Governance, Audit, Risk Management and Standards Committee AGENDA

DATE: Wednesday 22 July 2015

TIME: 7.30 pm

VENUE: Committee Room 5
Harrow Civic Centre

MEMBERSHIP (Quorum 3)

Chair: Councillor Antonio Weiss

Councillors:

Ghazanfar Ali	Barry Macleod-Cullinane
Ms Pamela Fitzpatrick	Amir Moshenson
Nitin Parekh	Bharat Thakker

Reserve Members:

1. Adam Swersky	1. Kanti Rabadia
2. Jeff Anderson	2. Pritesh Patel
3. Kairul Kareema Marikar	3. Chris Mote
4. Barry Kendler	

Contact: Alison Atherton, Senior Professional - Democratic Services
Tel: 020 8424 1266 **E-mail:** alison.atherton@harrow.gov.uk

Harrow COUNCIL
LONDON

AGENDA - PART I

1. ATTENDANCE BY RESERVE MEMBERS

To note the attendance at this meeting of any duly appointed Reserve Members.

Reserve Members may attend meetings:-

(i) to take the place of an ordinary Member for whom they are a reserve;
(ii) where the ordinary Member will be absent for the whole of the meeting; and
(iii) the meeting notes at the start of the meeting at the item 'Reserves' that the Reserve Member is or will be attending as a reserve;
(iv) if a Reserve Member whose intention to attend has been noted arrives after the commencement of the meeting, then that Reserve Member can only act as a Member from the start of the next item of business on the agenda after his/her arrival.

2. DECLARATIONS OF INTEREST

To receive declarations of disclosable pecuniary or non pecuniary interests, arising from business to be transacted at this meeting, from:

(a) all Members of the Committee;
(b) all other Members present.

3. MINUTES (Pages 5 - 8)

That the minutes of the meeting held on 1 April 2015 be taken as read and signed as a correct record.

4. APPOINTMENT OF VICE CHAIR

To appoint a Vice Chair for the 2015/16 Municipal Year.

5. PUBLIC QUESTIONS *

To receive any public questions received in accordance with Committee Procedure Rule 17 (Part 4B of the Constitution).

Questions will be asked in the order notice of them was received and there be a time limit of 15 minutes.

[The deadline for receipt of public questions is 3.00 pm, Friday 17 July 2015. Questions should be sent to publicquestions@harrow.gov.uk

No person may submit more than one question].

6. PETITIONS

To receive petitions (if any) submitted by members of the public/Councillors under the provisions of Committee Procedure Rule 15 (Part 4B of the Constitution).

7. DEPUTATIONS

To receive deputations (if any) under the provisions of Committee Procedure Rule 16 (Part 4B) of the Constitution.

8. REFERENCES FROM COUNCIL AND OTHER COMMITTEES/PANELS

To receive references from Council and any other Committees or Panels (if any).

(a) Treasury Management Outturn: (To Follow)

Reference from Cabinet meeting held on 14 July 2015

9. DRAFT STATEMENT OF ACCOUNTS 2014/15 (Pages 9 - 170)

Report of the Director of Finance (Interim)

10. TREASURY MANAGEMENT OUTTURN 2014/15 (Pages 171 - 202)

Report of the Director of Finance (Interim)

11. INTERNAL AUDIT YEAR-END REPORT 2014/15 (Pages 203 - 218)

Report of the Corporate Director of Resources

12. 2015/16 INTERNAL AUDIT PLAN (Pages 219 - 230)

Report of the Corporate Director of Resources

13. DRAFT ANNUAL GOVERNANCE STATEMENT 2014/15 (Pages 231 - 244)

Report of the Corporate Director of Resources

14. ANNUAL HEALTH AND SAFETY REPORT (Pages 245 - 272)

Report of the Corporate Director of Environment and Enterprise

15. CORPORATE ANTI-FRAUD TEAM YEAR END REPORT 2014-15 (Pages 273 - 286)

Report of the Corporate Director of Resources

16. CORPORATE ANTI-FRAUD TEAM GENERAL UPDATE AND SERVICE PLAN 2015-16 (Pages 287 - 296)

Report on the Corporate Director of Resources

17. ANY OTHER URGENT BUSINESS

Which cannot otherwise be dealt with.

AGENDA - PART II

Nil

* DATA PROTECTION ACT NOTICE
The Council will audio record item 5 (Public Questions) and will place the audio recording on the Council's website, which will be accessible to all.

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

GOVERNANCE, AUDIT, RISK MANAGEMENT AND STANDARDS COMMITTEE

MINUTES

1 APRIL 2015

Chair:	* Councillor Antonio Weiss	
Councillors:	* Ghazanfar Ali * Amir Moshenson * Nitin Parekh	* Primesh Patel * Kanti Rabadia (1) * Bharat Thakker

* Denotes Member present
(1) Denotes category of Reserve Member

43. Attendance by Reserve Members

RESOLVED: To note the attendance at this meeting of the following duly appointed Reserve Members:-

Ordinary Member	Reserve Member
Councillor Barry Macleod-Cullinane	Councillor Kanti Rabadia

44. Declarations of Interest

RESOLVED: To note that there were no declarations of interests made by Members.

45. Minutes

RESOLVED: That the minutes of the meeting held on 29 January 2015 be taken as read and signed as a correct record.

46. **Public Questions, Petitions and Deputations**

RESOLVED: To note that no public questions, petitions or deputations were received at this meeting.

47. **References from Council and other Committees/Panels**

There were none.

RESOLVED ITEMS

48. **INFORMATION REPORT - Audit Plan 2014-15**

The Committee received a report which provided information on the Accounts Audit Plan 2014-15 and the Pension Fund Annual Report Audit Plan 2014-15.

The Committee welcomed representatives from Deloitte LLP who responded to a number of queries raised.

RESOLVED: That the report be noted.

49. **Corporate Anti-Fraud Team Draft Expected Fraud Code Implementation Outcomes 2015-16**

The Committee received a report which set out the draft expected fraud code implementation outcomes for 2015/16 and the suggested approach.

The Chair encouraged members of the Committee to take the information provided to the Committee back to their respective political groups to encourage participation from Members on their thoughts and ideas to managing fraud and corruption risks.

50. **Risk Based Verification**

The Committee received a report which asked it to consider and comment on the Risk Based Verification Policy taking effect from April 2015.

The Committee raised a number of queries which were responded to by officers. The Chair requested that a progress report be presented back to the Committee after the first 6 months of the new system being implemented.

RESOLVED: That the report be noted.

51. **Draft Internal Audit Plan 2015/16**

The Committee received a report which set out the draft Internal Audit Plan for 2015/16. The Head of Internal Audit confirmed that this was a draft document for consultation and the final version would be presented at the Committee's next meeting for approval.

RESOLVED: That the report be noted.

52. Exclusion of the Press and Public

RESOLVED: That in accordance with Part I of Schedule 12A to the Local Government Act 1972, the press and public be excluded from the meeting for the following item(s) for the reasons set out below:

Item	Title	Reason
13.	Corporate Risk Register	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information).
14.	Appendix A to Risk Based Verification	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information).

53. Corporate Risk Register

The Committee considered the exempt report which set out the Council's 2014/15 Quarter 3 and 4 of the Corporate Risk Register to assist the Committee in monitoring progress on risk management in accordance with their Terms of Reference.

RESOLVED: That the exempt report be noted.

54. Risk Based Verification

RESOLVED: That the exempt appendix be noted.

55. Vote of Thanks

The Committee wished for their vote of thanks to be recorded for Simon George, Director of Finance and Assurance as it was his final attendance at this Committee.

(Note: The meeting, having commenced at 7.30 pm, closed at 9.24 pm).

(Signed) COUNCILLOR ANTONIO WEISS
Chair

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REPORT FOR:	**Governance, Audit, Risk Management and Standards Committee (GARMS)**
Date:	22 July 2015
Subject:	**INFORMATION REPORT** Draft Statement of Accounts 2014-15
Responsible Officer:	Dawn Calvert, Director of Finance
Exempt:	No
Enclosures:	Appendix 1: Draft Statement of Accounts 2014-15 Appendix 2: Draft Pension Fund Annual Report 2014-15

Section 1 – Summary and Recommendations

This report sets out the draft Statement of Accounts for 2014-15.

Recommendations:

The Committee is asked to consider and note the draft Statement of Accounts and Pension Fund Annual Report for 2014-15

Reason:

To keep the Committee informed of the planned work.

Section 2 – Report

Background

1. The Accounts and Audit (England) Regulations 2011, require authorities to prepare Statement of Accounts in accordance with proper practices. These require that the Accounts are prepared by 30 June and approved and published by 30 September after the end of the financial year.

2. The 2011 Regulations require the audited accounts to be submitted to the 'relevant body' for approval by 30th September. At Harrow, the relevant body nominated to receive and approve the accounts is the GARMS Committee. Whilst there is no legal requirement to submit draft accounts for consideration by the Committee, the Council does so to give the Committee the opportunity to review the draft Accounts in detail before being asked to approve the audited Statement of Accounts in September 2015.

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 2014-15;
    b. All relevant International Financial Reporting Standards (IFRS); and
    c. The Service Reporting Code of Practice (SERCOP).

Current Position

4. The Council's accounts for 2014-15 are now closed subject to any audit adjustments. We have met the statutory requirement of providing a comprehensive set of accounts along with completed working papers to the Auditor on 26th June 2015.

5. The detailed annual audit commenced on 29th June with completion expected during August. Members are reminded that a GARMS Committee meeting is scheduled for the 10th of September 2015 to consider and approve the audited Statement of Accounts. The accounts are due to be signed off by the external auditor by the statutory deadline of end of September. The Committee will receive a report from the external auditor in September at the conclusion of the annual audit.

6. Public Inspection of the accounts will take place for four weeks during July 2015.

Accounts Summary

7. The **Explanatory Foreword** includes the performance of the Council and provides outlook for the future which is summarised below:-
   a. **Revenue**: the Council achieved a surplus of £5.318m which represented 3% of the approved budget (£174.426m). The underspend has been transferred to specific reserves to manage future risks;
   b. **Capital**: Actual spend was £62m which was mainly funded by Grants (44%), Revenue & Capital Receipts (12%) and Internal Borrowing (44%). The slippage of £54m was due to upfront grant funding on the schools expansion programme. This will be carried forward into 2015-16; and
   c. **Outlook:** The Medium Term Financial Strategy has identified the need to make savings of £83m over the coming four years. To meet this target, the council is reengineering its future business and organisational arrangements.

8. The **Comprehensive Income and Expenditure Account** show the true economic cost of providing Council services. The surplus reported for the year is £36m. This is mainly due to reversal of prior year's impairments on Council Dwellings (£68m) and a net current year revaluation surplus on other land and buildings (£22m). This is offset by an increase in pension liabilities (£48m) due to changes in financial assumptions where the main contributing factor was a drop in the rate used to discount long term pension liabilities. This discount rate is linked to the return available on high quality corporate bonds.

9. However, under the statutory regulations some of these costs (e.g. impairments, IAS 19 costs, etc.) are not taken into account when setting the Council Tax and Dwelling Rents. These are reversed in the **Movement in Reserves Statement** which summarises the Council's total usable and unusable reserves. The usable reserves balance has increased by £11m mainly from monies set aside for future investment in Council Dwellings, increase in capital receipts from sale of Council houses and unspent capital grants from slippage in the capital programme.

10. The **Balance Sheet** sets out the financial position of the Council as at 31st March 2015. The overall increase in net assets of £36m resulted mainly from an increase in the value of Council Dwellings and the Property Portfolio, offset by an increase in pension liabilities and retirement of two schools transferring to academy status (£15m). There was also an improvement in the liquidity ratio from 1.3 in 2013-14 to 1.5 in 2014-15 which was mainly due to repayment of short term borrowing.

11. The **Cash Flow** statement shows how the Council generates and uses cash.

12. The **Housing Revenue Account (HRA)** shows the true economic cost of providing housing services. The surplus reported for the year is £64m. This is due mainly to reversal of prior year impairments on Council Dwellings. After reversing costs that are not taken into account in setting Dwelling Rents the balance on the HRA has increased by £1m to £4.5m.

13. The **Collection Fund** statement shows a net deficit of £0.5m. Council Tax generated a surplus of £4m which was offset by £4.5m deficit on the Business Rates. The deficit on the Business Rates mainly results from the increase in provision on appeals which is based on the latest data available from the valuation office.

14. The net assets of **Pension Fund** at year end are £675m. This has increased by £84m from previous year due mainly to increases in the market value of investments.

Financial Implications

15. There are no direct financial implications arising from this report.

Risk Management Implications

16. There are no risk implications.

Equalities Implications

17. There are no equalities implications.

Corporate Priorities

18. The Statement of Accounts provides assurance that the Council has managed and delivered its finances in accordance with its approved plans and budget.

Section 3 – Statutory Officer Clearance

Name: Dawn Calvert	√	Chief Financial Officer
Date:		

Section 4 - Contact Details and Background Papers

Contact: Technical Finance and Accountancy (Tel: 0208 736 6771 – internal 6771)

Background Papers: None

Statement of Accounts

2014 - 2015

Harrow COUNCIL LONDON

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London Borough of Harrow
Statement of Accounts
2014 - 2015

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1 Explanatory Foreword

Message from the Director of Finance

As the Council's statutory Chief Finance Officer, I have pleasure in writing the Explanatory Foreword to Harrow Council's Statement of Accounts for 2014-15. The Foreword provides an analysis of Council performance during the year, an explanation of the financial results, balances included in the Statement of Accounts and an overview of how the Council intends to achieve its long-term objectives.

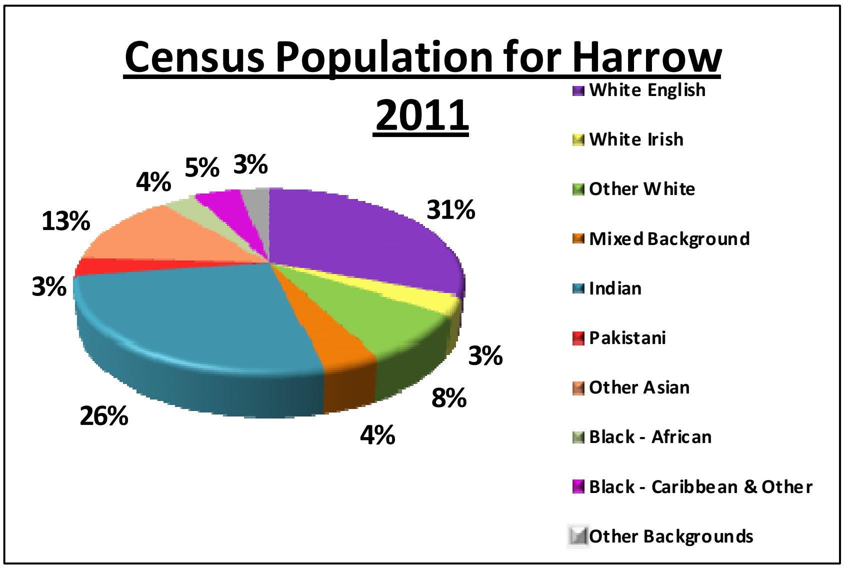
The Council, along with the rest of local government, faces continuing financial challenges in the form of ongoing funding reductions from Central Government and the impact of legislative/policy changes. The Council responded to these challenges by identifying further efficiencies and taking advantage of new technologies to innovate service delivery in accordance with the savings programme agreed by the Full Council in February 2014.

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. An Introduction to Harrow
2. Review of the year including Financial Performance of the Council
3. Outlook for the Future
4. Explanation of the Financial Statements
5. Receipt of Further Information
6. Acknowledgements

1.1 An Introduction to Harrow



Harrow is one of the safest and most diverse places in the country. It is the 12th largest London Borough in terms of geographical area with a population of approximately 242,400. One fifth of the borough is composed of parkland and open spaces, creating a green belt equivalent to eight Hyde Parks. Harrow has a strong entrepreneurial tradition with over 10,000 businesses located in the borough. It is a suburb which is approximately 10 miles from central London and well-connected to a global airport hub and transport links.

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 Strategy Board (CSB).

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

Organisation Structure

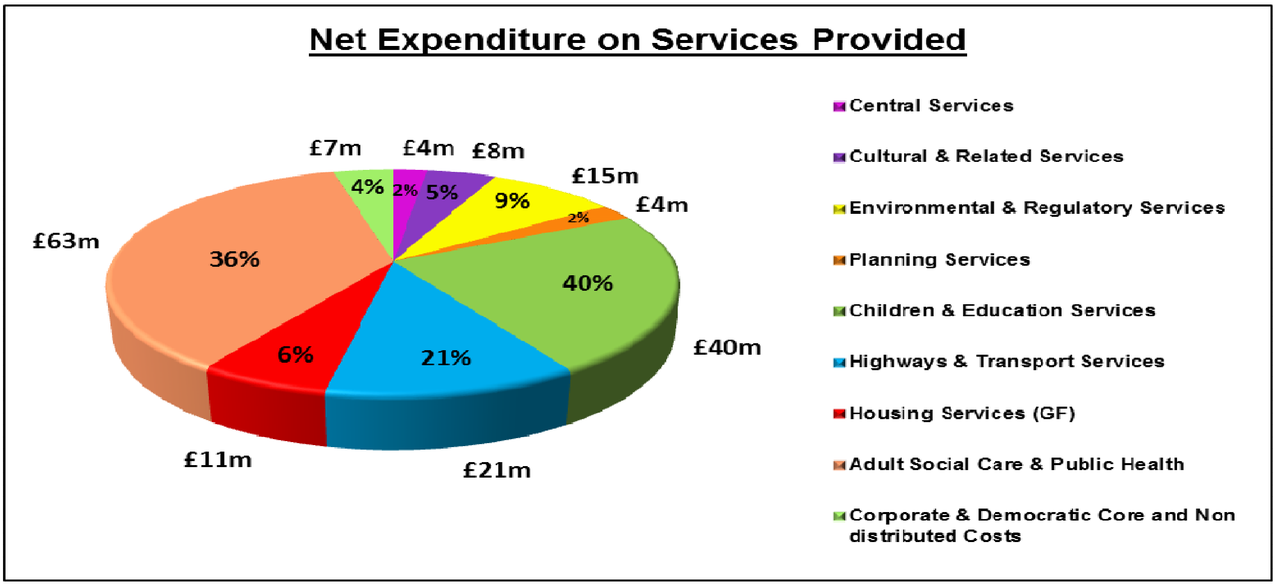
For most of the year, the CSB comprised of the Council's most senior officers, the Interim Head of Paid Service and three Corporate Directors, Director of Finance and Assurance (the Section 151 Officer) and the Monitoring Officer.

The Council approved the appointment of Michael Lockwood as Chief Executive Officer in November 2014 and he commenced the role in February 2015. The CSB then comprised the Chief Executive, three Corporate Directors, Director of Finance and Assurance (the Section 151 Officer) and the Monitoring Officer.

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

The Chief Executive and Corporate Directors lead four directorates and the main divisions within the directorates are set out below:-

Community, Health and Wellbeing • Adult Social Care • Community and Culture • Public Health • Housing	**Children's and Families** • Targeted Services • Special Education Needs • Commissioning and Schools • Early Intervention Services
Environment and Enterprise • Environmental Services • Highways and Open Spaces • Business Development • Planning Services • Economic Development and Research	**Resources** • Revenues and Benefits • Information Technology • Finance and Assurance • Commercial and Procurement • Human Resources • Legal and Governance



1.2 Review of the Year

Medium Term Financial Strategy

The 2014-15 Medium Term Financial Strategy (MTFS) was influenced by, and formulated to address, the need to make reductions in expenditure resulting from decreased Government funding, increased demands on services and other economic pressures. In response to these challenges, a budget of £174.4m along with a nil increase in Council Tax was approved by the Council in February 2014. The budget included investment in services of £4.7m and savings of £10m.

The Government's funding settlement in 2010 meant a 28% cut to the Council's controllable costs over the 4 years to 2014-15, a £62m reduction compared to 2010-11 levels of expenditure. This is on top of the £45m the Council had already saved before this, meaning that by 2015 the Council will have made savings of over £10m a year for the last nine years.

Over the past decade, Harrow has demonstrated a successful track record in delivering these savings by:

- Identifying efficiencies;
- Adopting a more commercial approach to contracting and procurement;
- Taking advantage of new technologies; and
- Introducing new and innovative ways of service delivery.

As a result costs have been contained, risks and demands managed and financial reserves strengthened despite the economically challenging environment. The General Fund Reserve and Earmarked Reserves have increased by around £9m and £20m respectively, strengthening the Council's financial resilience. 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.

2014-15 Achievements:

The Council's key achievements over the last year are summarised by corporate priority below:

Making a Difference for the Most Vulnerable

- An extra £1m has been invested to tackle domestic and sexual violence. An approved action plan (Standing Up for Those in Need) is being implemented over 3 years;
- An additional £0.7m has been committed to recruiting more Children's social workers to meet rising demands;
- Over half of eligible Adult social care users have a cash Personal Budget and approximately 250 clients now use My Community ePurse;
- The Families First project has so far helped some 300 families out of 395 identified with complex needs to make the improvements sought by the national Troubled Families programme. The project has qualified to move to phase 2;
- The Firs respite care centre for children has again been graded Outstanding by Ofsted inspectors.

