" (CFR). The CFR represents the need to borrow external funds as a result of expenditure funded through borrowing. Having a CFR creates the need for a Minimum Revenue Provision (MRP), a sum to be put to one side each year from the General Fund for repayment of debt.

The Council's MRP policy is to make provision for the repayment of debt equally over the life of the asset that the borrowing relates to. The GARMS Committee receive at a minimum a mid-year monitoring report for Treasury management and an end of year outturn report. Where circumstances require, such as a material fall in the value of investments, a report would be prepared and presented to the next meeting of the Committee by the S151 Officer.

Section 4 - RISK MANAGEMENT

23. Embedding Risk Management in the Capital Programme

The Capital Strategy must be considered alongside the principles of risk management. Risks are inevitable within a capital programme, as with all aspects of Council operations, and effective management of risk is a vital part of the capital strategy.

The types of risk the authority is exposed to in the Capital Programme are summarised below:

- Financial Risk – The risk of significant cost overruns or commercial investments not performing as expected. The authority has a low appetite for this risk as it would impact upon available resources. Mitigation will be in the form of close scrutiny of capital spending through the budget monitoring process.

- Strategic Risk – The risk of not delivering key Council priorities or projects. Mitigation will be in the form of careful selection and planning of capital projects before commencement and project managers reviewing project progress and taking corrective action where necessary. Major changes in the outcomes of schemes will be reported to the appropriate Committee.

- Governance risk – The risk of capital spending decisions not being appropriately considered and decisions not being made at the correct level. Mitigation is the governance principles contained within the capital strategy.

- Resourcing risk – The risk that insufficient funds are available to fund the capital programme or that the incorrect type of funds is applied to capital projects. This is mitigated by the financing of capital projects being reviewed by the S151 Officer as part of the budget setting and the outturn.

24. Knowledge and Skills within the organisation

The Property Services team has officers of multiple disciplines who are experienced at leading capital projects, managing the Council's property portfolio and working within the local property market. They have experience of dealing with acquisitions, disposals, new commercial and residential development and redevelopment of brownfield sites.

The Finance team are involved in the development and monitoring of the Capital Programme. They have many years of experience in managing local authority capital programmes.

Legal Services will be provided by the Council's in-house legal team who will form a key part of the decision making around Capital projects. All solicitors are required to complete an annual Statement of Competence to the regulatory body to ensure any professional training needs are identified and addressed.

Where necessary external advice may be sought for all types of financial, property and legal advice. These costs, or at least appropriate estimates, will be included in the business cases of capital schemes.

Officers will work with members to ensure that training needs for elected members are appropriately identified. As a minimum annual training will be provided around the Treasury Management Strategy.

APPENDIX H

Glossary of Terms

1. **Annuity** – method of repaying a loan where the payment amount remains uniform throughout the life of loan, therefore the split varies such that the proportion of the payment relating to the principal increases as the amount of interest decreases.

2. **Bail-In** – previously, in response to the banking crisis, some governments used taxpayer funds to support banks in danger of failing. The European Union's Banking Recovery and Resolution Directive (BRRD) requires that, in future, 'bail in' will be applied in such a scenario; this means that after shareholders' equity, depositors' funds comprising balances over c£85k will be used to support the bank at risk. The £85k threshold is not available to local authorities and therefore all unsecured deposits with banks and building societies will be at risk of 'bail in'.

3. **Base Rate** – minimum lending rate of a bank or financial institution in the UK

4. **Bond** – a government or public company's document undertaking to repay borrowed money usually with a fixed rate of interest.

5. **Capital Expenditure** – spend on major items e.g. land and buildings, which adds to and not merely maintains the value of existing fixed assets.

6. **Capital Grants** – specific targeted grants to cover capital spend

7. **Capital Receipts** – the proceeds from the disposal of land or other assets. Capital receipts can be used to fund capital expenditure but cannot be used to finance revenue.