Making a Difference for Communities

- Cleaner and Safer Streets – 90% litter free compared to 86% in 2013/14 and an average for the year of 99.5% street lights functioning;
- Created a new Town Park and Performance Space at the back of Harrow on the Hill station;
- Trained 45 local people to support residents to improve their health and wellbeing and to signpost them to services they may require;
- Invested £13m in Highway and Street Lighting improvements and maintenance.

Making a Difference for Local Businesses

- Rolled out a period of free parking in all district centres;
- Invested in the Council's Xcite programme to help over 200 workless residents into employment and developed a 'How to' guide for taking on apprentices;
- Supported 300 local businesses with events including Barclays Ready for Business Seminar, regular mentoring seminar in partnership with Ministry of Growth and Harrow College and NatWest mobile Business School.

Making a Difference for Families

- Housing Growth fund bids of £5.3m have been awarded for a new build programme;
- We have helped ensure that 98% of 16-18 year olds are in education, training or employment;
- Strong schools inspection results continue;
- The Schools Expansion Programme sees a £45m investment in schools to meet increasing demand for places and Special Educational Needs as summarised below:-
    - Rebuild of Marlborough school;
    - Expansion of Whitefriars Community School to be an all age school;
    - Permanently increased Reception intakes at 8 Primary schools in September 2013 and at a further 15 schools by September 2015.

Efficient and Effective Organisation

- 68,500 residents now have Access Harrow accounts and 75% of customer interactions are by self-service;
- The Council has been awarded the Investors in People mark;
- Over 120 staff have successfully completed the Leadership Development Programme which has been accredited by the Institute of Management and Development.

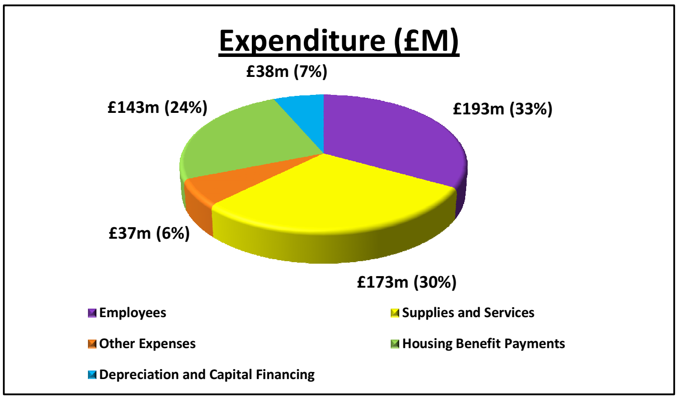
Summary of the 2014-15 Financial Performance of the Council

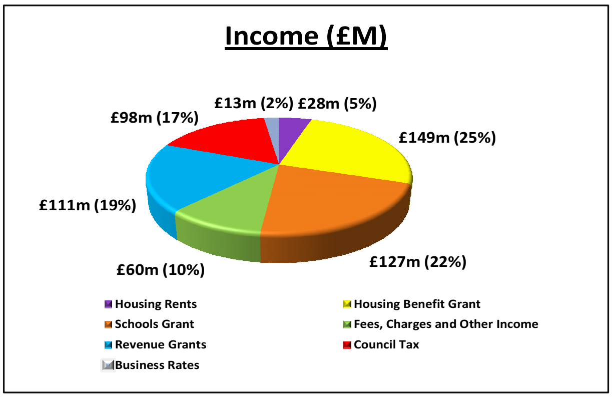
During the year the Council delivered its services within the approved budget, contained the pressures arising from the challenging financial environment and managed the risks around demand pressures. This resulted in a net underspend of £5.381m and represented 3% of the approved budget £174.426m.

The under spend has been used to increase specific reserves. This maintains the Council's capacity to manage risks arising in future years from continuing demographic pressures, the economy, welfare reforms and further Government funding cuts.

The final outturn position for the year compared to the revised budget is set out below:

		2014-15	
	Budget £000	**Actuals £000**	Variation £000
Directorate			
Resources	27,011	25,881	**-1,130**
Environment & Enterprise	37,424	36,916	**-508**
Community, Health & Wellbeing	76,589	77,578	**989**
Children & Families	43,918	43,239	**-679**
Total - Directorate	**184,942**	**183,614**	**-1,328**
Other operating costs			
Contingencies, Corporate Items and Non-service grants	**-9,572**	**-13,484**	**-3,912**
Capital Financing and Interest	**-944**	**-1,085**	**-141**
Net Expenditure	**174,426**	**169,045**	**-5,381**
Funded by :			
Government Grant	-63,174	-63,174	0
Collection Fund Surplus	-1,676	-1,676	0
Council Tax income	-95,067	-95,067	0
Business Rates income	-14,509	-14,509	0
Total	**-174,426**	**-174,426**	**0**
Underspends for the year		**-5,381**	**-5,381**
Contribution to specific reserves			
Projects in progress		1,598	1,598
IT Implementation		2,854	2,854
Rapid Response		75	75
MTFS Implementation Costs		54	54
Standing Up for Those in Need		800	800
Surplus for the year		**0**	**0**
General Fund balance at 31 March 2014		10,008	0
General Fund balance at 31 March 2015		**10,008**	**0**



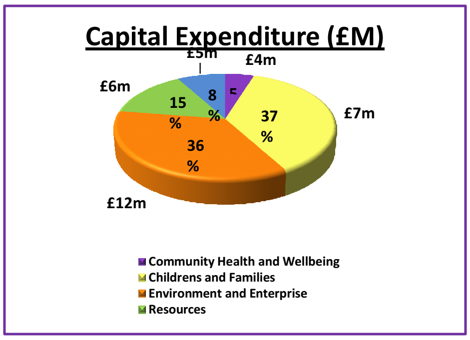


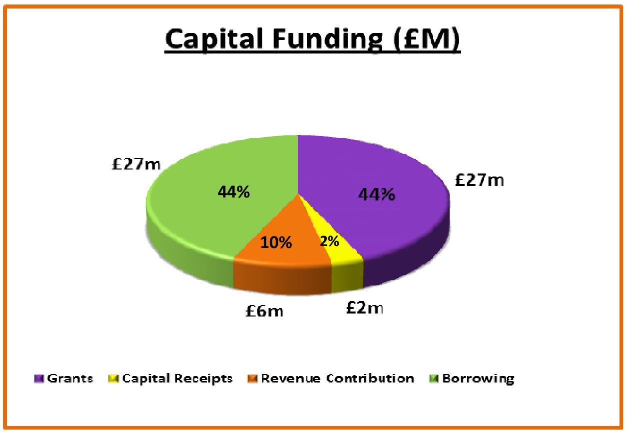
Capital

During 2014-15 Council invested £62m on developing or acquiring capital assets as summarised below. This was mainly funded from external grants (£27m) and the balance of £35m funded from borrowing, revenue contributions and capital receipts.

Major projects included in the programme were:

- Continued investment in new technology to improve Council Services;
- Highways improvement programme;
- Improvements to the Council's housing stock; and
- Schools expansion programme.





Housing

The Council provides rented accommodation of 4,878 units. In 2014-15, average Council rents were £112.43 per week. The HRA outturn confirmed a surplus of £1m in 2014-15 reflected by an increase in HRA reserves from £3.6m to £4.6m.

Collection Fund

The in-year Council tax collection rate for 2014-15 was 97.3% which is 0.8% above target and a tremendous achievement. Business rate collection was 96.3% which was a little above the target of 96%, resulting from the positive economy and awards of business retail relief. The overall position for the Collection Fund is a net deficit of £0.463m against an estimated surplus of £1.533m resulting in an adverse variance of £1.996m. This was mainly due to an increase in the appeals provision to £4.2m.

Treasury Management

The main focus for Treasury Management was to reduce the Counter Party and Interest Rate risks within the investment portfolio and to minimise borrowing costs. The investment portfolio achieved an average return of 0.97% in the year, which compares favourably with three month LIBID of 0.43%.

During 2014-15, a market loan of £6m was repaid. The borrowing at year end stood at £134m and the average interest rate on debt remained at the same level as last year at 4.3%. The strategy to fund capital expenditure was to use internal funds in recognition of the unfavourable gap between investment returns and borrowing costs.

Pensions

The Pension Fund is maintained at a level to meet the Council's long-term liability for pension benefits. The Fund's net assets increased by £84m to £675m, reflecting the net return on both investment income and the change in market value of investments (£90m), after net costs of £6m from dealings with fund members. The Fund's investments return for 1 year was 15.2% compared to the benchmark of 13.4%.

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 £401 million at 31st March 2015. This is £63m more than the net liabilities of £338m twelve months earlier (see note 5.38). The impact on council tax, however, is dependent on the actuarial valuation of the pension fund carried out every three years. The aim is to achieve 100% funding over 20 years and to provide stability in employer contribution rates by spreading increases over a period of time. At the latest valuation, carried out in March 2013, the fund was assessed as being 70.3% funded, corresponding to a shortfall of £234m. The Council's contribution rate for the financial year 2014-15 was 16% plus £3.2m.

1.3 Outlook for the Future

All councils, not just Harrow, continue to find themselves in a very uncertain and volatile situation with a significant number of external events, beyond the Council's control, adversely impacting on funding and demand for Harrow services. The economy is showing some early signs of recovery but this is not expected to lead to any change in the Government's policy regarding funding levels to Local Government. This continues to create a challenging environment for the very real role that local government plays in the local community and the positive impact that the Council can have on people's quality of life.

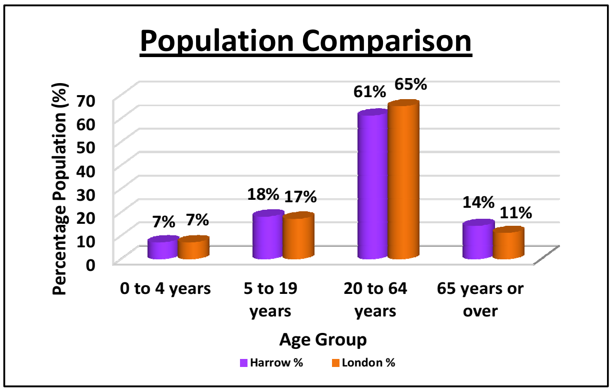
Harrow is one of the lowest funded councils in London. A recent review identified that in 2015-16 Harrow's revenue spending power per head is projected to be £159 (or 17.3%) lower than the London average which ranks Harrow 26th out of 32. A similar comparison with the England average shows Harrow's revenue spending power per head is £127 (or 14.3%) below average and ranks Harrow 105th out of 120.

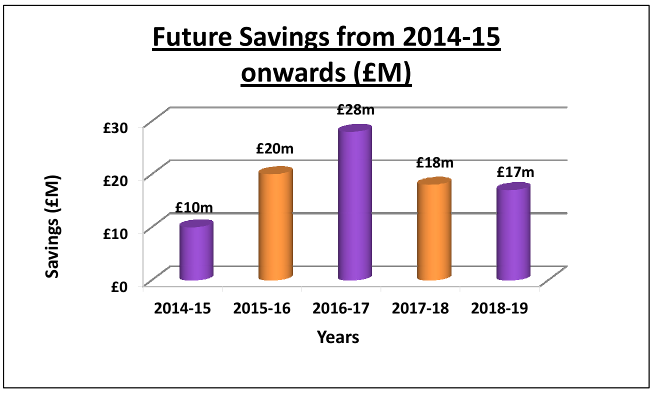
The major influences on the finances going forward are:-

- The continued reduction in Government funding, Government reforms, demand and inflationary pressures;

- Increase in population as evidenced by the 2011 Census data where the figures for Harrow shows there has been a 15% increase in population in the last 10 years;
- The most significant change in the demographic is the biggest growth in the birth rate with a 33% increase in 0-4 year olds increasing the demand for both school and nursery places; and
- Continuing high demand for Adult Social Care.

The MTFS 2015-16 to 2018-19 addresses these challenges, aligns with the Corporate Plan and identifies total cost savings of £83m over the coming four years. To meet this savings target the Council is reengineering its future business and organisational arrangements. The budget for 2015-16 includes savings of £20m and investment in services of £8m.





1.4 Explanation of 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 2014-15;
- All relevant International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB);
- The Service Reporting Code of Practice (SERCOP) issued by CIPFA. SERCOP has statutory recognition and establishes proper practice for consistent financial reporting of income and expenditure.

1.5 The Statement of Accounts

- **Statement of Responsibilities for the Statement of Accounts** sets out the respective responsibilities of the Council and the Borough Treasurer.
- **Auditors Statement** gives the auditors opinion of the financial statements and of the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.
- **Movement in Reserves Statement** 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 Surplus (or Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund and Housing Revenue Account balances before any discretionary transfers to or from earmarked reserves.
- **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 is explained in the Movement in Reserves Statement.
- **Balance Sheet** shows the value of the assets and liabilities recognised by the Council as at 31st March 2015, 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 that reflects the statutory obligation of the billing Council to maintain a separate Collection Fund. The statement show tax income collected from local taxpayers and the distribution of this money to the Council, the Government and the GLA.
- **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 2014-15, together with the pensions and other benefits paid from it, movements in investments during the year and the financial position of the Fund.

1.6 Receipt of further Information

If you would like to receive further information about these accounts, please do not hesitate to contact me at the Treasurer's Department, Finance Division, Harrow Council.

1.7 Acknowledgements

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 have assisted in the preparation of this document. I would also like to thank them for all their support during the financial year.

D. Calvert

Dawn Calvert CPFA

Director of Finance (Interim)

26 June 2015

2 Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

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

The Director of Finance's Responsibilities

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

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

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

The Director of Finance has also:

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

Certification by the Director of Finance:

I certify that the Statement of Accounts as set out in this document presents a true and fair view of the financial position of the Council as at 31 March 2015 and its income and expenditure for the year ended 31 March 2015.

D. Calvert

Dawn Calvert CPFA

Director of Finance (Interim)

26 June 2015

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

I can confirm that these accounts were considered and approved by the Governance, Audit, Risk Management and Standards Committee (GARMSC) at the meeting held on 10 September 2015.

Signed on behalf of London Borough of Harrow Council

Councillor Antonio Weiss

Chairman (GARMSC)

xx September 2015

3 Audit Opinion & Certificate

4 Presentation of Financial Statements

4.1 Movement in Reserves Statement

	General Fund Balance £000	Earmarked General Fund Reserves £000	Locally Managed Schools Reserve £000	Housing Revenue Account £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 2013	-8,646	-17,709	-14,407	-3,175	-3,311	-3,384	-15,265	-65,897	-56,676	-122,573
Movement in reserves during 2013-14										
(Surplus) on the provision of services	-24,188	0	0	-8,295	0	0	0	-32,483	0	-32,483
Other Comprehensive Expenditure and Income (Note 4.2)	-4,006	0	0	0	0	0	0	-4,006	0	-4,006
Total Comprehensive Expenditure and (Income) (Note 4.2)	-28,194	0	0	-8,295	0	0	0	-36,489	0	-36,489
Adjustments between accounting basis & funding basis under regulations (Note 5.5)	20,676	0	0	7,796	-3,480	-1,198	-5,309	18,485	-18,485	0
Net Increase before Transfers to Earmarked Reserves	-7,518	0	0	-499	-3,480	-1,198	-5,309	-18,004	-18,485	-36,489
Other Adjustments (Notes 5.19.1 and 5.19.2)	0	0	0	0	-409	0	409	0	0	0
Transfers (to)/from Earmarked Reserves (Note 5.6)	6,156	-7,445	1,189	100	0	0	0	0	0	0
(Increase)/Decrease in 2013-14	-1,362	-7,445	1,189	-399	-3,889	-1,198	-4,900	-18,004	-18,485	-36,489
Balance at 31 March 2014 carried forward (Note 4.3)	-10,008	-25,154	-13,218	-3,574	-7,200	-4,582	-20,165	-83,901	-75,161	-159,062
Balance at 31 March 2014	-10,008	-25,154	-13,218	-3,574	-7,200	-4,582	-20,165	-83,901	-75,161	-159,062
Movement in reserves during 2014-15										
(Surplus) on the provision of services	**1,909**	**0**	**0**	**-63,911**	**0**	**0**	**0**	**-62,002**	**0**	**-62,002**
Other Comprehensive Expenditure and Income (Note 4.2)	**26,189**	**0**	**0**	**0**	**0**	**0**	**0**	**26,189**	**0**	**26,189**
Total Comprehensive Expenditure and Income (Note 4.2)	**28,098**	**0**	**0**	**-63,911**	**0**	**0**	**0**	**-35,813**	**0**	**-35,813**
Adjustments between accounting basis & funding basis under regulations (Note 5.5)	**-28,171**	**0**	**0**	**62,846**	**-2,609**	**-3,460**	**-3,997**	**24,609**	**-24,611**	**-2**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**-73**	**0**	**0**	**-1,065**	**-2,609**	**-3,460**	**-3,997**	**-11,204**	**-24,611**	**-35,815**
Other Adjustments (Notes 5.19.1 and 5.19.2)	**0**	**0**	**0**	**0**	**470**	**0**	**-470**	**0**	**0**	**0**
Transfers to/from Earmarked Reserves (Note 5.6)	**73**	**1,589**	**-1,717**	**55**	**0**	**0**	**0**	**0**	**0**	**0**
(Increase)/Decrease in 2014-15	**0**	**1,589**	**-1,717**	**-1,010**	**-2,139**	**-3,460**	**-4,467**	**-11,204**	**-24,611**	**-35,815**
Balance at 31 March 2015 carried forward (Note 4.3)	**-10,008**	**-23,565**	**-14,935**	**-4,584**	**-9,339**	**-8,042**	**-24,632**	**-95,105**	**-99,772**	**-194,877**

4.2 Comprehensive Income and Expenditure Statement (CIES)

2013-14 Gross Expenditure £000	2013-14 Gross Income £000	2013-14 Net Expenditure /(Income) £000		Notes	2014-15 Gross Expenditure £000	2014-15 Gross Income £000	2014-15 Net Expenditure /(Income) £000
5,526	-3,374	2,152	Central Services		7,359	-3,777	**3,582**
13,013	-3,105	9,908	Cultural & Related Services		11,073	-3,296	**7,777**
19,649	-2,928	16,721	Environmental & Regulatory Services		17,396	-2,305	**15,091**
7,159	-3,540	3,619	Planning Services		6,978	-3,288	**3,690**
171,218	-155,782	15,436	Children & Education Services		197,589	-157,566	**40,023**
31,015	-13,250	17,765	Highw ays & Transport Services		34,084	-13,456	**20,628**
163,401	-151,736	11,665	Housing Services (GF)		166,443	-155,724	**10,719**
17,498	-31,509	-14,011	Housing Services (HRA)	6.1	-36,632	-31,926	**-68,558**
76,720	-14,634	62,086	Adult & Social Care		79,260	-16,851	**62,409**
9,209	-8,874	335	Public Health		10,045	-9,208	**837**
9,211	-771	8,440	Corporate & Democratic Core		8,936	-1,091	**7,845**
1,681	-247	1,434	Non distributed costs		-597	-116	**-713**
525,300	-389,750	135,550	**Cost Of Services (Section 10.3)**		501,934	-398,604	**103,330**
9,519	-796	8,723	Other Operating Expenditure	5.7	21,466	0	**21,466**
31,583	-4,869	26,714	Financing and Investment Income and Expenditure	5.8	30,598	-3,934	**26,664**
0	-203,470	-203,470	Taxation and Non-Specific Grant Income	5.9	0	-213,462	**-213,462**
		-32,483	**(Surplus) on Provision of Services**				**-62,002**
		-2,740	(Surplus) on revaluation of non current assets	5.20.1			**-22,265**
		-1,266	Remeasurements of net pension liability	5.20.4			**48,454**
		-4,006	**Other Comprehensive (Income) and Expenditure**				**26,189**
		-36,489	**Total Comprehensive (Income) and Expenditure**				**-35,813**

4.3 Balance Sheet

31-Mar-14 £000		Notes	31-Mar-15 £000
782,924	Property Plant and Equipment	5.10	**871,976**
29,367	Investment Property	5.12	**30,062**
22,000	Long Term Investments	5.13	**28,000**
2,636	Long Term Debtors	5.14	**8,593**
836,927	**Long Term Assets**		**938,631**
75,248	Short Term Investments	5.13	**73,260**
19,174	Short Term Debtors	5.15	**27,785**
35,250	Cash and Cash Equivalents	5.24	**12,817**
129,672	**Current Assets**		**113,862**
-22,468	Short Term Borrowing	5.13	**-4,349**
-72,712	Short Term Creditors	5.16	**-66,731**
-3,306	Provisions	5.17	**-4,115**
-98,486	**Current Liabilities**		**-75,195**
-5,362	Provisions	5.17	**-5,566**
-334,261	Long Term Borrowing	5.13	**-334,434**
-358,056	Other Long Term Liabilities	5.18	**-419,071**
-11,372	Capital Grants Receipts in Advance	5.32.3	**-23,350**
-709,051	**Long Term Liabilities**		**-782,421**
159,062	**Net Assets**		**194,877**
-83,901	Usable Reserves	5.19	**-95,105**
-75,161	Unusable Reserves	5.20	**-99,772**
-159,062	**Total Reserves**		**-194,877**

4.4 Cash Flow Statement

2013-14 £000 *		Notes	2014-15 £000
32,483	Net Surplus on the provision of services	4.2	**62,002**
25,454	Adjustments to net deficit on the provision of services for non cash movements	5.21	**-13,162**
-23,465	Adjustments for items included in the net deficit on the provision of services that are investing and financing activities	5.21	**-36,352**
34,472	Net cash flow from Operating Activities		**12,488**
-8,969	Investing Activities	5.22	**-15,547**
-7,870	Financing Activities	5.23	**-19,374**
17,633	Net increase/(decrease) in cash and cash equivalents		**-22,433**
17,618	Cash and cash equivalents at the beginning of the reporting period		**35,250**
35,250	Cash and cash equivalents at the end of the reporting period	4.3	**12,817**

* Previous years figures have been amended to reflect adoption of a new format for the cashflow statement

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 2014-15 financial year and its position as at 31 March 2015. The Council is required to prepare an annual Statement of Accounts in accordance with the Accounts and Audit (England) Regulations 2011, 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 2014-15 and the Service Reporting Code of Practice 2014-15 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.

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 should be prepared on a going concern basis, that is, the accounts should be prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

Primacy of Legislative Requirements

Local Council 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 supplied or made available to external customers and title and risk of loss is passed to the customer.
- 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 settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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 Events after the Balance Sheet Date

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.

5.1.6 Charges to Revenue for Non-Current Assets

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

- depreciation 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 contribution in the General Fund Balance (MRP), 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 make MRP. Instead, depreciation charged to the HRA is transferred to the Major Repairs Reserve to be used to fund future HRA capital expenditure.

5.1.7 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 wages and salaries, 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 (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement 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 three separate pension schemes:

- The Teachers’ Pension Scheme, administered by Teachers’ Pensions on behalf of the Department for Education (DfE);
- The NHS Pension Scheme, administered by the NHS Business Service Authority on behalf of the NHS; and
- 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 and the NHS scheme mean that the Council’s share of net liabilities for these benefits cannot ordinarily be separately identified. The schemes are therefore accounted for as if they were defined contribution schemes 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 benefits 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 projections of 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 – 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 – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- Past Service Cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- Net Interest Cost – the change during the period in the net defined benefit liability (asset) that arises from the passage of time – charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- Expected return on assets – excluding amounts included in net interest on the net defined benefit liability (asset) – 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 – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- 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 – debited 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.

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

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. 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

The Council's Financial Assets are classified as Loans and Receivables. The Council does not hold any other type of financial instrument. Loans and receivables are assets that have fixed or determinable payments but are not quoted in an active market.

Loans and Receivables

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

5.1.9 Intangible Assets

The Council does not hold material intangible assets.

5.1.10 Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (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.

5.1.11 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 at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. 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.

5.1.12 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 prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services 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. 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. 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.

5.1.13 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2014-15 (SERCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation; and
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SERCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

5.1.14 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 should generally be 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.

5.1.15 Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

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; and

- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

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

- infrastructure assets and assets under construction – depreciated historical cost;
- dwellings – fair value, determined using the basis of existing use value for social housing (Existing Use Value - Social Housing (EUV-SH));
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (Existing Use Value – EUV); and
- assets that local Council intend to hold in perpetuity and have no determinable useful life and may have restrictions in their disposal are classified as community assets, and in this instance are generally valued at a nominal £1.

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

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

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

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction). 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 50 years, with the exception of material components: 15–20 years;
- Other buildings – straight-line allocation over the useful life of the property as estimated by the valuer: 20-80 years;
- Vehicles, plant, furniture and equipment: 5 years;
- Infrastructure assets – straight-line allocation: 10-80 years;
- Freehold land - not depreciated;
- Community assets are held at nominal value and therefore are not depreciated; and
- Newly acquired or completed assets are depreciated in the year following acquisition or completion.

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

Componentisation

Material components are identified, valued at DRC, and depreciated separately.

For Council Dwellings the Council identified the following material components:

Component	Valuation basis	Useful economic life when new
Central heating	1% of building net book value	15 years
Double glazing	1.5% of building net book value	15 years
Flat roof	Ranges £2,550 to £6,300	20 years
Kitchen	£5,000	15 years
Bathroom	£3,000	15 years

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

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

Disposals

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

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

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

5.1.16 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 therefore included in the Council's accounts. Community schools that achieve academy status are derecognised in the balance sheet.

5.1.17 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. 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 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.

5.1.18 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 Comprehensive Income and Expenditure 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.

The provision for redundancies is estimated in line with our standard terms and conditions of employment. The provision includes estimated end dates for some employees. Any estimated end date is based on management of change documents communicated to employees. Where formal plans exist to reduce staff numbers at certain dates, but specific members of staff have not yet been identified, average redundancy costs are used for the groups of staff affected.

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.

5.1.19 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

5.1.20 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

5.1.21 Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

5.1.22 Collection Fund

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

Council Tax cash collected belongs proportionately to the Council and the major preceptors. NNDR taxpayers for Business Rates cash collected by the Council belongs to the Government (50%), the Council (30%) and to the Greater London Authority (20%).

The Council's share of Council Tax and NNDR is recognised in the Comprehensive Income and Expenditure Statement. The balance sheet recognises debtors for unpaid Council Tax and NNDR, and a debtor/creditor position for each preceptor since the net cash paid to each preceptor in the year will not be equal to its share of total Council Tax and NNDR income received.

5.2 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 5.1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

Funding

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

Leases

The Council has examined its leases, and classified them as either operational or finance leases. In some cases the lease transaction is not always conclusive and the Council uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership. In reassessing the lease the Council has estimated the implied interest rate within the lease to calculate interest and principal payments.

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

The Statement of Accounts contains estimated figures that are based in 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 in the Council's Balance Sheet as at 31 March 2015 for which there is significant risk of material adjustment in the forthcoming financial year is as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependant on assumptions about the levels of repairs and maintenance that will be incurred in relation to individual assets. Asset values are estimated on the basis of the Valuer's understanding of current property market conditions.	If the useful lives of assets are reduced, depreciation expense increases and the carrying amounts of the assets fall. Any reduction in asset values will result in a reduction in the Council's overall net asset position.
Provisions	Provisions are estimated on the basis of current knowledge of the amount that will eventually be paid. It is possible that the amounts eventually paid may be more than expected.	If future liabilities exceed the amounts set aside, the additional amounts would have to be met from the Council's general fund.
Arrears	Provisions have been made for debt owed to the Council for which payment is doubtful. In the current economic climate it is not certain that the amount provided will be adequate.	Any deterioration in collection rates may lead to a larger number of debtors not being able to pay the Council than has been provided for. Additional provision amounts would have to be met from the Council's general fund.
Business Rates	The Council must meet its relevant share of backdated business rate appeals. A provision has been made within the accounts, utilising Valuation Office data and the analysis of successful appeals to date as at the end of the reporting period.	If the refunds payable are higher than the provision, the difference will result into deficit on the Collection Fund. The proportionate share of the deficit will impact on the Council's general fund in future years.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates, and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The assumptions used are reviewed triennially. Changes in assumptions may increase the net liability and future pension costs.

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

The following accounting policy changes are not yet reflected in the 2014-15 Code of Practice:

- IFRS 13 Fair Value Measurement (May 2011);
- IFRIC 21 Levies;
- Annual Improvements to IFRSs (2011 – 2013 Cycle) which includes minor amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.

None of these accounting policy changes, once implemented, are expected to have a material impact on balances disclosed in the accounts.

5.5 Adjustment between accounting basis and funding basis under regulations

2014-15	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	Usable Reserves					
	£000	£000	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account:						
Reversal of items debited or credited to the CIES:						
Depreciation	-20,602	-7,350	0	0	0	-27,952
Impairment	-1,022	61,130	0	0	0	60,108
Movements in the market value of Investment Properties	1,395	0	0	0	0	1,395
Capital grants and contributions - Applied	20,531	42	0	0	5,970	26,543
Capital grants and contributions - Unapplied credited to CIES	9,906	62	0	0	-9,968	0
Revenue expenditure funded from capital under statute	-2,614	-84	0	0	0	-2,698
Non Current assets written out on disposal	-15,980	-2,299	0	0	0	-18,279
Insertion of items not debited or credited to the CIES:						
Minimum Revenue Provision	16,150	12	0	0	0	16,162
Capital expenditure charged against the General Fund and HRA balances	2,538	0	0	0	0	2,538
Adjustments involving the Capital Receipts Reserve:						
Transfer of sale proceeds credited to the CIES	873	4,968	-5,849	0	0	-8
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	2,523	0	0	2,523
Less Administrative Cost of disposals	-12	0	12	0	0	0
Less payments to the Capital Receipt Pool	0	-705	705	0	0	0
Adjustment involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA	0	7,338	0	-7,338	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	3,878	0	3,878
Adjustments involving the Financial Instruments Adjustment Account:						
Premiums and Discounts on Debt Restructure	-293	-82	0	0	0	-375
Adjustments involving the Pensions Reserve:						
Charges made for retirement benefits in accordance with IAS19	-31,798	-765	0	0	0	-32,563
Employer's pensions contributions payable in the year	17,536	579	0	0	0	18,115
Adjustments involving the Collection Fund Adjustment Account:	210	0	0	0	0	210
Adjustment involving the Accumulating Compensated Absences Account	1,200	0	0	0	0	1,200
Total Adjustments	**-1,982**	**62,846**	**-2,609**	**-3,460**	**-3,998**	**50,797**

2013-14	General Fund Balance	Usable Reserves Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account:						
Reversal of items debited or credited to the CIES:						
Depreciation	-24,592	-7,345	0	0	0	-31,937
Impairment	27,727	6,887	0	0	0	34,614
Movements in the market value of Investment Properties	1,782	0	0	0	0	1,782
Capital grants and contributions - Applied	4,732	0	0	0	4,748	9,480
Capital grants and contributions - Unapplied credited to CIES	10,069	229	-241	0	-10,057	0
Revenue expenditure funded from capital under statute	-1,876	0	0	0	0	-1,876
Non Current assets written out on disposal	-4,711	-2,538	0	0	0	-7,249
Sums directed by the Secretary of State to be credited to the HRA that are not expenditure in accordance with the Code: Local authority housing settlement payment to Government for HRA self - financing	0	0	0	0	0	0
Insertion of items not debited or credited to the CIES:						
Minimum Revenue Provision	14,641	38	0	0	0	14,679
Capital expenditure charged against the General Fund and HRA balances	637	0	0	0	0	637
Adjustments involving the Capital Receipts Reserve:						
Transfer of sale proceeds credited to the CIES	4,410	4,166	-8,586	0	0	-10
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	4,434	0	0	4,434
Less Administrative Cost of disposals	-126	0	126	0	0	0
Less payments to the Capital Receipt Pool	0	-787	787	0	0	0
Adjustment involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA	0	7,309	0	-7,309	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	6,111	0	6,111
Adjustments involving the Financial Instruments Adjustment Account:						
Premiums and Discounts on Debt Restructure	-257	-47	0	0	0	-304
Adjustments involving the Pensions Reserve:						
Charges made for retirement benefits in accordance with IAS19	-33,588	-620	0	0	0	-34,208
Employer's pensions contributions payable in the year	17,475	504	0	0	0	17,979
Adjustments involving the Collection Fund Adjustment Account:	791	0	0	0	0	791
Adjustment involving the Accumulating Compensated Absences Account	-443	0	0	0	0	-443
Total Adjustments	**16,670**	**7,796**	**-3,480**	**-1,198**	**-5,309**	**14,480**

5.6 Transfers to/from Earmarked Reserves

	Balance at 31-Mar-13	Transfers Out 2013-14	Transfers In 2013-14	Balance at 31-Mar-14	Transfers Out 2014-15	Transfers In 2014-15	Balance at 31-Mar-15
	£000	£000	£000	£000	£000	£000	£000
General Fund:							
Compensatory Added Years	-876	79	-4	-801	79	0	-722
Transformation and Priority Initiatives Fund	-1,117	747	-3,000	-3,370	352	-801	-3,819
PFI Schools	-3,461	560	-345	-3,246	2,496	-2,204	-2,954
PFI Neighbourhood Resource Centre	-866	0	-154	-1,020	974	-1,108	-1,154
HSIP	0	0	0	0	0	-1,261	-1,261
IT Implementation	0	0	0	0	0	-2,854	-2,854
Children's Social Care	0	0	0	0	0	-866	-866
Standing Up for Those in Need	0	0	0	0	0	-800	-800
Projects in progress	-3,346	3,203	-3,171	-3,314	3,176	-1,598	-1,736
Insurance reserve	-500	0	0	-500	0	0	-500
Revenue Grant Reserve	-585	532	-932	-985	832	-55	-208
Public Health	0	0	-666	-666	0	-242	-908
Revenue Contribution for Capital from Schools	-63	0	-1,784	-1,847	1,847	0	0
Business Risk	-1,691	832	-2,000	-2,859	750	0	-2,109
MTFS Implementation cost	-4,849	1,571	-2,796	-6,074	4,390	-1,120	-2,804
Other earmarked reserves	-355	3	-120	-472	318	-716	-870
Subtotal General Fund Reserves	-17,709	7,527	-14,972	-25,154	15,214	-13,625	-23,565
Balances held by schools under a scheme of delegation	-14,407	1,189	0	-13,218	0	-1,717	-14,935
Total	-32,116	8,716	-14,972	-38,372	15,214	-15,342	-38,500

Compensatory Added Years: An estimate of, and a source of funding for, the pension cost of added years of service awarded to some employees made redundant in past years.

Transformation and Priority Initiative Fund: Resources set aside for initiatives to deliver ongoing revenue savings.

PFI Schools and Neighbourhood Resource Centre: The balance of unspent PFI grants. These will be used to fund future payments to PFI contractors.

HSIP: Holds the surplus generated by the Harrow Schools Improvement Partnership.

IT Reserve: Transformation and transition costs relating to the new IT contract.

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

Business Risk: Established to cover potential risks around social care pressure and other business risks.

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

Balances held by Schools: 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.

5.7 Other Operating Expenditure

2013-14 £000		2014-15 £000
	Levies	
264	London Boroughs Grants Committee	239
308	London Pension Fund Authority	308
7,727	West London Waste Authority (WLWA)	7,280
252	Lee Valley Regional Park Authority	247
181	Environment Agency	181
8,732	Sub Total Levies	8,255
787	Payments to the Government Housing Capital Receipts Pool	705
-796	Losses/(gains) on the disposal of non current assets	12,506
8,723	**Total**	21,466

5.8 Financing and investment income and expenditure

2013-14 £000		2014-15 £000
17,015	Interest payable and similar charges	16,111
14,568	Net interest on the net defined benefit liability	14,487
-1,881	Interest receivable and similar income	-1,715
-2,988	Income in relation to investment properties & changes in their fair value	-2,219
26,714	**Total**	26,664

5.9 Taxation and non- specific grant income

2013-14 £000		2014-15 £000
-94,876	Council tax income	-98,011
-14,725	Business Rates Retention	-13,436
-52,098	Revenue Support Grant	-42,638
-20,154	Business Rates Top-Up Grant	-20,546
-3,284	Education Services Grant	-3,041
-3,025	New Home Bonus Grant	-3,064
0	Section 31 Grants	-1,129
0	Council Tax Freeze Grant	-1,050
-294	Other General Grants	-24
-15,014	Capital grants and contributions (Note 5.32.2)	-30,523
-203,470	**Total**	-213,462

5.10 Property, Plant and Equipment

2014-15	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	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 2014	286,711	375,775	119,513	196,174	886	20,911	**999,970**	25,824
Fully depreciated assets derecognised *	0	0	-61,070	-2,215	0	0	**-63,285**	0
Reversal of accumulated depreciation on revaluation	-6,776	-4,507	0	0	0	0	**-11,283**	0
Additions	4,180	3,112	5,420	13,568	0	27,699	**53,979**	241
Revaluation increases recognised in the Revaluation Reserve	2,027	20,238	0	0	0	0	**22,265**	1,539
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	61,130	-2,790	0	0	0	0	**58,340**	0
Derecognition - Disposals	-2,675	-16,931	0	0	0	0	**-19,606**	0
Derecognition - Other **	0	0	-11,363	-42,634	0	0	**-53,997**	0
Assets reclassified from Asset Under Construction	0	3,328	3,803	3,747	0	-10,878	**0**	295
Other movements in cost or valuation	0	3,574	-3,574	0	0	0	**0**	0
At 31 March 2015	**344,597**	**381,799**	**52,729**	**168,640**	**886**	**37,732**	**986,383**	**27,899**
Accumulated Depreciation								
At 1 April 2014	-6,776	-7,496	-97,655	-104,234	-885	0	**-217,046**	-367
Fully depreciated assets derecognised *	0	0	61,070	2,215	0	0	**63,285**	0
Reversal of accumulated depreciation on revaluation	6,776	4,507	0	0	0	0	**11,283**	0
Depreciation charges for 2014-15	-7,095	-5,240	-8,098	-7,519	0	0	**-27,952**	-315
Derecognition - Depreciation on Disposal	376	1,650	0	0	0	0	**2,026**	0
Derecognition - Other **	0	0	11,363	42,634	0	0	**53,997**	0
Reclassification of assets	0	-1,967	1,967	0	0	0	**0**	0
At 31 March 2015	**-6,719**	**-8,546**	**-31,353**	**-66,904**	**-885**	**0**	**-114,407**	**-682**
Net Book Value								
At 31 March 2015	**337,878**	**373,253**	**21,376**	**101,736**	**1**	**37,732**	**871,976**	**27,217**
At 31 March 2014	279,935	368,279	21,858	91,940	1	20,911	782,923	25,457

* The gross book value of fully depreciated assets that are no longer in use prior to 2014-15

** The gross book value of fully depreicated assets that ceased being used in 2014-15

2013-14	Council Dwellings	Other Land and Buildings	Vehicles, Plant, furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	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 2013	293,817	343,198	117,045	188,180	886	9,720	**952,846**	**23,952**
Reversal of accumulated depreciation on revaluation	-6,548	-7,014	0	0	0	0	-13,562	-941
Additions	6,232	3,058	1,907	7,097	0	12,781	31,075	175
Revaluation increases recognised in the Revaluation Reserve	961	1,779	0	0	0	0	2,740	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	6,887	27,479	0	0	0	0	34,366	2,638
Derecognition - Disposals	-2,008	-5,485	0	0	0	0	-7,493	0
Assets reclassified from Asset Under Construction	38	94	561	897	0	-1,590	0	0
Other movements in cost or valuation *	-12,667	12,667	0	0	0	0	0	0
At 31 March 2014	**286,711**	**375,776**	**119,513**	**196,174**	**886**	**20,911**	**999,971**	**25,824**
Accumulated Depreciation								
At 1 April 2013	-6,548	-9,943	-86,844	-94,933	-885	0	**-199,153**	-1,005
Reversal of accumulated depreciation on revaluation	6,278	7,014	0	0	0	0	13,292	941
Depreciation charges for 2013-14	-6,776	-4,779	-10,811	-9,301	0	0	**-31,667**	-303
Derecognition - Depreciation on Disposal	0	481	0	0	0	0	481	0
Other movements in depreciation and impairment	270	-270	0	0	0	0	0	0
At 31 March 2014	**-6,776**	**-7,496**	**-97,655**	**-104,234**	**-885**	**0**	**-217,046**	**-367**
Net Book Value								
At 31 March 2014	**279,935**	**368,279**	**21,858**	**91,940**	**1**	**20,911**	**782,925**	**25,457**
At 31 March 2013	287,269	333,255	30,201	93,247	1	9,720	753,693	22,947

* HRA garages and community halls transferred from Council Dwellings to Other Land and Buildings

5.10.1 Depreciation

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

- Council dwellings –50 years, with the exception of material components: 15–20 years;
- Other buildings –20-80 years;
- Vehicles, plant, furniture and equipment: 5 years;
- Infrastructure assets –10-80 years; and
- Freehold land - not depreciated.

5.10.2 Capital Commitments

The Council has entered into contracts for the construction or enhancement of Property, Plant and Equipment. Expenditure committed under these contracts but not yet incurred as at 31 March is set out below:

31-Mar-14 £000	Directorate	31-Mar-15 £000
4,790	Resources	**2,811**
5,474	Children and Families	**41,463**
183	Community, Health & Wellbeing	**1,304**
786	Housing Services (HRA)	**1,527**
6,359	Environment & Enterprise	**4,027**
17,591		**51,132**

5.10.3 Revaluations

The Council has a rolling programme that ensures all Property, Plant and Equipment (PPE) included in the Balance Sheet at fair value is revalued at least every five years and reviewed at year-end to ensure that their carrying amount is not materially different from their fair value. All valuations were carried out internally as at 1 April 2014. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. In estimating fair value, regard has been given to the nature of the property by reference to its use, location, size, method of construction, age, all other relevant matters, and the prevailing market forces.