8. **CIPFA** – the Chartered Institute of Public Finance and Accountancy, is the professional body for accountants working in Local Government and other public sector organisations, also the standard setting organisation for Local Government Finance.

9. **Counterparty** – an institution (e.g. a bank) with whom a borrowing or investment transaction is made.

10. **Credit Rating** – an opinion on the credit-worthiness of an institution, based on judgements about the future status of that institution. It is based on any information available regarding the institution: published results, Shareholders' reports, reports from trading partners, and also an analysis of the environment in which the institution operates (e.g. its home economy, and its market sector). The main rating agencies are Fitch, Standard and Poor's and Moody's. They analyse credit worthiness under four headings:

11. **Short Term Rating** – the perceived ability of the organisation to meet its obligations in the short term, this will be based on measures of liquidity.

12. **Long Term Rating** – the ability of the organisation to repay its debts in the long term, based on opinions regarding future stability, e.g. its exposure to 'risky' markets.

13. **Individual/Financial Strength Rating** – a view of the likelihood, in the case of a financial institution failing, that its obligations would be met, in whole or part, by its shareholders, central bank or national government.

14. **Legal Support Rating** - a view of the likelihood, in the case of a financial institution failing, that its obligations would be met, in whole or part, by its shareholders, central bank, or national government. The rating agencies constantly monitor information received regarding financial institutions, and will amend the credit ratings assigned as necessary.

15. **DMADF and the DMO** – The DMADF is the 'Debt Management Account Deposit Facility'; this is highly secure fixed term deposit account with the Debt Management Office (DMO), part of Her Majesty's Treasury.

16. **EIP** – Equal Instalments of Principal, a type of loan where each payment includes an equal amount in respect of loan principal is eroded, and so the total amount reduces with each instalment.

17. **Gilts –** the name given to bonds issued by the UK Government (i.e. the loan instrument by which the Government borrows). Gilts are issued bearing interest at a specified rate, however they are then traded on the markets like shares and their value rises or falls accordingly. The Yield on a gilt is the interest paid divided by the Market Value of that gilt, e.g. a 30 year gilt is issued in 1994 at £1, bearing interest of 8%. In 1999 the market value of the gilt is £1.45.The yield on that gilt is calculated as 8%/1.45 = 5.5%.

18. **Lender Option Borrower Option (LOBO)** - LOBOs are a long term borrowing instrument commonly used by banks. It is an alternative lender option to the Government's Public Works Loan Board. In simple terms the instrument gets its name because the lender has an option to set revised interest rates at predetermined dates, and at which point the borrower has the option to accept the revised rates or pay the debt in full without penalty.

19. **Liquidity** – Relates to the amount of readily available, or short term, investment money which can be used for either day to day or unforeseen expenses. For example Call Accounts allow instant daily access to invested funds.

20. **Market –** The private sector institutions e.g. banks, building societies.

21. **Maturity** - Type of loan where only payments of interest are made during the life of the loan, with the total amount of principal falling due at the end of the loan period.

22. **Minimum Revenue Provision (MRP) –** A statutory amount charged to the Council's revenue account for the provision to repay the loan principal on debt undertaken to finance the Capital Programme. For the Council this is

done on a straight line basis in-line with the asset life and commences the financial year after the asset is operational.

23. **Monetary Policy Committee (MPC)** – group that sets the bank base rate for the Bank of England.

24. **Money Market Fund (MMF)** – A highly diversified pooled investment vehicle whose assets mainly comprise of short term instruments.

25. **Multilateral Development Banks (MDB)** – these are supranational institutions set up by sovereign states, which are their shareholders (e.g. European Investment Bank). Their remits reflect the development aid and cooperation policies established by these states.

26. **Policy and Strategy Documents** – Documents required by the CIPFA Code of Practice on Treasury Management in Local Authorities. These set out the framework for treasury management operations during the year.