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

- infrastructure and assets under construction – depreciated historical cost;
- dwellings – estimate of fair value, determined using the basis of Existing Use Value for Social Housing (EUV-SH);
- all other assets – estimate of fair value, determined as the amount that would be paid for the asset in its Existing Use (existing use value – EUV); and
- assets that local Council intend to hold in perpetuity and have no determinable useful life and may have restrictions in their disposal are classified as community assets, and in this instance are generally valued at a nominal £1.

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

The HRA portfolio is valued in line with the 5 year rolling programme as at 1 April. The Land Registry Index is used to calculate the movement in property values between 1 April 2014 and 31 March 2015. The movement in HRA assets has been analysed in note 6.2.3.

Rolling revaluation programme:

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Asset Under Construction £000	Total £000	Investment Property £000
Valued at historical cost	0	0	21,376	101,736	37,732	160,844	0
Valued at fair value:							
As at 31st March 2015	337,878	74,705	0	0	0	412,583	30,062
As at 31st March 2014	0	29,530	0	0	0	29,530	0
As at 1st April 2013	0	11,581	0	0	0	11,581	0
As at 1st April 2012	0	14,815	0	0	0	14,815	0
As at 1st April 2011	0	242,622	0	0	0	242,622	0
Total Cost or Valuation as at 31.03.14	**337,878**	**373,253**	**21,376**	**101,736**	**37,732**	**871,975**	**30,062**

This table excludes community assets valued at £1K

5.10.4 Trust, Foundation, Voluntary Aided and Academy Schools

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

The Trustees of these schools have control of the school buildings and associated land. The assets are therefore not shown on the Council's Balance Sheet. During the year, 2 further schools transferred to Academy status.

5.11 Heritage Assets

The Council's heritage assets are as detailed below. 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 and 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 Harrow borough. The Imperial War Museum publishes a full list of all memorials on its website.

5.12 Investment Properties

2013-14 £000		2014-15 £000
27,820	Balance at start of the year	**29,367**
-235	Disposals	**-700**
1,782	Net gains from fair value adjustments	**1,395**
29,367	Balance at end of the year	**30,062**

5.13 Financial instruments

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

	Long-term		Current	
	31-Mar-15 £000	31-Mar-14 £000	31-Mar-15 £000	31-Mar-14 £000
Investments				
Loans and receivables	**28,000**	22,000	**73,260**	75,245
Cash and cash equivalents			**18,436**	35,250
Total investments	**28,000**	22,000	**91,696**	110,495
Debtors				
Loans and receivables	**8,593**	2,636	**0**	0
Financial assets carried at contract amounts	**0**	0	**15,953**	9,300
Total Debtors	**8,593**	2,636	**15,953**	9,300
Borrowings				
Financial liabilities at amortised cost	**-334,434**	-334,261	**-9,969**	-22,468
Total borrowings	**-334,434**	-334,261	**-9,969**	-22,468
Other Liabilities				
PFI and finance lease liabilities	**-18,075**	-19,962	**-1,862**	-1,879
Total other long term liabilities	**-18,075**	-19,962	**-1,862**	-1,879
Creditors				
Financial liabilities carried at contract amount	**0**	0	**-43,891**	-49,268
Total creditors	**0**	0	**-43,891**	-49,268

The balances of debtors and creditors disclosed in the above note differ from the balance sheet because they include only balances that relate to contractual arrangements and exclude balances that relate to statutory functions. The balance of short term debtors excludes £11.49m (£9.18m in 2013-14). The creditors balance excludes £22.75m (£22.50m in 2013-14). The cash and cash equivalents and current (short term) borrowings figures differ from the balance sheet because the £5.6m bank overdraft balance has been treated as current borrowings for the purposes of this note.

Gains and Losses on Financial Instruments

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

Financial Liabilities Measured at amortised cost 2013-14 £000	Financial Assets Loans and receivables 2013-14 £000	Total 2013-14 £000		Financial Liabilities Measured at amortised cost 2014-15 £000	Financial Assets Loans and receivables 2014-15 £000	Total 2014-15 £000
17,015	0	17,015	Interest Expenses	16,111	0	16,111
0	143	143	Impairment Losses	0	1,534	1,534
17,015	143	17,158	**Interest payable and similar**	16,111	1,534	17,645
0	-1,881	-1,881	Interest income	0	-1,715	-1,715
0	-1,881	-1,881	**Interest and investment income**	0	-1,715	-1,715
17,015	-1,738	15,277	**Net gain/(loss) for the year**	16,111	-181	15,930

Fair Value of Assets and Liabilities

The fair value of an instrument is determined by calculating the Net Present Value (NPV) of future cash flows. This provides an estimate of the current market value of the instrument. The discount rate used in the NPV calculation is the rate applicable in the market on the date of valuation, for a similar instrument with the same duration.

NPV calculations have been made using the following assumptions:

- For PWLB debt, the rate used is either the new borrowing rate or the premature repayment rate as the discount factor;
- Accrued interest has been included in the fair value calculations;
- For other market debt and investments the rate used was obtained from the market on 31st March using bid price where applicable;
- No early repayment or impairment is recognised; and
- The fair value of trade and other receivables is taken to be the carrying value or invoiced or billed amount.

The comparison of carrying value with fair value where there is material difference is given below:

Carrying Amount 2013-14 £000	Fair Value 2013-14 £000		Carrying Amount 2014-15 £000	Fair Value 2014-15 £000
97,245	96,329	Investments	101,260	102,283
35,250	35,186	Cash and Cash Equivalents	18,436	18,448
-356,729	-346,710	Borrowing	-344,386	-410,716

5.14 Long term debtors

31-Mar-14 £000		31-Mar-15 £000
2,379	West London Waste Authority	8,368
257	Other Loans	225
2,636	**Total**	8,593

5.15 Short term debtors

31-Mar-14 £000		31-Mar-15 £000
5,203	Central government bodies	**4,290**
1,849	Other local authorities	**8,018**
984	NHS bodies	**5,551**
11,138	Other entities and individuals	**9,926**
19,174	**Total**	**27,785**

5.16 Short Term Creditors

31-Mar-14 £000		31-Mar-15 £000
-13,729	Central government bodies	**-14,278**
-6,913	Other local authorities	**-5,843**
-1,354	NHS bodies	**-2,525**
-50,716	Other entities and individuals	**-44,085**
-72,712	**Total**	**-66,731**

5.17 Provisions

	Outstanding Legal Cases £000	Insurance £000	Business Rate Appeals £000	Employment £000	Other Provisions £000	**Total £000**
Short Term						
Balance at 1 April 2014	-472	-1,604	-420	-104	-706	**-3,306**
Transfer from creditors	0	0	0	0	-145	**-145**
Additional provisions made in 2014-15	-380	-1,579	-1,260	-179	-239	**-3,637**
Transferred to Long Term	0	204	0	0	0	**204**
Amounts used in 2014-15	87	1,434	420	104	543	**2,588**
Unused amounts reversed in 2014-15	46	0	0	0	135	**181**
Balance at 31 March 2015	-719	-1,545	-1,260	-179	-412	**-4,115**
Long Term						
Balance at 1 April 2014	0	-5,362	0	0	0	**-5,362**
Transferred from Short Term	0	-204	0	0	0	**-204**
Balance at 31 March 2015	0	-5,566	0	0	0	**-5,566**

Outstanding Legal Cases: The estimated liability in respect of various outstanding legal, planning and other cases.

Insurance: 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 amounts are calculated by the Council's actuary. The provision includes £1.76m to cover the cost of payments to Municipal Mutual Insurance in respect of future claims.

Business Rate Appeals: 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.

Employment: The estimated liability to employees for redundancies resulting from the Council's current transformation programme.

5.18 Other long term liabilities

31-Mar-14 £000		31-Mar-15 £000
-17,418	PFI Lease Liability (Note 5.36)	-16,959
-2,544	Finance Lease Liability (Note 5.35.1.1)	-1,116
-338,094	IAS19 Pension Liability (Note 5.38.5)	-400,996
-358,056	**Total**	-419,071

5.19 Usable reserves

31-Mar-14 £000		Note	31-Mar-15 £000
-10,008	General Fund	4.1	-10,008
-25,154	Earmarked Reserves General Fund	5.6	-23,565
-13,218	Earmarked Reserves Locally Managed Schools	5.6	-14,935
-3,574	Housing Revenue Account	6.1	-4,584
-4,582	Major Repairs Reserve	6.2.4	-8,042
-7,200	Capital Receipts Reserve	5.19.1	-9,339
-20,165	Capital Grants and Contributions Unapplied	5.19.2	-24,632
-83,901	**Total Usable Reserves**		-95,105

5.19.1 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 2013-14 £000	HRA 2013-14 £000	Total 2013-14 £000		General Fund 2014-15 £000	HRA 2014-15 £000	Total 2014-15 £000
-1,466	-1,845	-3,311	Balance unapplied at 1 April	-1,496	-5,704	-7,200
0	-409	-409	Transfer to/from Capital Grants Unapplied	0	470	470
-4,441	-221	-4,662	Receipts in year - Others	-873	-5	-878
0	-4,166	-4,166	Receipts in year - Right to Buy	0	-4,984	-4,984
126	0	126	Disposal Costs	13	0	13
0	787	787	Pooling payment to the DCLG	0	705	705
4,285	150	4,435	Applied during the year - others	2,356	126	2,482
0	0	0	Applied during the year - Right to Buy	0	53	53
-1,496	-5,704	-7,200	**Balance unapplied at 31 March**	0	-9,339	-9,339

5.19.2 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 2013-14 £000	HRA 2013-14 £000	Total 2013-14 £000		General Fund 2014-15 £000	HRA 2014-15 £000	Total 2014-15 £000
-11,378	-3,887	-15,265	Balance unapplied at 1 April	-16,669	-3,496	-20,165
0	409	409	Transfer to/from Capital Receipt Reserve	0	-470	-470
-10,039	-18	-10,057	Receipts in year	-9,907	-61	-9,968
4,748	0	4,748	Applied during the year	5,627	344	5,971
-16,669	-3,496	-20,165	**Balance unapplied at 31 March**	-20,949	-3,683	-24,632

5.20 Unusable reserves

31-Mar-14 £000			31-Mar-15 £000
-15,156	Revaluation Reserve	5.20.1	-35,016
-2,423	Deferred Capital Receipts		-24
-404,544	Capital Adjustment Account	5.20.2	-473,560
5,243	Financial Instruments Adjustment Account	5.20.3	5,618
338,094	Pensions Reserve	5.20.4	400,996
-1,683	Collection Fund Adjustment Account	5.20.5	-1,893
5,308	Accumulating Compensated Absences Adjustment Account	5.20.6	4,107
-75,161	**Total Unusable Reserves**		-99,772

5.20.1 Revaluation reserve

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

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

The Reserve contains only revaluation gains accumulated since 1 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.

2013-14 General Fund £000	2013-14 HRA £000	2013-14 Total £000		2014-15 General Fund £000	2014-15 HRA £000	2014-15 Total £000
-13,414	-368	-13,782	**Balance at 1 April**	-13,937	-1,218	-15,155
-35,760	-7,961	-43,721	Upward revaluation of assets	-36,419	-65,420	-101,839
1,562	3	1,565	Downward revaluation of assets not charged to the Surplus/Deficit on the Provision of Services	2,305	0	2,305
32,496	6,921	39,417	Reversal of prior year impairments charged to CIES	16,139	61,130	77,269
-1,702	-1,037	-2,739	(Surplus) deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	-17,975	-4,290	-22,265
357	129	486	Difference between fair value depreciation and historical cost depreciation	356	1,633	1,989
822	58	880	Accumulated gains on assets sold or scrapped	0	415	415
1,179	187	1,366	Amount written off to the Capital Adjustment Account	356	2,048	2,404
-13,937	-1,218	-15,155	**Balance at 31 March**	-31,556	-3,460	-35,016

5.20.2 Capital adjustment account

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

The Account contains accumulated gains and losses on Investment Properties.

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

2013-14				2014-15		
£000 General Fund	£000 HRA	£000 Total		£000 General Fund	£000 HRA	£000 Total
-222,289	-152,593	-374,882	**Balance at 1 April**	**-248,460**	**-156,084**	**-404,544**
			Reversal of items relating to capital expenditure debited or credited to CIES			
22,908	7,309	30,217	Asset Depreciation	**19,103**	**7,338**	**26,441**
1,685	35	1,720	Leasing Depreciation	**1,499**	**12**	**1,511**
-27,727	-6,887	-34,614	Asset Impairment/ (Reversal of Impairment)	**1,022**	**-61,130**	**-60,108**
4,711	2,538	7,249	Non Current assets written out on Disposal	**15,980**	**2,299**	**18,279**
1,876	0	1,876	Revenue expenditure funded from capital under statute	**2,614**	**84**	**2,698**
2,379	0	2,379	Deferred Capital receipts	**-2,379**	**0**	**-2,379**
-822	-58	-880	Revaluation reserve on disposal to CIES	**0**	**-415**	**-415**
5,010	2,937	7,947		**37,839**	**-51,812**	**-13,973**
-357	-129	-486	Depreciation written out of the Revaluation reserve	**-356**	**-1,633**	**-1,989**
4,653	2,808	7,461	Net written out amount of the cost of non current assets consumed in the year	**37,483**	**-53,445**	**-15,962**
			Capital financing applied in the year:			
-4,284	-150	-4,434	Use of the Capital Receipts Reserve	**-2,356**	**-180**	**-2,536**
0	-6,111	-6,111	Use of the Major Repairs Reserve	**0**	**-3,878**	**-3,878**
-4,732	0	-4,732	Capital grants contributions credited to CIES	**-20,532**	**-42**	**-20,574**
-4,748	0	-4,748	Application of grants from the Capital Grants Unapplied Account	**-5,626**	**-344**	**-5,970**
-14,641	-38	-14,679	Minimum Revenue Provision	**-16,151**	**-12**	**-16,163**
-637	0	-637	Revenue Contribution to Capital Outlay	**-2,538**	**0**	**-2,538**
-24,389	-3,491	-27,880		**-9,720**	**-57,901**	**-67,621**
-1,782	0	-1,782	Movements in the market value of Investment Properties debited/credited to CIES	**-1,395**	**0**	**-1,395**
-248,460	-156,084	-404,544	**Balance at 31 March**	**-259,575**	**-213,985**	**-473,560**

5.20.3 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.

2013-14 £000		2014-15 £000
4,939	**Balance at 1 April**	**5,243**
	Premiums and Discounts incurred in previous financial years to be charged against the Balance in accordance with statutory requirements	
257	General Fund	**293**
47	HRA	**82**
5,243	**Balance at 31 March**	**5,618**

5.20.4 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.

2013-14 £000		2014-15 £000
323,131	**Balance at 1 April**	**338,094**
-1,266	Remeasurements of the net defined benefit laibility	**48,454**
34,208	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	**32,563**
-17,979	Employer's pensions contributions and direct payments to pensioners payable in the year	**-18,115**
338,094	**Balance at 31 March**	**400,996**

5.20.5 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.

2013-14 £000		2014-15 £000
-892	**Balance at 1 April**	**-1,683**
-791	Amount by which council tax and NNDR income credited to CIES is different from income calculated for the year in accordance with Statute	**-210**
-1,683	**Balance at 31 March**	**-1,893**

5.20.6 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 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2013-14 £000		2014-15 £000
4,865	**Balance at 1 April**	**5,308**
-4,865	Settlement or cancellation of accrual made at the end of the preceding year	**-5,308**
5,308	Amounts accrued at the end of the current year	**4,107**
5,308	**Balance at 31 March**	**4,107**

5.21 Cash flow statement – operating activities

2013-14 £000		2014-15 £000
	The surplus or deficit on the provision of services has been adjusted for the following noncash movements:	
16,229	Adjustment for pension funding	14,449
-1,768	Change in Provisions	1,013
31,937	Depreciation	27,952
-34,366	Impairment of property, plant and equipment	-58,339
443	Accumulated Absence	-1,200
7,249	Carrying value of non-current assets sold or de-recognised	18,279
-1,782	Movement in the value of investment properties	-1,395
0	Other non-cash items charged to the CIES	64
	Items on an accrual basis	
2,067	(-)Increase/Decrease in Debtors	-6,693
5,445	Increase/Decrease(-) in Creditors	-7,292
25,454	**Adjustments for non cash movements**	-13,162
-8,451	Proceeds from the sale of property, plant and equipment	-5,829
-15,014	Grants for the financing of capital expenditure	-30,523
-23,465	**Adjustments for investment and financing activities**	-36,352

5.22 Cash flow statement – investing activities

2013-14 £000		2014-15 £000
-31,138	Purchase of property, plant and equipment, investment property and intangible assets	-52,267
-71,631	Purchase of short-term and long-term investments	-71,006
24,748	Capital grants received in year	40,971
8,451	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	5,829
60,000	Proceeds from short-term and long-term investments	66,946
2,990	Other long term loans repaid	0
-2,389	Other long term loans granted	-6,020
-8,969	**Net cash flows from investing activities**	-15,547

5.23 Cash flow statement – financing activities

2013-14 £000		2014-15 £000
5418	Cash receipts of short and long term borrow ing	213
-2,167	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet service concession arrangements (PFI) contracts	-2,050
-10,065	Repayments of short- and long-term borrow ing	-18,022
-1056	Billing authority collection fund adjustments	485
-7,870	**Net cash flows from financing activities**	-19,374

5.24 Cash and cash equivalents

31-Mar-14 £000		31-Mar-15 £000
84	Cash held by the Authority	51
964	Bank current accounts	-5,619
34,202	Short-term deposits w ith Banks and Building Societies	18385
35,250	**Total Cash and Cash Equivalents**	12,817

5.25 Amounts reported for Resource Allocation decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the SERCOP. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular, the costs of retirement benefits, accumulated absences, PFI schemes and finance leases are based on cash flows rather than amounts calculated under the relevant accounting standards.

5.25.1 Directorate income and expenditure

2014-15	Community, Health and Wellbeing	Children's and Families	Environment and Enterprise	Resources	Total
	£000	£000	£000	£000	£000
Fees, charges & other service income	-24,313	-13,221	-21,622	-12,008	**-71,164**
Support service recharges	1	-2,531	-4,028	-30,318	**-36,876**
Government grants	-11,722	-141,090	-486	-149,936	**-303,234**
Total Income	**-36,034**	**-156,842**	**-26,136**	**-192,262**	**-411,274**
Employee expenses	21,747	117,664	21,162	27,554	**188,127**
Other service expenses	77,787	70,743	17,011	178,178	**343,719**
Support service recharges	9,802	7,519	7,101	9,035	**33,457**
Depreciation, amortisation and impairment	4,277	4,155	10,070	2,829	**21,331**
Precepts & Levies	0	0	7,708	547	**8,255**
Total Expenditure	**113,613**	**200,081**	**63,052**	**218,143**	**594,889**
Net Departmental Costs	**77,579**	**43,239**	**36,916**	**25,881**	**183,615**

2013-14	Community, Health and Wellbeing	Children's and Families	Environment and Enterprise	Resources	Total
	£000	£000	£000	£000	£000
Fees, charges & other service income	-19,920	-16,522	-21,497	-4,435	**-62,374**
Government grants	-11,227	-137,650	-621	-148,625	**-298,123**
Total Income	**-31,147**	**-154,172**	**-22,118**	**-153,060**	**-360,497**
Employee expenses	25,090	121,641	21,215	27,501	**195,447**
Other service expenses	69,866	65,806	10,984	140,468	**287,124**
Support service recharges	9,606	7,669	6,941	6,618	**30,834**
Depreciation, amortisation and impairment	3,722	4,826	12,162	4,073	**24,783**
Precepts & Levies	0	0	8,159	572	**8,731**
Total Expenditure	**99,921**	**194,012**	**59,461**	**190,255**	**546,919**
Net Departmental Costs	**68,774**	**39,840**	**38,257**	**37,195**	**186,422**

5.25.2 Reconciliation of Directorate Income & Expenditure to cost of services in Comprehensive Income and Expenditure Statement (CIES)

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the CIES.

2013-14 £000		2014-15 £000
186,422	Net expenditure in the Directorate Analysis (note 5.25.1)	**183,615**
-44,124	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	**-71,869**
-6,748	Amounts included in the Analysis not included in the CIES Cost of Services	**-8,416**
135,550	**Cost of Services in CIES**	**103,330**

5.25.3 Reconciliation to subjective analysis and comparative

The following reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2014-15	Directorate Analysis	HRA not reported to management for decision making	Other not reported to management for decision making	Amounts not included in Cost of Services	Cost of services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	-71,164	-31,806	-1,721	9,668	-95,023	0	-95,023
Support service recharges	-36,876	0	0	36,650	-226	0	-226
Interest and investment income	0	0	0	0	0	-3,934	-3,934
Income from council tax	0	0	0	0	0	-98,010	-98,010
Income from business rates retention	0	0	0	0	0	-13,436	-13,436
Government grants and contributions	-303,235	-120	0	0	-303,355	-102,015	-405,370
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	12,506	12,506
Total income	**-411,275**	**-31,926**	**-1,721**	**46,318**	**-398,604**	**-204,889**	**-603,493**
Employee expenses	188,128	5,708	-1,323	-20,970	171,543	0	171,543
Other service expenses	343,719	6,944	-4,399	-16,761	329,503	0	329,503
Support Service recharges	33,457	3,051	3,936	-4,988	35,456	0	35,456
Depreciation, amortisation and impairment	21,331	-51,931	-208	-3,760	-34,568	0	-34,568
Interest Payments	0	0	0	0	0	30,597	30,597
Precepts & Levies	8,255	0	0	-8,255	0	8,255	8,255
Payments to Housing Capital Receipts Pool	0	0	0	0	0	705	705
Total expenditure	**594,890**	**-36,228**	**-1,994**	**-54,734**	**501,934**	**39,557**	**541,491**
Surplus or deficit on the provision of services	**183,615**	**-68,154**	**-3,715**	**-8,416**	**103,330**	**-165,332**	**-62,002**

2013-14	Directorate Analysis	HRA not reported to management for decision making	Other not reported to management for decision making	Amounts not included in Cost of Services	Cost of services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	-62,374	-31,509	0	2,256	**-91,627**	0	**-91,627**
Interest and investment income	0	0	0	0	**0**	-26,176	**-26,176**
Income from council tax	0	0	0	0	**0**	-94,876	**-94,876**
Government grants and contributions	-298,123	0	0	0	**-298,123**	-108,594	**-406,717**
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	**0**	-796	**-796**
Total income	**-360,497**	**-31,509**	**0**	**2,256**	**-389,750**	**-230,442**	**-620,192**
Employee expenses	195,447	4,872	1,988	0	**202,307**	0	**202,307**
Other service expenses	287,124	9,358	-6,456	-169	**289,857**	0	**289,857**
Support Service recharges	30,834	2,960	0	-67	**33,727**	0	**33,727**
Depreciation, amortisation and impairment	24,783	706	-26,043	-37	**-591**	0	**-591**
Interest Payments	0	0	0	0	**0**	52,890	**52,890**
Precepts & Levies	8,731	0	0	-8,731	**0**	8,732	**8,732**
Payments to Housing Capital Receipts Pool	0	0	0	0	**0**	787	**787**
Total expenditure	**546,919**	**17,896**	**-30,511**	**-9,004**	**525,300**	**62,409**	**587,709**
Surplus or deficit on the provision of services	**186,422**	**-13,613**	**-30,511**	**-6,748**	**135,550**	**-168,033**	**-32,483**

5.26 Road charging schemes under the Transport Act 2000

The Road Traffic Act 1984 stipulates that the authority must keep a separate account of any income or expenditure related to parking enforcement. Section 55(4) of the 1984 Act controls the use of any surplus on the account.

2013-14 £000		2014-15 £000
-6,805	Penalty Charge Notices	-7,429
-1,205	On street meters	-968
-406	Residents Permits	-415
-8,416	Total income	-8,812
1,531	Enforcement contract/costs	1,610
1,160	Other expenditure	1,183
2,691	Total expenditure	2,793
-5,725	Total (surplus) for the year ending 31 March 2014	-6,019
	Utilisation of Surplus	
5,725	Concessionary fares	6,019
5,725		6,019

5.27 Pooled Budgets

The Council is the lead body for the Public Health Service with Barnet Council. The Council's surplus has been carried forward in an earmarked reserve to fund future Public Health Service expenditure:

2013-14 £000		2014-15 £000
	Funding provided to the pooled budget	
-8,874	· Harrow Public Health Grant	-9,146
-13,798	· Barnet Public Health Grant	-14,335
-22,672		-23,481
	Expenditure met from the pooled budget:	
8,208	· Harrow public health expenditure	8,904
12,967	· Barnet public health expenditure	14,044
21,175		22,948
	Surplus for the year	
-666	· Harrow	-242
-831	· Barnet	-291
-1,497		-533

Section 75 of the NHS Act 2006 allows partnership arrangements between NHS bodies, local Council, and other agencies in order to improve and co-ordinate services. Each partner makes a contribution to a pooled budget with the aim of focusing services and activities for a client group.

The Council is the lead body for the Integrated Community Equipment Service (ICES) with the local Integrated Care Organisation:

2013-14 £000		2014-15 £000
	Funding provided to the pooled budget:	
-215	· Harrow Contribution	-29
-33	· Schools Contribution	-35
-51	· Misc Income	-102
-556	· Integrated Care Organisation	-728
-855		-894
	Expenditure met from the pooled budget:	
820	· Gross Expenditure	881
-35	Surplus for the year	-13

5.28 Members' Allowances

Information on the Members' Allowance Scheme may be found in a leaflet available at Council libraries.

2013-14 £000		2014-15 £000
815	Allowances	**837**
815	Total	**837**

5.29 Remuneration

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

5.29.1 Remuneration bands

The number of employees whose remuneration, excluding pension contributions was £50,000 or more is detailed below in bands of £5,000. The bandings only include 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 a separate column.

Remuneration band	Number of Council Employes				Number of School Staff			
	Number in band 2014-15	Due to Lump Sum 2014-15	Number in band 2013-14	Due to Lump Sum 2013-14	Number in band 2014-15	Due to Lump Sum 2014-15	Number in band 2013-14	Due to Lump Sum 2013-14
£50,000 - £54,999	**35**	**2**	23	6	**35**	**0**	43	0
£55,000 - £59,999	**32**	**4**	41	5	**21**	**0**	22	0
£60,000 - £64,999	**8**	**1**	11	4	**13**	**0**	9	2
£65,000 - £69,999	**12**	**1**	14	7	**10**	**0**	18	0
£70,000 - £74,999	**8**	**3**	6	4	**11**	**1**	8	1
£75,000 - £79,999	**5**	**2**	4	7	**9**	**0**	6	2
£80,000 - £84,999	**3**	**3**	2	0	**8**	**0**	6	0
£85,000 - £89,999	**3**	**2**	2	3	**3**	**0**	5	0
£90,000 - £94,999	**5**	**0**	5	2	**2**	**0**	5	0
£95,000 - £99,999	**2**	**0**	3	4	**2**	**0**	1	0
£100,000 - £104,999	**1**	**2**	1	1	**0**	**0**	1	0
£105,000 - £109,999	**0**	**1**	0	2	**1**	**0**	1	0
£110,000 - £114,999	**1**	**0**	0	2	**0**	**0**	0	0
£115,000 - £119,999	**0**	**0**	2	0	**0**	**0**	1	0
£125,000 - £129,999	**0**	**1**	0	3	**0**	**0**	0	0
£130,000 - £134,999	**0**	**3**	0	0	**0**	**0**	0	0
£135,000 - £139,999	**0**	**1**	0	0	**0**	**0**	0	0
£140,000 - £144,999	**0**	**1**	0	2	**0**	**0**	0	0
£155,000 - £159,999	**0**	**0**	0	1	**0**	**0**	0	0
£210,000 - £214,999	**0**	**0**	0	1	**0**	**0**	0	0
	115	**27**	114	54	**115**	**1**	126	5

5.29.2 Senior officer remuneration

Remuneration Disclosures for Senior Officers whose salary is £150,000 or more per year

Position Held	Notes	Salary,(including Fees and Allowances)		Benefits in Kind		Total Remuneration excluding employers pension		Employers Pension Contribution		Exit Payments		Total Remuneration including employers pension contributions	
		£	£	£	£	£	£	£	£	£	£	£	£
		2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
Michael Lockwood (Chief Executive)	1	24,854	167,838	0	568	24,854	168,406	0	32,477	0	30,000	24,854	230,883
		24,854	**167,838**	**0**	**568**	**24,854**	**168,406**	**0**	**32,477**	**0**	**30,000**	**24,854**	**230,883**

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)		Benefits in Kind		Total Remuneration excluding employers pension contributions		Employers Pension Contribution		Exit Payments		Total Remuneration including employers pension contributions	
		£	£	£	£	£	£	£	£	£	£	£	£
		2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
Corporate Director - Community, Health & Well Being	2	146,704	140,752	619	619	147,323	141,371	29,121	27,235	0	0	176,444	168,606
Corporate Director - Children and Families	3	0	137,137	0	0	0	137,137	0	26,536	0	35,001	0	198,674
Corporate Director - Environment and Enterprise		138,252	134,226	0	0	138,252	134,226	27,443	25,973	0	0	165,695	160,199
Corporate Director - Resources		134,226	126,657	619	619	134,845	127,276	26,644	24,508	0	0	161,489	151,784
Director of Legal and Democratic Services		143,669	132,280	619	619	144,288	132,899	28,518	24,494	0	0	172,806	157,393
Director - Finance and Assurance		113,325	113,325	0	0	113,325	113,325	22,495	21,928	0	0	135,820	135,253
Director - Public Health	4	132,772	127,095	0	0	132,772	127,095	18,588	17,793	0	0	151,360	144,888
Director - Adult Social Services		122,061	115,207	619	619	122,680	115,826	24,229	22,293	0		146,909	138,119
		931,009	**1,026,679**	**2,476**	**2,476**	**933,485**	**1,029,155**	**177,038**	**190,760**	**0**	**35,001**	**1,110,523**	**1,254,916**

Note 1 Michael Lockwood left the Council on 28th February 2014. He was subsequently reappointed as Chief Executive Officer on 5th February 2015. There are no pension contributions for 2014-15 as he has not rejoined the pension scheme.

Note 2 The Corporate Director - Community, Health and Wellbeing was also Head of Paid Service until 4th February 2015.

Note 3 The Corporate Director - Children and Families left the Council on 28th March 2014. The position was filled by an interim member of staff in 2014-15 at a cost to the Council, including agency fees, of £245,403.

Note 4 The salary of the Director – Public Health is funded from the pooled Public Health Service budget with Barnet Council. See note 5.27.

5.30 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:

2013-14 £000		2014-15 £000	
	Fees Payable to external auditors in respect of:		
222	External audit services carried out by the appointed auditor for the year	**222**	
40	Certification of grant claims and returns for the year	**36**	
5	Other	**11**	*
267	Total	**269**	

* includes fees for Tax advise on Commercialisation Strategy and Objection w ork completed in 14/15

5.31 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 2012.

Details of the deployment of DSG receivable for 2014-15 are as follows:

	Central Expenditure £000	Individual Schools Expenditure £000	**Total £000**
Final DSG allocation 2014-15			**-181,624**
Less			
Academy recoupment			53,216
Final DSG after recoupment 2014-15			**-128,408**
Plus: Brought forw ard from 2013-14			-6,240
Less: Carry forw ard to 2015-16 agreed in advance			1,675
Agreed budgeted distribution in 2014-15	-34,308	-98,665	**-132,973**
In-year adjustments	-214		-214
Final budget distribution for 2014-15	-34,522	-98,665	-133,187
Less: Actual central expenditure	27,036		27,036
Less: Actual ISB deployed to schools		99,798	99,798
Carry forward to 2015-16	**-7,486**	**1,133**	**-6,353**
Total Surplus Carry forward to 2015-16			**-8,028**

5.32 Grants income

5.32.1 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:

2013-14 £000	Grant	Awarding Body	2014-15 £000
-126,712	Dedicated schools grant	Department for Education	-126,834
-5,041	Pupil Premium	Department for Education	-5,948
-551	Adoption Improvement Grant	Department for Education	-248
0	Universal Infant Free School Meals	Department for Education	-1,616
-1,543	Private finance initiative	Education Funding Agency	-1,543
-539	Troubled Families Grant	Department of Communities and Local Gov.	-387
-966	Private finance initiative	Department of Health	-1,201
-8,874	Public Health	Department of Health	-9,146
-122,501	Rent Allowance	Department of Work and Pensions	-122,875
-1,805	Housing Benefit administration grant	Department of Work and Pensions	-1,388
-1,223	Discretionary Housing Benefit	Department of Work and Pensions	-1,139
-21,956	HRA Rent Rebate	Department of Work and Pensions	-23,351
-491	Social Fund Reform	Department of Work and Pensions	-483
-574	Unaccompanied Asylum Seekers Grant	Home Office - UK Border Agency	-578
-483	Community Learning Trust	Skills Funding Agency	-510
-2,010	EFA 6th Form Funding	Young People's Learning Agency	-2,131
-382	Transport for London schemes	Transport for London	-362
-2,472	Other		-3,615
-298,123			-303,355

5.32.2 Capital grants included within taxation and non specific grant income

The following capital grants have been included within the cost of services in the comprehensive income and expenditure account:

2013-14 £000	Grant	Awarding Body	2014-15 £000
-522	Community Capacity	Department of Health	-532
-740	Devolved Formula Capital	Department for Education	-510
-9,517	LA Capital Maintenance and Basic Need Grant	Department for Education	-9,349
-515	Disabled Facilities Grant	Department for Communities and Local Government	-532
0	Better/ Empty Property Grants	WLP/ GLA	-576
-1,601	Local Implementation Plan	Transport for London	-3,081
-1,339	Targeted Basic Needs	Department for Education	-14,255
-222	Outer London Fund	Greater London Authority	-734
-348	Other		-220
0	Section 106 income		-692
-210	Section 20 Income		-43
-15,014	**Total Capital Grants included in Comprehensive Income and Expenditure Account**		-30,523

5.32.3 Capital grants receipts in advance

2013-14 £000	Grant - Capital	Awarding Body	2014-15 £000
-699	Devolved Formula Grant	Department for Education	-567
-8,164	Targeted Basic Needs Grant	Department for Education	-18,373
35	Outer London Fund	Greater London Authority	-484
0	Green Deal	Department of Energy and Climate Change	-1,361
-2,258	Section 106 Capital Receipts		-1,730
-286	Other Capital Grants		-835
-11,372			-23,350

5.33 Related parties

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

5.33.1 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. Pooled budget arrangements with other public bodies are disclosed in notes to the accounts.

Members

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 several local charities due to a significant number of Members also being trustees on the governing body of those charities. In 2014-15, the Council made the following payments for grants and services to these charities:

Organisation	Amount £000
Harrow Citizen's Advice Bureau	330
Harrow Association of Disabled People	260
Harrow Heritage Trust	19

5.33.2 London Borough of Harrow Pension Fund

The Council is the Administering Authority for the Pension Fund.

2013-14 £000		2014-15 £000
15,042	Employers Pension Contributions to the Fund	**16,162**
-787	Administration expenses paid by the Fund	**-1,061**
1,678	Cash Due to the Fund	**1,566**

5.34 Capital Financing

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

2013-14 £000		2014-15 £000
393,764	Opening Capital Financing Requirement	**393,753**
	Capital Investment	
31,075	Property, Plant and Equipment	**53,979**
2,379	Loan to WLWA	**5,604**
1,876	Revenue Expenditure Funded from Capital under Statute	**2,698**
	Sources of finance	
-4,434	Capital receipts	**-2,534**
-9,480	Government grants and other contributions	**-26,544**
	Sums set aside from revenue:	
-637	· Direct revenue contributions	**-2,538**
-14,679	· Minimum Revenue Provision	**-16,162**
-6,111	· Major Repairs Reserve	**-3,878**
393,753	*Closing Capital Financing Requirement*	**404,378**
	Explanation of movements in year	
14,668	Increase in unsupported borrowing	**26,787**
-14,679	Minimum Revenue provision	**-16,162**
-11	*Increase in Capital Financing Requirement*	**10,625**

5.35 Leases

5.35.1 The council as Lessee

5.35.1.1 Finance Leases

The majority of the Council's finance leases relate to its fleet of vehicles.

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 £2.29m (£3.66m in 2013-14).

The Council is committed to making minimum payments under these leases, comprising settlement of the long-term liability for the interest in the assets acquired and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31-Mar-15	31-Mar-14	**31-Mar-15**	31-Mar-14
	£000	£000	**£000**	£000
Not later than one year	**1,477**	1,672	**1,403**	1,468
Later than one year and not later than five years	**1,150**	2,600	**1,116**	2,544
	2,627	4,272	**2,519**	4,012
Finance costs payable in future years			**108**	260
			2,627	4,272

5.35.1.2 Operating Leases

The Council continues to enter into operating leases, principally in respect of properties and also for school IT assets and some of its vehicle fleet. Properties leased include Premier House, Wealdstone, with the local Primary Care Trust, as well as some libraries and car parks. Contract end dates vary, with some of the properties being long leases in excess of twenty years. Please also refer to Sancroft Hall disclosed under the PFI note.

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 on the following page.

31-Mar-14		31-Mar-15
£000		**£000**
286	Not later than one year	**406**
916	Later than one year and not later than five years	**1,342**
2,751	Later than five years	**2,385**
3,954		**4,133**
379	Min. lease payments charged to revenue in 14-15	**448**

5.35.2 The Council as Lessor

5.35.2.1 Finance Leases

The Council has granted 125 year peppercorn leases in respect of 10 maintained schools which transferred to Academy status under the provisions of the Academies Act 2010. 8 transferred to Academy status prior to 2014-15, and Aylward and Heathland schools with effect from April 2014 and July 2014 respectively. The transfers are not included in the Council's balance sheet although the Council retains the freehold.

Although the legal form of the arrangement is a lease, the transfer of schools to Academy status are treated as in substance a disposal in the Council's balance sheet. A loss on disposal of £15.28m has been recognised in the CIES in 2014-15 respect of the transfer of the 2 schools.

The Council does not lease out any other assets under finance lease arrangements.

5.35.2.2 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.

Operating leases have been classified as Investment Properties or Property, Plant and Equipment, generating a rental stream of £1,453k in 2014-15 (£1,067k in 2013-14).

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

31-Mar-14 £000	Land and Buildings	31-Mar-15 £000
1,120	Not later than one year	1,218
3,447	Later than one year and not later than five years	3,741
13,973	Later than five years	13,865
18,540		18,824

5.36 Private Finance Initiatives and Similar Contracts

The Council has entered into three PFI contracts.

Under these arrangements, 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, or in the case of Sancroft Hall the GDP deflator. The Council receives an annual Government Grant with the impact of the grant evened out over the contract period by use of a sinking fund.

The contracts for the schools and the NRC's both 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.

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 gain.

The assets under the Sancroft Hall contract do not revert back to the Council and therefore cannot be treated as a Service Concession Arrangement under IFRIC 12. The contract also does not meet the requirements of a finance lease, and has been treated as an operating lease during the year. The unitary payments are therefore treated as being expended during the year and the asset remains off the Council's balance sheet.

Outstanding PFI lease liabilities are as follows:

Special schools

2013-14 £000		2014-15 £000
-12,232	Balance outstanding at start of year	-11,952
1,403	Lease repayments during the year	1,362
-1,123	Finance charge	-1,098
-11,952	Balance outstanding at year end	-11,688

NRCs

2013-14 £000		2014-15 £000
-5,988	Balance outstanding at start of year	-5,877
608	Lease repayments during the year	634
-497	Finance charge	-487.00
-5,877	Balance outstanding at year end	-5,730

5.36.1 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	Reimbursement of Capital Expenditure	Interest	Principal Repayment	Contingent Rent	Total
	£000	£000	£000	£000	£000	£000
Schools						
Payable in 2015-16	886	200	1,073	306	68	2,404
Payable within 2 to 5 years	3,769	1,105	4,009	1,353	223	9,912
Payable within 6 to 10 years	5,267	1,924	4,149	2,362	174	13,112
Payable within 11 to 15 years	5,958	2,196	2,959	3,518	244	14,013
Payable within 16 + years	4,751	734	936	4,149	786	13,742
Total	**20,631**	**6,159**	**13,126**	**11,688**	**1,495**	**53,099**

5.36.2 Neighbourhood Resource Centres (NRC)

Three Centres have been provided under the Local Improvement Finance Trust (LIFT) initiative on Council sites under licence to the provider. These became operational in May 2009 with the contract lasting for 25 years.

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

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Principal Repayment	Contingent Rent	Total
	£000	£000	£000	£000	£000	£000
NRC						
Payable in 2015-16	189	35	476	154	147	1,001
Payable within 2 to 5 years	804	223	1,773	688	769	4,257
Payable within 6 to 10 years	1,124	318	1,842	1,231	1,434	5,949
Payable within 11 to 15 years	1,272	696	1,265	1,607	1,891	6,731
Payable within 16 + years	1,435	333	440	2,050	2,126	6,384
Total	**4,824**	**1,605**	**5,796**	**5,730**	**6,367**	**24,322**

5.36.3 Sancroft Hall

This is a residential and day care facility. The contract is for both the provision of the facilities and the care of the residents, and day care attendees. The site was sold by the Council to the provider and the establishment became operational in November 1999.

The contract ends in October 2024 and at the end of the contract the provider retains the assets. The Council is entitled to step in rights in the event of default by the provider.