27. **Public Works Loans Board (PWLB)** – a central government agency providing long and short term loans to Local Authorities. Rates are set daily at a margin over the Gilt yield (see Gilts above). Loans may be taken at fixed or variable rates and as an Annuity, Maturity, or EIP loans (see separate definitions) over periods of up to fifty years. Financing is also available from the money markets, however because of its nature the PWLB is generally able to offer better terms.

28. **Sterling Overnight Index Average (SONIA)** – Replacement for LIBOR (London Interbank Offered Rate) which was calculated based on estimates of interest rates at which banks would lend to one another. SONIA is a risk free overnight interest rate based on actual transactions and reflects the interest rate that banks pay to borrow sterling overnight from other financial institutions and other institutional investors.

29. **Yield** – The amount in cash (in percentage terms) that returns to the owners of an investment e.g. interest earned from a deposit.

LONDON BOROUGH OF
HARROW

Report for:	**Governance, Audit, Risk Management and Standards Committee**
Date of Meeting:	19th March 2024
Subject:	Application for Dispensation
Responsible Officer:	Jessica Farmer Acting Director of Legal & Governance Services
Exempt:	No
Enclosures:	None

Section 1 – Summary and Recommendations

This report presents requests for dispensations from two Councillors under s33 of the Localism Act 2011 and requests that the Committee determine it.

Recommendations:

The Committee is requested to determine the requests for a dispensation to stay in a meeting and speak but not to vote.

Section 2 – Legal Framework

Section 31 of the Localism Act 2011 provides that, subject to Section 33, a member of a relevant authority with a disclosable pecuniary interest may not (a) participate, or participate further, in any discussion at a meeting, or (b) participate in any vote, or further vote, taken on the matter at the meeting.

Section 33 of the Localism Act 2011 provides that:
(1) A relevant authority may, on a written request made to the proper officer of the authority by a member of the authority, grant a dispensation relieving the

member from either or both of the restrictions in section 31 in cases described in the dispensation.

(2) A relevant authority may grant a dispensation under this section only if, after having had regard to all relevant circumstances, the authority –

a) considers that without the dispensation the number of persons prohibited by section 31 from participating in any particular business would be so great a proportion of the body transacting the business as to impede the transaction of the business,
b) considers that without the dispensation the representation of different political groups on the body transacting any particular business would be so upset as to alter the likely outcome of any vote relating to the business,
c) considers that granting the dispensation is in the interest of persons living in the authority's area,
d) if it is an authority to which Part 1A of the Local Government Act 2000 applies and is operating executive arrangements, considers that without the dispensation each member of the authority's executive would be prohibited by section 31 from participating in any particular business to be transacted by the authority's executive, or
e) considers that it is otherwise appropriate to grant a dispensation.

(3) A dispensation under this section must specify the period for which it has effect, which may not exceed four years.

Part 3 - Application

In January Councillor Greek and Councillor Rabadia submitted a request for a dispensation so that they could stay and speak for decisions on HSDP. They are both directors of HSDP Nominee Ltd company number 1347918 as council representatives. They receive remuneration for being on the board. Staying in a meeting when matters involving HSDP are being discussed would enable them to hear councillors points and would assist with their role on the board. For this reason it is considered that granting the dispensation to allow them to stay in the meeting and speak but not to vote is in the interest of persons living in the authority's area.

Consideration

The Committee has been delegated by Council the power to grant dispensations under s33 Localism Act.

In the event that a dispensation is granted, the Councillors will be required to declare their interest and dispensation when decisions involving HSDP are considered. They could then remain in the meeting to speak and listen to points made by other councillors but they would not be able to vote.

Financial Implications

There are no financial implications in determining this request.

Section 4 - Statutory Officer Clearance

Statutory Officer: Sharon Daniels
Signed by the Chief Financial Officer

Date: 11.3.24

Statutory Officer: Caroline Eccles
Signed on behalf of the Monitoring Officer

Date: 11.3.24

Section 5 - Contact Details

Contact: Jessica Farmer, Proper Officer