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

Sancroft	Payment for Services	Minimum Lease Payments	Total
	£000	£000	£000
Payable in 2015-16	1,246	471	1,717
Payable within 2 to 5 years	5,180	1,960	7,140
Payable within 6 to 11 years	5,508	2,084	7,592
Total	**11,934**	**4,515**	**16,449**

5.37 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	
	2014-15	2013-14	**2014-15**	2013-14	**2014-15**	2013-14	**2014-15**	2013-14
							£000	£000
£0 - £20,000	**14**	22	**55**	27	**69**	49	**555**	444
£20,001 - £40,000	**15**	18	**9**	11	**24**	29	**713**	844
£40,001 - £60,000	**9**	17	**0**	2	**9**	19	**409**	925
£60,001 - £80,000	**2**	8	**5**	0	**7**	8	**478**	552
£80,001 - £100,000	**0**	2	**0**	0	**0**	2	**0**	178
£100,001 - £150,000	**4**	0	**2**	0	**6**	0	**721**	0
£150,001 - £200,000	**1**	0	**0**	0	**1**	0	**185**	0
Total	**45**	67	**71**	40	**116**	107	**3061**	2943

‘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

2013-14		2014-15
£000		£000
2,839	Exit payments not provided for in 2013-14	**2,882**
104	Employment provision (note 5.16)	**179**
2,943	**Included in cost of services**	**3,061**

5.38 Defined benefit pension schemes

5.38.1 Participation in pension scheme

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

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

5.38.2 Transactions relating to Post-employment Benefits

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

Cumulative actuarial remeasurement losses of £325.217m have been recognised in the Movement in Reserves Statement up to and including 2014-15 (£276.764m in 2013-14).

Expected employer contributions for 2015-16 are £15.795m, excluding any contributions in respect of unfunded benefits.

2013-14 £000		2014-15 £000
	Cost of Services:	
18,488	• current service cost	19,096
1,606	• past service costs	1,566
-454	• settlements and curtailments	-2,586
	Financing and Investment Income and Expenditure	
35,875	• interest cost	36,912
-21,307	• interest income on scheme assets	-22,425
34,208	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**32,563**
	Other Post Employment Benefit Charged to the CIES	
	Remeasurements in net liability due to	
8,984	• changes in demographic assumptions	0
20,084	• changes in financial assumptions	118,064
-36,595	• return on plan assets	-62,865
6,261	• changes in other experience	-6,745
-1,266		48,454
32,942	Total Post Employment Benefit Charged to the CIES	**81,017**
17,979	Actual amount charged to the General Fund balance in the year	**18,115**

5.38.3 Reconciliation of present value of the scheme liabilities

The weighted average duration of the defined benefit obligation for scheme members is 17.0 years.

2013-14 £000		2014-15 £000
806,824	Opening balance at 1 April	866,059
18,488	Current service cost	19,096
35,875	Interest cost	36,912
5,089	Contributions by scheme participants	5,100
	Remeasurement (gains)/losses arsing from changes in:	
8,984	Demographic Assumptions	0
20,084	Financial Assumptions	118,064
6,261	Other Experience	-6,745
-30,210	Benefits paid	-33,361
-6,942	Effect of settlements	-3,879
1,606	Past service costs	1,566
866,059	Closing balance at 31 March	**1,002,812**

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

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

The actual return on scheme assets in the year was £85.290m (2013-14: £57.902m).

2013-14 £000		**2014-15 £000**
483,693	Opening balance at 1 April	527,965
21,307	Interest income on plan assets	22,425
36,595	Remeasurement gain/(loss)	62,865
-6,488	Effect of settlements	-1,293
17,979	Employer contributions	18,115
5,089	Contributions by scheme participants	5,100
-30,210	Benefits paid	-33,361
527,965	Closing balance at 31 March	**601,816**

5.38.5 Scheme history

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability has a substantial impact on the net worth of the authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy. The deficit on the local government scheme will be made good by a contribution of 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.

	2014-15 £000	2013-14 £000	2012-13 £000	2011-12 £000	2010-11 £000
Present value of liabilities	**-1,002,812**	-866,059	-806,824	-702,045	-644,631
Fair value of assets	**601,816**	527,965	483,693	431,758	432,124
Net deficit in the scheme	**-400,996**	-338,094	-323,131	-270,287	-212,507

5.38.6 Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the Projected Unit Method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Scheme liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31 March 2013. Refer to pension fund accounts note 9.4.14 for more information.

The Government has announced agreement between unions and employers for a new benefit and contribution structure to be implemented from 1 April 2014. As accrued liabilities are protected, the values of liabilities and assets are unaffected.

The principal assumptions used by the actuary have been:

2013-14		**2014-15**
	Long-term expected rate of return on assets in the scheme:	
7.7%	Equity investments	**16.3%**
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.1	Men	**22.1**
24.4	Women	**24.4**
	Longevity at 65 for future pensioners:	
24.5	Men	**24.5**
26.9	Women	**26.9**
	Financial assumptions:	
4.1%	Rate of increase in salaries	**3.8%**
2.8%	Rate of increase in pensions (CPI)	**2.4%**
4.3%	Rate for discounting scheme liabilities	**3.2%**
	Take-up of option to convert annual pension into retirement lump sum:	
50.0%	- Pre April 2008 Service	**50.0%**
75.0%	- Post April 2008 Service	**75.0%**

5.38.7 Scheme Assets

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

31-Mar-14		**31-Mar-15**
12.0%	Debt Securities	**13.0%**
4.0%	Private Equity	**4.0%**
8.0%	Real Estate: UK Property	**8.0%**
	Investment Funds and Unit Trusts:	
66.0%	Equities	**65.0%**
9.0%	Other	**9.0%**
1.0%	Cash and Equivalents	**1.0%**
100%		**100%**

5.38.8 History of experience gains and losses

	2014-15	2013-14	2012-13	2011-12	2010-11
	%	%	%	%	%
Differences between the expected and actual return on assets	**10.45**	6.93	7.49	-5.32	-5.61
Experience gains and (losses) on liabilities	**0.67**	-0.72	0.03	-1.41	4.03

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

	Increase in present value of scheme liabilities	
	%	£000
1 year increase in member life expectancy	3	30,084
0.5% increase in rate of increase in salaries	2	24,276
0.5% increase in the rate of increase in pensions	7	67,276
0.5% decrease in the real discount rate	9	93,111

The sensitivity analysis above 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 whilst all other assumptions remain constant.

5.39 Teachers' and NHS Pension Schemes

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

The NHS Pension Scheme provides retirement benefits for staff employed on NHS contracts. The Scheme is managed by the NHS Business Service Authority (NHSBSA) on behalf of the NHS.

The assets and liabilities for the Teachers' and NHS Schemes cannot be identified at individual employer level. Because of this they are accounted for on the same basis as a defined contribution scheme.

In 2014-15 the Council made £5.834m (£6.188m in 2013-14) of employer contributions to the TPA and £170k (£202k in 2013-14) to the NHSBSA. The current contribution rates are at 14.1% (14.1% in 2013-14) for teacher's pensions and 14% (14% in 2013-14) for NHS pensions.

In addition, the Council is responsible for all pension payments relating to added years that it has awarded, together with the related increases. In 2014-15 these amounted to £0.709m (£0.720m in 2013-14) for teacher's pensions representing 1.73% of pensionable pay. No payments were made for NHS pensions in either 2014-15 or 2013-14.

5.40 Nature and extent of risks arising from financial instruments

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

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Department for Communities and Local Government (CLG) Investment Guidance for local authorities. The guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy, together with its Treasury Management Practices are based on these principles.

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 AAA sovereign rating, A long term rating, F1 short term rating, or support level 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 an even 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-15	Historical experience of default	Historical experience adjusted for market conditions at 31-Mar-15	Estimated maximum exposure to default and uncollectability 31-Mar-15
	£000	%	%	**£000**
UK Banks	**101,126**	0.00	0.14	**57**
Overseas Banks	**5,259**	0.00	0.00	**0**
UK Money Market Funds	**7,693**	0.00	0.00	**0**
UK Local Authorities	**5,000**	0.00	0.01	**1**
Customers	**8,761**	5.59%	25.22%	**2,210**
Total	**127,839**			**2,268**

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-14		Amount at 31-Mar-15
£000		**£000**
4216	Less than three months	**7648**
418	Three to six months	**662**
844	Six months to one year	**108**
1847	More than one year	**343**
7,325	**Total Debtors**	**8,761**

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 Authority 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 ensures 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-14 £000		31-Mar-15 £000
	Source of Loan:	
-218,461	Public Works Loan Board	-218,461
-115,800	Market Loans	-115,800
0	Other financial institutions	-173
-334,261	**Total**	-334,434
	Analysis of loans by maturity:	
0	1-2 years (1.4.2016 - 31.3.2017)	-27
-20,000	2-5 years (1.4.2017 - 31.3.2020)	-32,082
-17,000	5-10 years (1.4.2020 - 31.3.2025)	-5,064
-297,261	More than 10 years (1.4.2025 onwards)	-297,261
-334,261	**Total**	-334,434

The above analysis within more than ten years category includes principal of £83.8m of LOBO – Lender Option Borrower Option loans where the lender may ask for the rate payable to be changed. The Authority has the option to either accept this increase or repay the loan in full, without penalty. In the current economic climate it is not anticipated that any of these will be called and require repayment. However, if the lenders do exercise their rights, then these loans can be repaid from cash flow and maturing deposits in 2015-16 if required thus reducing credit risk. These repayments are not subject to liquidity risk and as there is no need to replace this borrowing in the short term.

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 £145m (£151m in 2013-14). With the base rate currently fixed at 0.5%, the risk of exposure from a downwards move is minimised. A positive movement of 1% in rates received on average investment balances would generate additional investment income of £1.45m, although only two thirds of this would benefit the General Fund.

5.41 Trust Funds

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

The Council acts as a custodian for various trust funds. The balance of these trust funds in 2014-15 was £214k (£216k in 2013-14).

In addition the Council acts as administrator for the Edward Harvist Charity. Charity funds are held in a permanent endowment fund. Income from the investment is distributed to 5 Boroughs who then make grants to appropriate organisations and individuals for the public benefit to improve the lives of their residents. The value of Charity funds in 2014-15 was £9,398k (£8,656k in 2013-14).

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.

2013-14 £000		Note	2014-15 £000	£000
	Expenditure			
8,064	Repairs and maintenance		6,920	
8,343	Supervision and mangement		7,909	
243	Rents, rates, taxes and other charges		250	
7,309	Depreciation of non current assets	6.2.3	7,338	
282	Impairment of non current assets		1,765	
-6,921	Reversal of past impairment losses	5.10	-61,130	
35	Debt management costs		36	
143	Movement in the allowance for bad debts		280	
17,498	**Total Expenditure**			-36,632
	Income			
-27,780	Dwelling rents (gross)	6.2.1	-28,558	
-648	Non-dwelling rents (gross)	6.2.2	-572	
-2,107	Charges for services and facilities		-2,124	
-974	Contributions towards expenditure		-672	
-31,509	**Total Income**			-31,926
-14,011	**Net cost of HRA Services as included in the Whole Authority Comprehensive Income and Expenditure Statement**			-68,558
398	HRA's share of Corporate and Democratic Core			404
-13,613	**Net cost of HRA Services**			-68,154
	HRA share of operating income & expenditure included in the Whole Authority Comprehensive Income & Expenditure Statement			
-1,629	(Gain) on sale of HRA Fixed Assets			-2,670
787	Pooling payments in respect of Right to Buy disposals			705
6,434	Interest payable and similar charges			6,343
-63	Interest & investment income			-50
-211	Capital grants & contributions receivable			-85
-8,295	**(Surplus) Deficit for the year on HRA services**			-63,911

Statement of Movement on the HRA Balance

2013-14 £000		Note	2014-15 £000
-3,175	**Balance on HRA at end of the previous year**		-3,574
-8,295	Surplus for the year on the HRA Income & Expenditure Statement		-63,911
1,582	Adjustment between accounting basis and funding basis under regulations	6.2.9	2,588
-6,713	Net increase or decrease before transfers from reserves		-61,323
6,314	Transfer to reserves	6.2.9	60,313
-399	**Increase in year on the HRA**		-1,010
-3,574	**Balance on HRA at end of the current year**		-4,584

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 0.35% of lettable properties were vacant (0.41% in 2013-14). The average depooled rents were £112.48 per week (£106.88 in 2013-14). There was an average rent increase of 5.24% over the previous year. The average increase, after taking into account service charges, was 4.63%.

6.2.2 Non-dwelling Rents

This includes garages. At the year-end 55.40% of garages were vacant compared with 55.05% in 2013-14.

6.2.3 Depreciation

Depreciation	Land £000	Dwellings £000	Assets under construction £000	Garages £000	Community Halls £000	Shops £000	Non operational assets £000	**Total 2014-15 £000**
Net book value as at 1 April 2014	96,558	183,377	0	7,846	3,633	3,237	69	**294,720**
Revaluations and restatements	8,478	58,680	179	-1,456	1,987	27	0	**67,895**
Value at 31 March 2015	**105,036**	**242,057**	**179**	**6,390**	**5,620**	**3,264**	**69**	**362,615**
Disposals	-805	-1,494	0	0	0	0	0	**-2,299**
Gross book value as at 31 March 2015	**104,231**	**240,563**	**179**	**6,390**	**5,620**	**3,264**	**69**	**360,316**
Depreciation for year	0	-7,094	0	-172	-50	-22	0	**-7,338**
Net book value as at 31 March 2015	**104,231**	**233,469**	**179**	**6,218**	**5,570**	**3,242**	**69**	**352,978**

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 2010 (published January 2011).

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 5.10.2.

A vacant possession valuation for dwellings at 1 April 2014 would have been £1,111.487m (£1,029.214m at 1 April 2013), therefore recognising the economic cost to the Government of providing Council housing at less than open market value of £833.615m (2013-14 £771.910m).

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.

Charges for impairment of HRA assets, mainly garages, were £1.765m (2013-14 £0.282m). No non-operational land is held within the HRA.

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 01-Apr-14 £000	Transfer to Reserve £000	Capital Expenditure £000	**Balance 31-Mar-15 £000**
Movements	-4,582	-7,338	3,878	**-8,042**

6.2.5 Capital Expenditure and Funding Statement

2013-14 £000		**2014-15 £000**
	HRA Capital Expenditure	
6,261	Dwellings & garages	**4,442**
6,261	**Total**	**4,442**
	Financed by:	
6,111	Major Repairs Reserve	**3,878**
150	Capital receipts - Right to Buy, Affordable Housing & other	**178**
0	Contribuitons & Grants	**386**
6,261	**Total**	**4,442**

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.

2013-14 £000		**2014-15 £000**
584	**Balance at 1 April**	**3,973**
	Receipts in year:	
4,176	Houses, Mortgage Redemptions & other	**4,989**
-787	Paid to DCLG Pool	**-705**
0	Applied in the year	**-178**
3,973	**Balance at 31 March**	**8,079**

6.2.7 Pensions (IAS 19)

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

Further details are provided in note 5.38.

6.2.8 Housing Revenue Account Statistics

2013-14 Total	Housing Stock	Houses	Flats	Bungalows	2014-15 Total
105	4 or more bedrooms	103	1	0	**104**
1,377	3 bedrooms	1,271	93	1	**1,365**
1,444	2 bedrooms	546	860	25	**1,431**
1,989	1 bedroom	0	1,843	135	**1,978**
4,915	LBH managed stock as at 1 April				**4,878**
870	Garages				**870**
	Summary of change in stock				
4,951	Stock as at 1 April				**4,915**
	Less				
-36	Sales				**-37**
4,915	**Total HRA stock at 31 March**				**4,878**
	Measures of performance & information for dosclosure notes to HRA				
£56.72	Average weekly costs per dwelling of management and maintenance				**£58.74**
£1.251m	Rent arrears (current and former tenants)				**£1.129m**
98.78%	Rent collection rate (BVPI 66a)				**98.32%**
1.48%	Current tenant arrears as percentage of the authorities rent roll (whether dwellings				**1.58%**
0.44%	Rent loss through voids				**0.33%**
£0.339m	Write offs in year				**£0.170m**
£0.558m	Provision for bad debts				**£0.736m**

6.2.9 Statement of Movement on the HRA Balance

2013-14 £000		2014-15 £000
	Adjustment between accounting basis and funding basis under regulations	
-47	Difference between amortisation of premiums & discounts determined in accordance with the Code and those determined in accordance with statute	**-82**
	Difference between any other item of income & expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	
1,629	Gain on sale of HRA fixed assets	**2,670**
1,582		**2,588**
	Transfer to / (from) earmarked reserves	
	HRA share of contributions to/from Pensions reserve :	
-116	Net charges made for retirement benefits in accordance with IAS19	**-765**
0	Employer's contributions payable in the year	**579**
	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	
6,887	Impairment	**61,130**
0	Revenue expenditure funded from capital resources under statute	**-84**
0	Capital expenditure funded by Grants	**42**
36	Voluntary set aside	**12**
-35	Finance Lease Depreciation	**-12**
-7,309	Depreciation transfer	**-7,338**
7,309	Transfer to the Major Repairs Reserve	**7,338**
	Transfers to/from Capital Reserves	
-787	Pooling payments to DCLG financed through capital reserves	**-705**
329	Other	**116**
6,314		**60,313**
7,896		**62,901**

7 Collection Fund

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

Statement of Income and Expenditure

2013-14		2014-15		
		Business Rates & Crossrail	Council Tax	Total
£000		£000	£000	£000
	Income			
-121,162	Income from Council Tax	0	-123,435	-123,435
-51,137	Income Collectable from Business Ratepayers	-50,710	0	-50,710
-1,231	Income Collectable from Business Ratepayers - BRS	-1,191	0	-1,191
-173,530	**Total Income**	-51,901	-123,435	-175,336
	Expenditure			
	Apportionment of Previous year surplus			
1,048	Harrow Council	0	1,676	1,676
271	Greater London Authority	0	420	420
	Precepts, demands and Shares			
107,764	Local Demand (Harrow)	14,493	95,067	109,560
34,334	Greater London Authority	10,847	23,486	34,333
24,542	Central Government	24,156	0	24,156
	Impairment of Debts/appeals			
0	Write offs of uncollectable amounts	594	0	594
3,538	Increase in bad debt provisions	873	1,218	2,091
1,400	Increase in provision for appeals	4,200	0	4,200
263	Costs of Collection	264	0	264
173,160	**Total Expenditure**	55,427	121,867	177,294
-370	Movement on Fund balance: Surplus(-)/Deficit for the year	3,526	-1,568	1,958
-1,124	Surplus(-) brought forward	974	-2,469	-1,495
-1,494	**Surplus(-) carried forward**	4,500	-4,037	463

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 appeals. The Council Tax, as shown, reflects both Harrow Council and GLA services:

2013-14 Band D Ratio	2013-14 Property Numbers	2013-14 Council Tax £		Valuation Bands	2014-15 Band D Ratio	2014-15 Property Numbers	2014-15 Council Tax £
6/9	211	1,008.85	A =	Not exceeding £40,000	6/9	**229**	**1,006.18**
7/9	1,373	1,177.00	B =	£40,001 - £52,000	7/9	**1,359**	**1,173.88**
8/9	11,329	1,345.13	C =	£52,001 - £68,000	8/9	**11,925**	**1,341.58**
1	22,102	1,513.28	D =	£68,001 - £88,000	1	**22,662**	**1,509.28**
11/9	22,427	1,849.56	E =	£88,001 - £120,000	11/9	**22,780**	**1,844.67**
13/9	9,930	2,185.85	F =	£120,001 - £160,000	13/9	**10,047**	**2,180.07**
15/9	9,326	2,522.13	G =	£160,001 - £320,000	15/9	**9,395**	**2,515.46**
18/9	2,147	3,026.56	H =	£320,001 +	2	**2,167**	**3,018.56**
	78,845			**Total**		**80,564**	
	-1,971			Adjustment for non-collection		**-2,014**	
	76,874			**Council tax base**		**78,550**	

7.1.2 Business Rates

The Business Rates is levied on non-domestic properties with the charge based on the valuation band assessed for each property. The Council acts as an agent, collecting business rates on behalf of central government and the GLA, but also collecting business rates for itself. Business rates collected in the Borough are split between relevant preceptors, the Council (30%), the GLA (20%) and Central Government (50%).

The total non-domestic rateable value for the London Borough of Harrow at the year-end was £125.4m (£128.9m in 2013-14) and the national non-domestic rate multiplier for 2014-15 was 0.482 (0.471 in 2013-14).

7.1.3 Business Rate Supplement - Crossrail

In April 2010, the Mayor introduced a levy of 2p on non-domestic properties with a rateable value of over £55,000 in London to help fund the Crossrail project. Powers were granted to the GLA to introduce this under the 2009 Business Rates Supplements Act.

8 Annual Governance Statement

8.1 Scope of Responsibility

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

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk i.e. it is responsible for ensuring a sound system of governance.

The Council has approved and adopted a Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. The code has been taken into account in drafting our constitution and a copy can be obtained from Harrow Council, Civic Centre, Station Road, Harrow, Middlesex HA1 2XF or from our website at:

http://harrowhub.harrow.gov.uk/info/200190/audit/991/code_of_corporate_governance

This statement explains how the Council has complied with the code and the governance framework and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2011 in relation to the publication of this Annual Governance Statement.

8.2 The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled, and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its corporate priorities and consider whether those priorities have led to the delivery of appropriate, cost-effective services.

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

The governance framework has been in place at Harrow Council for the year ended 31 March 2015 and up to the date of approval of the statement of accounts.

8.3 The Governance Framework

The key elements of Harrow's governance framework are set out in our Code of Corporate Governance. A brief description of them is contained in the following paragraphs.

In May 2014, a new administration took control of the Council, and agreed at Council on the 12th June a new vision and set of priorities:

Vision: Working Together to Make a Difference for Harrow

Priorities: Making a difference for the vulnerable
Making a difference for communities
Making a difference for local businesses
Making a difference for families

The vision and priorities are based on the new Administrations understanding of the views of local residents developed by listening to many people, from community groups, women's groups, businesses and trade unions over the last year in the run up to the local elections. These formed part of the Administration's manifesto which was publicly campaigned upon.

The Council's strategic direction, it's vision, priorities, core outcomes and key initiatives are reviewed annually and set out in the Corporate Plan. The Council's Corporate Plan 2015-2019 was agreed in February 2015 following further consultation and events involving residents and local organisations. Proposals relating to major financial and service decisions set out in the plan were consulted upon with residents through the Take Part Consultation.

In October 2013 consultation was launched on the deletion of the Chief Executive post and a final decision taken to delete it and replace it with a Head of Paid Service combined with an existing Corporate Director post by Cabinet in December 2013 and ratified by full Council. The Chief Executive subsequently left the Council in February 2014 and was replaced on an interim basis by the Head of Paid Service and Corporate Director of Community Health and Wellbeing. In July 2014 the new administration launched a consultation with Harrow Council staff, Councillors and the Trade Unions on the senior management arrangements of the Council. In September 2014, following the consultation, in which two thirds of the respondents expressed a preference for the re-instatement of a Chief Executive; Cabinet resolved that the post of Chief Executive should be re-instated in the Council's management structure. An appointment was made and ratified by full Council on November 2014 and the position filled in February 2015.

Harrow Council works in partnership with many different organisations, both public and private sector, to deliver the best outcomes for our community. For many years the Harrow Strategic Partnership (HSP) was in place as an umbrella conduit for change to improve the social, economic, environmental, health, education, and community safety needs of the communities of Harrow. This was supported by a number of key boards including the Health and Wellbeing Board (although technically the Health and Wellbeing Board did not report to the HSP), the Safer Harrow Board and the Harrow Chief Officers Group. Over the years, as the partnerships have developed, the need for an umbrella board has diminished and thus in September 2014 the Harrow Strategic Partnership Board was abolished to streamline the decision making and governance arrangements for our partnerships with other public sector bodies. The key boards have continued to lead on the governance of our partnerships

The Council also has a number of shared service arrangements and commercial partnership arrangements in place to help deliver the best outcomes for our community in terms of costs and service delivery. Each of these has governance structures in place, designed as appropriate for the individual arrangement.

The development of the Council's medium term financial strategy continues to be extremely challenging because:

- The Government's deficit reduction strategy is making significant reductions in the funding available to local authorities;
- Changes to the way the Government funds local authorities are transferring significant risks to local authorities that were previously borne by Central Government;
- The Financial settlement continues to be on an annual basis making medium term financial planning difficult;
- Harrow is already a relatively low spending council;
- Considerable savings have been made in previous years and this makes it increasingly difficult to identify new areas for efficiencies and reductions;
- The demand for services from our residents and expectations from central government are growing all the time;
- Statutory guidelines around provision of many service areas and a demanding regulatory environment particularly regarding Ofsted.

During 2014/15 as part of its preparations for meeting savings targets in 2014/17 and beyond a number of projects were launched across the Council to review outsourcing, in house and shared services options for the delivery of services. All of these which had an impact on services to the public were consulted upon with residents through the Take Part Consultation.

The authority strives to deliver best value for money to its residents by improving performance and minimising costs. Each directorate is required to identify efficiencies and improvements as part of their commissioning plans, considered by the Commissioning Panels. The Council's Reputation Tracker in March 2015 showed the second highest residents' satisfaction score in eight years and 48% of respondents agreed or strongly agreed that the Council gives local people good value for money.

Allocation of Responsibilities of the Executive and the individual members are set out in the Council's Constitution. Minutes of all decisions made by the Executive and individual Executive members are available on the intranet and internet and records are maintained by Legal & Governance Services. The Council's Constitution includes details of Director responsibilities, committee terms of reference and details of the statutory obligations (Head of Paid Service, Directors of Children's, Adult Social Services, Director of Public Health, Chief Financial Officer (S151 Officer), Monitoring Officer and Returning Officer).

Delegations are reviewed and approved annually. Matters specifically reserved for council and cabinet are reviewed and updated in accordance with legislation when issued. Delegations were last reviewed and approved by the Council on June 2014.

A scrutiny function is in place which comprises an overview and scrutiny committee, a performance and finance sub committee, a health and social care sub committee and lead scrutiny councillors for:

- Health
- Community, Health and Wellbeing
- Children and Families
- Environment and Enterprise
- Resources

The function is driven by the need to hold the council and our partners to account both for their policy direction and performance and the establishment of the performance and finance sub committee 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, and fed into the work programme of the committees.

Standards of behaviour for members and staff are defined in their respective Codes of Conduct which are available on the intranet and used as a basis for training.

The Council has a duty to manage its risks effectively and this is achieved through a consistent corporate process in a hierarchical series of risk registers. The Corporate risk register is reviewed by the Corporate Strategy Board and the Governance, Audit, Risk Management and Standards Committee on a regular basis. All Directorates have risk registers and these are reviewed by Directorate Management Teams regularly and the Improvement Boards quarterly.

A Corporate Anti-fraud Policy and Corruption Strategy is maintained by the Council's Corporate Anti-fraud team.

Throughout 2014/15 the authority's financial management arrangements have conformed with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The same CFO was in post throughout 2014/15 but changed in May 2015. The CFO reports operationally to the Corporate Director of Resources and has the right of access to the Chief Executive and Leader of the Council as necessary or appropriate on matters relating to their statutory role. The CFO sits on the Corporate Strategy Board. The authority's assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit. The Head of Internal Audit is a middle manager with extensive internal audit experience who has regular and open engagement with the Leadership Team and the Audit Committee.

The Council's top management team form the Corporate Strategic Board (CSB). It is chaired by the Chief Executive and comprises the four corporate directors, the Director of Legal Services and the Director of Finance. CSB meets fortnightly to discuss future strategy, major change, cross council issues and the medium term financial strategy (MTFS). In addition the board meets fortnightly as the Statutory Directors Board (SDB) to deal with operational matters e.g. Cabinet reports, performance, operational and service changes, and financial monitoring. SDB comprises members of CSB as well as the following statutory officers: Director of Adult Social Services and the Director of Public Health. On a quarterly basis, SDB holds a performance morning to review service and financial performance information, risk and programme monitoring etc.

The role of the Statutory Monitoring Officer is to report on likely contravention of any enactment or rule of law and the Statutory Monitoring Officer provisions are contained in Part 3 of the Constitution. Effective arrangements are in place to discharge the monitoring officer function via the Director of Legal and Governance Services. During 2014/15 the Council entered into an agreement (agreed by Cabinet March 2015) with Buckinghamshire County Council and the postholder now works at the County Council 2 days a week and at Harrow Council 3 days a week. As the postholder is contactable 5 days a week and a Deputy Monitoring Officer is also in post this arrangement does not impact on the fulfilment of this Statutory role. The arrangements for the discharge of the Head of Paid Service is covered in the constitution and this role was fulfilled by the interim Head of Paid Service form April 2014 to February 2015 and the Chief Executive the rest of the year and to date.

The Governance, Audit, Risk Management and Standards (GARMS) Committee undertake the core functions of an audit committee as identified in CIPFA's Guidance Audit Committees – Practical Guidance for Local Authorities. Its terms of reference encompass the review and monitoring role of a range of risk related services, including monitoring performance on corporate governance generally. The GARMS Committee is independent of the executive and scrutiny functions. As the political make-up of the Council changed in May 2014 the GARMS Committee membership changed but has been stable since.

A whistleblowing policy exists and was last reviewed in 2013/14. It is accessible on the intranet, covered in the Staff Handbook and referenced in the staff induction checklist. A complaints procedure is also in place and is available on the Harrow Council website (How to make a complaint). A review of complaints, including the number and reason for complaints, the timescales for resolution and the actions taken as a result forms part of the quarterly directorate Improvement Board reports.

A Member Development Programme is in place that includes mandatory training on their statutory role. Access to development is also available to all members via e-learning. Monitoring of the Member Development Programme and evaluation of development activities is undertaken quarterly by the Member Development Panel, leading to improvements in the Member Development programme and in member induction. All new and existing members elected in May 2014 were provided with training on the Code of Conduct, Register of Interests and the Council's Social Media Protocol. Learning and Development Plans for staff are produced annually and ensure the 'golden thread' between the Council's vision and objectives, through to Service Planning and individual objectives for staff. For 2013/14 a new corporate development programme was designed and launched, with improved attendances. Each development activity is evaluated and the programme updated quarterly.

The Council's Reputation Tracker seeks residents' opinions on a wide range of service and community issues, there was only one survey carried out in 2014/15 following the appointment of the new communications supplier, Lambeth Communications. Service User Groups are in place in some Directorates for example, Neighbourhood Champions and Park User Groups in Environment and Enterprise, the Local Account Group in Adults Social Care and the Whitefriars sub-group of the School Expansion Programme Stakeholders Reference Group in Childrens. Harrow's

Community Involvement Toolkit provides practical advice and guidance including how to engage "seldom heard" groups and a consultation portal is used to co-ordinate consultation activity across the Council. In 2013/14 the corporate responsibility for consultation moved to the Council's Communications team.

During 2013/14 an independent review was commissioned by the Council into allegations of institutional racism. A report was issued on the 11th April 2014 that concluded that there is no evidence of institutional racism at Harrow Council. However, it makes nine recommendations. The council will now consider these recommendations and any actions which are necessary as a result of the report. The full report is available on the Council's Website:

http://www.harrow.gov.uk/news/article/193/report_published_into_claims_of_institutional_racism

In May 2015 a report went to Cabinet providing an update of the Council's performance against its equalities agenda in the last twelve months (2014/15) as well as summarising the actions taken in response to the recommendations from the investigation commissioned in March 2014 into alleged institutional racism. Following the review the Council's Corporate Equalities Group started work on the action plan which culminated in the report to Cabinet. The Cabinet report is available via the following link:

http://moderngov:8080/documents/g62363/Public%20reports%20pack%20Thursday%2021-May-2015%2018.30%20Cabinet.pdf?T=10

Add reference to new governance structure required for Council's Commercialisation Strategy.

Add reference to new Senior Management Structure before finalisation of AGS.

Add reference to Regeneration governance arrangements.

8.4 Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have the responsibility for the development and maintenance of the governance environment, assurance provided by managers, the Corporate Governance Group, the Corporate Governance Working Group, the Internal Audit annual report, and also by comments made by the External Auditors and other review agencies and inspectorates.

The effectiveness of the governance framework has been evaluated by:

- Undertaking an annual review of governance arrangements in place against the Council's governance framework as reflected in the Code of Corporate Governance;
- Considering the Head of Internal Audit's overall annual opinion on the adequacy and effectiveness of the authority's control environment;
- Review of the overall assessment and the draft Annual Governance Statement by the Corporate Governance Group, the Corporate Strategy Board and the Governance, Audit & Risk Management Committee;

The results of the key elements of the evaluation of effectiveness are summarised in the following paragraphs.

8.5 Annual Review of Governance

The process employed for the annual review of governance followed the CIPFA guidance 'delivering good governance in Local Government 2012 Edition (published in November 2012).

The process involves demonstrating compliance with the principles of good governance through the identification of systems, processes and documentation that provides evidence of compliance with the authority's governance framework. The process is undertaken by the Corporate Governance Working Group.

The aim of the governance review is to demonstrate that the authority's governance arrangements are adequate and working effectively in practice and, where gaps in governance are identified that will impact on the authority's achievement of its objectives, that appropriate action is taken to improve governance in the future. To this end an action plan will be agreed as part of the annual review process and any significant governance gaps identified by this process will be outlined in paragraph 8.8.

8.6 Head of Internal Audit's Opinion

Internal Audit provide assurance to the Council on internal control and risk mitigation through the delivery of an agreed audit plan and a series of follow-up reviews which culminates in the provision of an overall audit opinion on the Council's control environment annually. The overall opinion is formulated from elements agreed as part of the Internal Audit Strategy.

The overall audit opinion for the Council's control environment for 2015/16 has yet to be fully assessed. The detailed report setting out the reasoning behind this assessment will be considered by the Governance, Audit, Risk Management and Standards Committee (GARMS) in July 2015 (or September 2015).

8.7 Declaration (Part I)

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by Corporate Governance Group and the Governance, Audit, Risk Management and Standards Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions are outlined below.

8.8 Significant Governance Issues

The review process for 2014/15 has identified no significant governance gaps and XX minor gaps.

An action plan will be agreed as part of this process to address the gaps identified to further enhance our governance arrangements.

8.9 Declaration (Part II)

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of the effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed

	Councillor David Perry Leader	Michael Lockwood Chief Executive
Date	xx September 2015	xx September 2015

9 Pension Fund Financial Statements

Pension Fund Certificate

Harrow Council

Pension Fund Accounts 2014-15

I certify that the Financial Statements set out in Section 9 present fairly the financial position of the Pension Fund as at 31 March 2015 and its income and expenditure for the year.

Dawn Calvert CPFA

Director of Finance (Interim)

XX June 2015

9.1 Administration of the 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. It is a contributory defined benefit pension scheme to provide pensions and other benefits for pensionable employees of the Council and a range of other scheduled and admitted bodies. Teachers are not included as they have a separate national pension scheme.

These benefits include retirement pensions, early payment of benefits on medical grounds and payment of death where death occurs either in service or in retirement. The benefits payable in respect of service from 1 April 2014 are based on career average revalued earnings and the number of years of eligible service. Pensions are increased each year in line with the Consumer Price Index.

The Fund is financed by accumulated contributions paid by employees and their employers together with returns from the Fund's investments. 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. The last such valuation was at 31 March 2013. Currently, employer contribution rates range from 14.9% to 27.9% of pensionable pay.

The Scheme is governed by the Public Service Pensions Act 2013 and the following regulations:

- The Local Government Pension Scheme Regulations 2013 (as amended);
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended); and
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

a) Memberships

Membership of the Fund is voluntary. 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. Contributors to the Fund are contracted out of the State Second Pension.

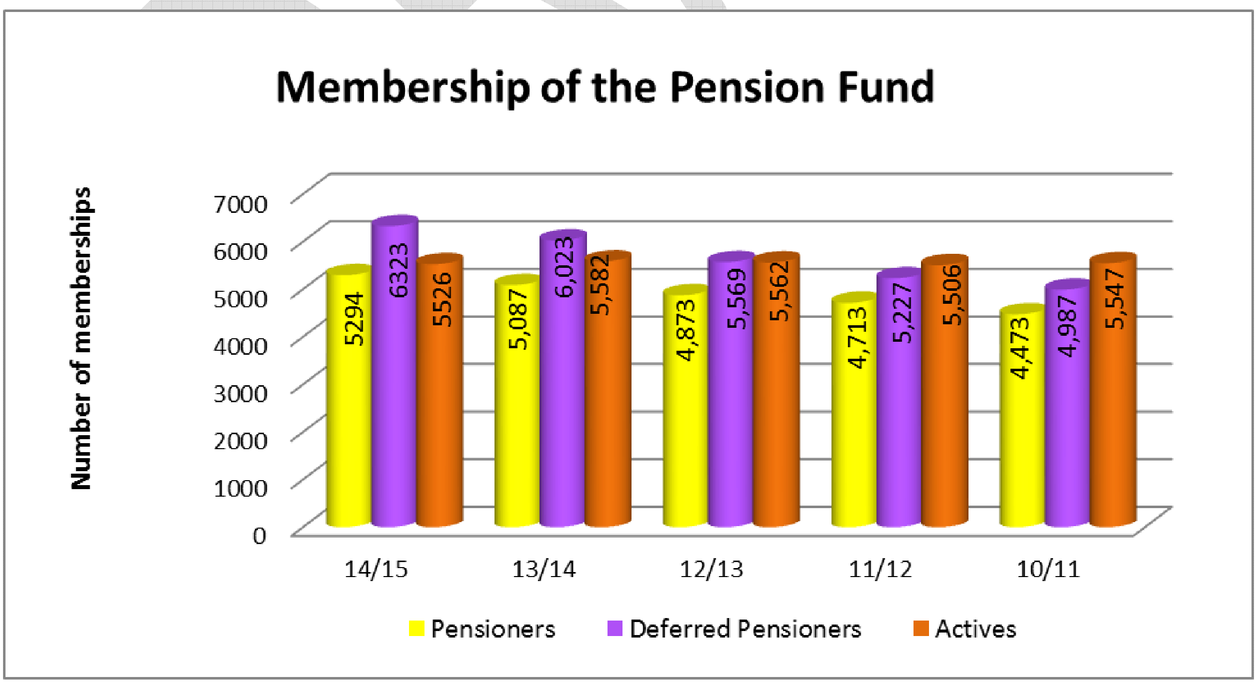
Organisations participating in the Fund are:

- **Scheduled Employer:** This is a statutorily defined body listed within Local Government Pension Scheme (LGPS) Regulations and has a statutory obligation to participate in the LGPS (e.g. a local authority, a further or higher education establishment).
- **Community Admission Body**: These are typically charities or other not-for-profit public sector bodies providing a public service which has sufficient links with the administering employer to be regarded as having a community of interest.
- **Transferee Admission Body:** These are typically private sector companies or charities who will have taken on staff from a local authority as a result of an outsourcing of services.

There are 29 employer organisations within the Harrow Pension Fund including the Council itself, as detailed in the next page.

Membership of the Fund

Employer	Status	Actives	Deferred	Pensioners	Total	%
Harrow	Scheduled Body	4,066	5,469	4,982	14,517	84.68
Stanmore	Scheduled Body	87	127	63	277	1.62
Harrow College	Scheduled Body	152	257	137	546	3.18
St Dominics	Scheduled Body	49	25	30	104	0.61
Bentley Wood	Scheduled Body	60	43	7	110	0.64
Canons High	Scheduled Body	91	29	6	126	0.73
Harrow High	Scheduled Body	64	30	6	100	0.58
Hatch End	Scheduled Body	87	110	8	205	1.20
Nower Hill	Scheduled Body	124	71	6	201	1.17
Park High	Scheduled Body	83	36	2	121	0.71
Rooks Heath	Scheduled Body	117	30	5	152	0.89
Krishna Avanti	Scheduled Body	25	4	-	29	0.17
Salvatorian	Scheduled Body	49	37	5	91	0.53
Avanti House	Scheduled Body	15	1	-	16	0.09
Alexandra	Scheduled Body	27	1	1	29	0.17
Heathland and Whitefriars	Scheduled Body	129	3	-	132	0.77
Aylward	Scheduled Body	73	5	-	78	0.45
NLCS	Community Admission Body	75	30	28	133	0.78
Julius Rutherfoord	Transferee Admission Body	1	2	1	4	0.02
CAPITA	Transferee Admission Body	11	1	-	12	0.07
Granary Kids	Transferee Admission Body	1	1	1	3	0.02
Linbrook	Transferee Admission Body	4	1	-	5	0.03
TEMCO	Transferee Admission Body	2	-	-	2	0.01
Carillions	Transferee Admission Body	81	6	6	93	0.54
Jubilee	Transferee Admission Body	16	4	-	20	0.12
Govindas	Transferee Admission Body	5	-	-	5	0.03
Taylor Shaw	Transferee Admission Body	3	-	-	3	0.02
Chartwells	Transferee Admission Body	19	-	-	19	0.11
Birkin	Transferee Admission Body	10	-	-	10	0.06
	Total	5,526	6,323	5,294	17,143	100.00



b) Governance

The Council has delegated management of the fund to the Pension Fund Committee (the Committee) which decides and is responsible for the investment policy most suitable to meet the liabilities of the Fund. The Committee is made up of four Members of the Council each of whom has voting rights.

In implementing the Fund's investment policy, the Committee considers views from the Director of Finance and obtains as necessary advice from the Fund's appointed Investment advisors, fund managers and actuary.

9.2 Investment Policy and Performance

Regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 requires administering authorities to prepare and review from time to time a Statement of Investment Principles. This Statement provides details of the Fund's investment policies including**:**

- The types of investment to be held;
- The balance between different types of investment;
- Risk measurement and management; and
- Compliance with the Myners principles of investment management.

The latest approved Statement of Investment Principles is available on Council's website at:

http://www.harrow.gov.uk/

The investment objective of the Fund is to achieve a return that is sufficient to meet the funding objectives, subject to an appropriate level of risk (implicit in the target) and liquidity. Over the long-term, it is expected that the Fund's investment returns will be at least in line with the assumptions underlying the actuarial valuation.

The Council has delegated the management of the Fund's investments to 10 professional investment managers (see note 9.4.9), appointed in accordance with the LGPS regulations, whose activities are specified in detailed investment management agreements and regularly monitored.

During the year overall equity portfolio was rebalanced to implement the strategy agreed by the Pension Fund Committee on 6 March 2013 which resulted in termination of contracts with Fidelity, Wellington and Barings and new agreements put in place with GMO, Oldfields and Insight.

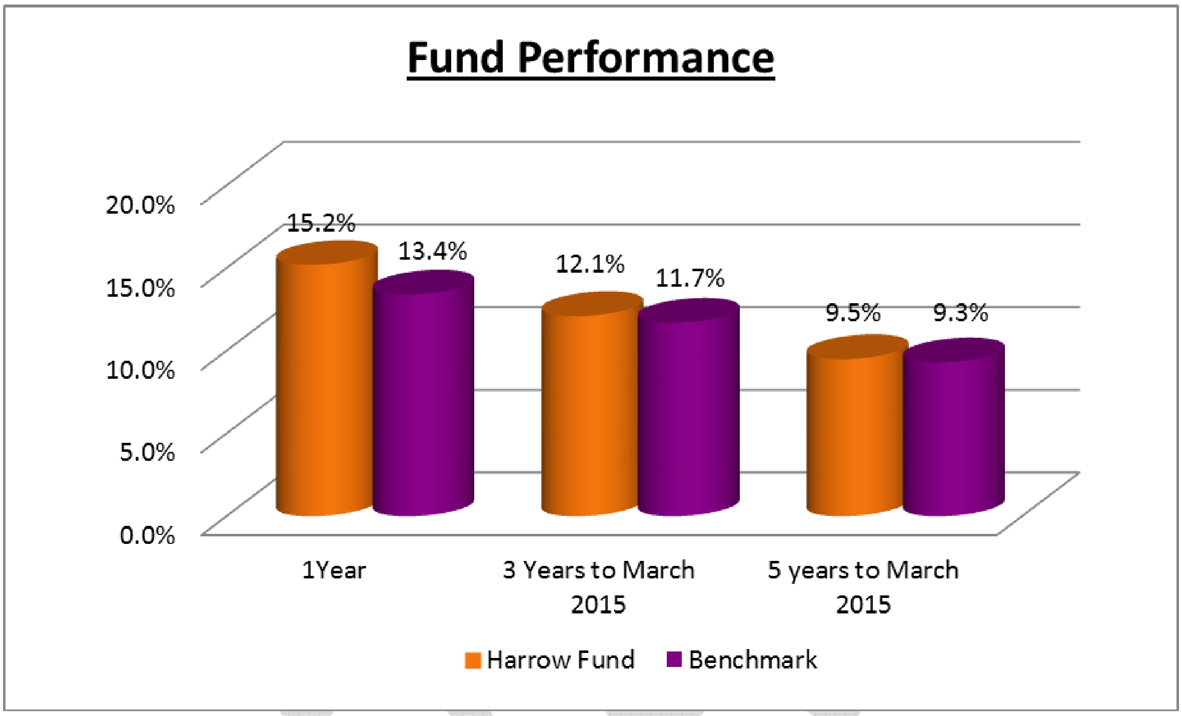
Market Commentary

Equity markets performed strongly but with marked regional differences. UK equities returned only 6% for the year with investors concerned about the possibility of political uncertainty resulting from a hung Parliament post the upcoming general election. Japan was the strongest performing of the major overseas markets returning over 30% to local investors, but a slightly lower 27% to UK investors as the Yen continued to weaken against Sterling. Conversely UK investors benefited from the strength of the US Dollar over the year which represented almost half of the US equity return of 25%, Pacific and emerging markets returned 16% and 14% respectively whilst Europe returned a respectable 9% for the year.

After the near flat outcome in 2013-14, UK bonds bounced back strongly, producing double digit returns. Long dated gilts produced returns approaching 30% as yields reached historic lows. Investors needing to hold them for liability matching purposes continued to buy them at any price. On the other, hand, short dated bonds returned only 3% for the year. The index-linked story for the year was much the same; funds returning 20% on average with the return driven by longer dated issues.

Alternative investments in aggregate also enjoyed a good year. Private equity returned 16% whilst hedge funds averaged 9%. Pooled multi asset (diversified growth) investments, which have recently been gaining traction amongst funds, returned a strong 10%, well ahead of most funds' targets for this asset class. Property returned 16% for the year.

The Committee uses State Street Global Services as its independent investment performance measurer. Investment returns over 1, 3 and 5 years are shown below.



The Fund's return of 15.2% during 2014-15 was due to positive returns for all assets classes. Returns over all three time periods were strong, reflecting recovery from the significantly lower returns achieved at the height of the financial crisis in 2008.

The average local authority Fund (as measured by State Street Global Services) returned 13% on its assets during the year. The Council's Fund was ranked 14th (19th 2013-14) in the local authority annual league table of investment returns for the year. This was almost entirely due to the successful stock selection policies of the various Fund Managers.

9.3 London Borough of Harrow Pension Fund Financial Statements

9.3.1 Pension Fund Account for the year ended 31st March 2015

2013-14 £000		Notes	2014-15 £000
	Contributions and Benefits		
-25,458	Contributions receivable	9.4.4	-28,013
-2,874	Individual transfers in from other schemes		-1,267
-306	Other income		-35
-28,638			**-29,315**
31,259	Benefits payable	9.4.5	32,008
1,074	Payments to and on account of leavers	9.4.6	2,266
32,333			**34,274**
3,695	**Net reductions from dealings with members**		**4,959**
820	Management expenses	9.4.7	1,095
	Returns on Investments		
-7,468	Investment income	9.4.8	-10,863
-35,562	Change in market value of investments	9.4.9	-79,332
-75	Investment management expenses	9.4.7	113
-43,105	**Net Returns on Investments**		-90,082
-38,590	Net (Increase)/decrease in Fund during the year		-84,028
-552,227	Net assets at start of year		-590,817
-590,817	**Net assets at end of year**		-674,845

9.3.2 Net Assets Statement

2013-14 £000		Notes	2014-15 £000
	Investment Assets		
583,565	Pooled investment vehicles	9.4.10	669,407
1,351	Derivative contracts	9.4.11	1,459
584,916			**670,866**
	Investment Liabilities		
-238	Derivative contracts	9.4.11	-4,108
584,678			**666,758**
4,873	Cash deposits	9.4.18	6,930
589,551	**Net Investment Assets**		**673,688**
2,000	Current assets	9.4.13	2,051
-734	Current liabilities	9.4.13	-894
590,817	**Net assets of the Fund available to fund benefits at 31 March 2015**		**674,845**

The Financial Statements summarise the transactions of the Fund and show the value as at 31st March 2015 of the assets and liabilities recognised by the Fund. They do not take account of the obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial position of the Fund, which does take account of such obligations, is disclosed in notes 9.4.15 and 9.4.16.

9.4 Notes to the Pension Fund Financial Statements

9.4.1 Accounting Policies

The accounts have been compiled in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2014-15 which is based upon International Financial Reporting Standards (IFRS) as amended by UK public sector. Except where otherwise stated the accounts have been prepared on an accruals basis.

Contribution 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 Scheme 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.

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. 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.

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;

ii) Distributions from pooled Funds are recognised at the date of issue;

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

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.

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 as it arises.

Expenses and Recharges

The Council discloses its pension fund management expenses in accordance with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Costs*.

All expenses and fees are accounted for on an accruals basis. All staff costs of the Fund's administration and investment team are recharged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and recharged as expenses to the Fund.

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 asset are recognised in the Fund Account.

The values of investments as shown in the net assets statement have been determined as follows:

i) The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

ii) Fixed interest securities are recorded at bid market price ruling on the final day of the accounting period.

iii) Investments in private equity funds and unquoted listed partnerships are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association.

iv) Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing price available. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the Fund, net of applicable withholding tax.

Derivatives

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are included in change in market value.

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract.

Cash and cash equivalents

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.

Financial liabilities

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

Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on an annual basis by the Scheme 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 in note 9.4.16.

9.4.2 Critical Judgements in applying accounting policies

The most significant judgements in applying accounting policies are as follows:

Unquoted private equity investments

Private equity investments are valued based on forward looking estimates and judgements involving many factors. Unquoted private equities are valued by the investment managers using guidelines set out by the British Venture Capital Association. The value of unquoted private equities at 31 March 2015 was £22.9m (31 March 2014 £24.6 m).

Pension Fund liability

The pension fund liability is calculated every three years by the appointed actuary. Annual updates in the intervening years use the methodology in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in note 9.4.16. The latter estimate is subject to significant variances based on changes to the underlying assumptions underpinning the valuations.

9.4.3 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.

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	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, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £**93m**. A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £**24m**, a 0.5% increase in pension increase would increase the liability by approximately **£67m** and a one-year increase in assumed life expectancy would increase the liability by approximately £**30m.**
Private equity	Private equity investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £22.9m. There is a risk that this investment may be under- or overstated in the accounts.

9.4.4 Contributions Receivable

2013-14 £000		2014-15 £000
	Employers - normal	
-15,042	London Borough of Harrow	-16,162
-3,756	Scheduled Bodies	-4,257
-344	Admitted Bodies	-1,033
	Members - normal	
-5,094	London Borough of Harrow	-5,081
-1,137	Scheduled Bodies	-1,215
-85	Admitted Bodies	-265
-25,458		-28,013

9.4.5 Benefits Payable

2013-14 £000		2014-15 £000
	Pensions	
22,359	London Borough of Harrow	24,118
868	Scheduled Bodies	864
69	Admitted Bodies	206
23,296		25,188
	Commutation of Pensions and Lump Sum Retirement Benefits and Commitments	
5,909	London Borough of Harrow	5,413
625	Scheduled Bodies	518
423	Admitted Bodies	137
6,957		6,068
	Lump Sum Death Benefits	
841	London Borough of Harrow	736
135	Scheduled Bodies	16
30	Admitted Bodies	0
1,006		752
31,259		32,008

9.4.6 Payments to and on Account of Leavers

2013-14 £000		2014-15 £000
17	Refunds to members	44
1,057	Individual transfers to other schemes	2,222
1,074		**2,266**

9.4.7 Investment Management and Administration Expenses

2013-14 £000		2014-15 £000
-444	Management Fees	**-181**
369	Miscellaneous (including Actuary & Consultancy Fees)	**294**
-75		**113**
	Scheme administration	
787	London Borough of Harrow	**1,061**
33	Miscellaneous	**34**
820	**Total Administration Expenses**	**1,095**
745	**Total Expenses**	**1,208**

9.4.8 Investment Income

2013-14 £000		2014-15 £000
-2,773	Income from pooled investment	**-3,200**
-1,534	Pooled Property Investments	**-1,940**
-3,100	Private equity income	**-5,723**
-61	Interest on cash deposits	**0**
-7,468		**-10,863**

9.4.9 Investments

	Value at 01-Apr-14 £000	Purchases at Cost & Derivative Payments £000	Sale Proceeds & Derivative Receipts £000	Change in Market Value £000	**Value at 31-Mar-15 £000**
Pooled Investment Vehicles					
Property	45,051	0	0	5,511	50,562
Other	538,514	396,452	-393,005	76,884	618,845
Derivatives	1,113	1,282	-1,713	-3,331	-2,649
	584,678	**397,734**	**-394,718**	**79,064**	**666,758**
Cash Deposits	4,873				6,930
	589,551				**673,688**

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include fees, commissions, stamp duty and other fees.

All fund managers operating the pooled investment vehicles are registered in the United Kingdom.

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

	2014-15 £000	**2014-15 %**	2013-14 £000	2013-14 %	
Aviva	**50,562**	**8**	45,051	8	UK Property
State Street	**-**	**0**	155,512	27	UK Equities Passive
State Street	**220,601**	**33**	-	0	Global Equities
GMO	**76,541**	**11**	-	0	Global Equities
Oldfields	**77,276**	**12**	-	0	Global Equities
BlackRock	**86,377**	**13**	72,035	12	Corporate and Index-linked bonds
Fidelity	**-**	**0**	68,381	12	Global Equities
Longview	**75,561**	**11**	49,507	8	Global Equities
Wellington	**-**	**0**	113,911	19	Global Equities
Barings	**-**	**0**	26,630	5	Alternatives
Insight	**28,857**	**4**	-	0	Alternatives
Standard Life	**30,678**	**5**	27,890	5	Alternatives
Pantheon	**22,954**	**3**	24,648	4	Private Equity
Record	**- 2,649**	**0**	1,113	0	Passive currency
Total Fund	**666,758**	**100**	**584,678**	**100**	

Investments Exceeding 5% of the Total Value of Net Assets

2013-14 £m		2014-15 £m
155.5	SSGA MPF UK Equity Index Sub-Fund	**0.0**
113.9	Wellington Global Pooled Value Equity Portfolio	**0.0**
61.2	Fidelity Institutional Select Global Pooled Equities	**0.0**
57.6	BlackRock Institutional Bond Fund-Corp Bond 10 Yrs A class	**69.2**
49.5	Longview Partners Invest - Global Pooled Equities FD K Class	**75.6**
45.1	Aviva Investors UK Real Estate Fund of Funds Open Ended	**50.6**
0.0	SSGA MPF All World Equity Index Sub-Fund	**220.6**
0.0	GMO Emerging Domestic Opportunities Equity Fund	**76.5**
0.0	Overstone Global Equity CCF (USD Class A1 Units)	**77.3**
482.8		**569.8**

9.4.10 Investments

2013-14 £000		2014-15 £000
	UNITED KINGDOM	
45,051	Managed funds Property - Unit Trust	**50,562**
155,512	Managed funds Other - Unitised Insurance Policy	**0**
57,567	Fixed interest securities - Corporate	**69,247**
14,468	Index linked securities - Public Sector	**17,130**
	GLOBAL	
141,801	Managed funds Other - Unit Trust	**30,678**
0	Managed funds Other - Unitised Insurance Policy	**220,601**
24,648	Managed funds Other - Private Equity	**22,954**
144,518	Managed funds Other - Other	**258,235**
583,565	**TOTAL**	**669,407**

9.4.11 Derivatives

2013-14 £000		2014-15 £000
	Investment Assets	
1,351	Forward foreign exchange contracts	**1,459**
	Investment Liabilities	
-238	Forward foreign exchange contracts	**-4,108**
1,113	**Net Derivatives**	**-2,649**

Counterparty	Duration	No. of Contracts	Value at 31-Mar-15 Assets £000	Liabilities £000
Barclays Bank - London	3mths	**1**	**19**	**0**
Northern Trust - London	9 days - 6 mths	**5**	**372**	**-39**
Royal Bank of Canada - London	3 mths - 6 mths	**4**	**359**	**-787**
Standard Chartered - London	9 days - 6 mths	**5**	**48**	**-357**
State Street - London	3 mths - 6 mths	**6**	**163**	**-894**
Toronto Dominion - Toronto	9 days - 6 mths	**6**	**134**	**-1,620**
UBS AG - London	10 days -3 mths	**9**	**277**	**-107**
Westpac - Sydney	9 days - 6 mths	**6**	**87**	**-304**
		42	**1,459**	**-4,108**

The scheme objective in using derivatives is to reduce risk in the portfolio by entering into forward contracts to mitigate the effect of currency risk from overseas investments held in the portfolio without disturbing the underlying assets. The overseas equity portfolio is 50% hedged against the currency risk arising from developed market currencies. Exposures to currencies that have a higher bid offer spread e.g. emerging markets are not hedged. Non sterling currency exposure hedged at the year end is £203m. The main currency exposures before hedging in sterling are US$ £114m, Yen £44m and Euro £17m.

9.4.12 Additional Voluntary Contributions (AVCs)

Members of the Fund are able to accrue additional benefits through the payment of AVCs, which are invested outside the Fund with insurance companies. These amounts are not included in the Pension Fund Financial Statements in accordance with section 4 (2) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. However, the note below details the change in value of AVCs during the year.

AVC contributions of £0.36m were paid directly to the providers during the year (2013-14 £0.37m).

2013-14		2014-15
2,211	Value of AVC Fund at 1 April	2,410
371	Employee contributions	361
86	Investment income and change in market value	121
10	Transfer values in	0
-268	Benefits paid and transfers out	-606
2,410	**Value of AVC Fund at 31 March**	2,286

9.4.13 Current Assets & Liabilities

2013-14 £000		2014-15 £000
	Current Liabilities	
-154	Unpaid benefits	**-327**
-580	Other unpaid liabilities	**-567**
-734		**-894**
	Current Assets	
1,678	Cash balances held by London Borough of Harrow	**1,566**
283	Contributions due from employers	**381**
39	Other current assets	**104**
2,000		**2,051**
1,266	**Net Current Assets**	**1,157**

9.4.14 Related Party Transactions

2013-14 £000		2014-15 £000
-15,042	Employer's pension contribution to the Fund	**-16,162**
787	Administration expenses paid to the Council	**1,061**
1,678	Cash held by Council	**1,566**

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 above. Details of total contributions made in the year are set out in note 9.4.4 to the accounts.

The Pension Fund has operated a separate bank account since April 2011. However, due to the ease of administration and to avoid any undue cost to the Fund some transactions continue to be processed through the Council's bank account and as such these balances are settled on a monthly basis.

9.4.15 Actuarial Valuation

An actuarial valuation of the Fund was carried out as at 31 March 2013. The market value of the Fund's assets at the valuation date was £552m and the total accrued liabilities of the Fund were £786m. The Fund deficit was therefore £234m, producing a funding level of 70.3% (compared to 73.5% at 31 March 2010).

To reach the funding level of 100% over a period of 20 years, the common employer's contribution rate is 34.4% of pensionable pay. Projected Unit Method is used to determine this rate. Adjustments have been made to the common rate of employer's contribution to take account of certain circumstances that are peculiar to individual employers.

The main actuarial assumptions used in the 2013 actuarial valuation are detailed below:

Assumption	
Price inflation (CPI)	2.5%
Pay increases	3.8%
Gilt based discount rate	3.0%
Funding basis discount rate	4.6%
Longevity at 65 for current pensioners:	
Male	22.1 years
Female	24.4 years
Longevity at 65 for future pensioners:	
Male	24.5 years
Female	26.9 years

The objectives of the Administering Authority in managing the Fund are as detailed below:

- To ensure the long term solvency of the Fund;
- To ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- To maximise investment returns for an appropriate level of risk;
- To help employers recognise and manage pension liabilities as they accrue; and
- To minimise the degree of short term change in the level of each employer's contributions.

9.4.16 Actuarial present value of promised retirement benefits

IAS26 Accounting and Reporting by Retirement Benefit Plans imposes a requirement on administering Council to disclose the actuarial present value of promised retirement benefits. This has been calculated in accordance with the defined benefit obligation under IAS 19 Employee Benefits.

The valuation of liabilities as at 31 March 2015 has been carried out using assumptions that are in line with IAS 19 as opposed to the Pension Fund's funding assumptions. These are as follows:

2013-14		2014-15
2.8%	Rate of inflation	2.4%
4.1%	Rate of increase in salaries	2.8%
2.8%	Rate of increase in pensions	2.4%
4.3%	Rate for discounting scheme liabilities	3.2%

In addition, mortality rates are equivalent to those used by the scheme's actuary in the triennial valuation.

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation at 31 March 2013. The present value of funded liability at 31 March 2015 (£959m) has been estimated by the actuary as comprising £406m in respect of employee members, £178m in respect of deferred pensioners and £375m in respect of pensioners. The actuary is satisfied that the aggregate liability is a reasonable estimate of the actuarial present value of benefit promises.

9.4.17 Financial Instruments

Classification of Financial Instruments

The following table shows the classification of the Fund's financial instruments:

2013-14 Fair Value	2013-14 Loans & Receivables	2013-14 Financial Liabilities		2014-15 Fair Value	2014-15 Loans & Receivables	2014-15 Financial Liabilities
£000		£000		£000		£000
			Pooled Funds UK			
57,567	0	0	Fixed income unit trust	69,247	0	0
14,468	0	0	Index linked unit trust	17,130	0	0
441,831	0	0	Global Unit Trusts	509,514	0	0
45,051	0	0	Pooled Property Investments	50,562	0	0
24,648	0	0	Private equity	22,954	0	0
1,351	0	0	Derivative contracts	1,459	0	0
0	6,551	0	Cash	0	8,496	0
0	322	0	Debtors	0	485	0
584,916	6,873	0		670,866	8,981	0
			Financial Liabilities			
-238	0	0	Derivative contracts	-4,108	0	0
0	0	-734	Creditors	0	0	-894
584,678	**6,873**	**-734**	**Total creditors**	**666,758**	**8,981**	**-894**

All the Financial Instruments are carried at Fair Value in the Fund's Net Asset Statement.

Valuation of Financial Instruments carried at Fair Value

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

Level 1

Financial instruments 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.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments 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 and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments and hedge Fund of Funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity Funds in which Harrow Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

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

	2013-14				2014-15	
Quoted Market Price	Observable Inputs	With significant unobservable inputs		Quoted Market Price	Observable Inputs	With significant unobservable inputs
Level 2	Level 1	Level 3		Level 2	Level 1	Level 3
£000	£000	£000		£000	£000	£000
			Financial Assets			
558,917	1,351	24,648	Financial assets at fair value through profit and loss	646,453	1,459	22,954
6,873	0	0	Loans and receivables	8,981	0	0
			Financial Liabilities			
0	-238	0	Financial liabilities at fair value through profit and loss	0	-4,108	0
0	0	-734	Liabilities at amortised cost	0	0	-894
565,790	**1,113**	**23,914**	**Net Financial Assets**	**655,434**	**-2,649**	**22,060**

9.4.18 Nature and extent of risks arising from Financial Instruments

Risk and risk management

The Fund's primary long-term risk is that the Fund's 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 the Fund's 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.

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

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

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 advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund's performance advisor has analysed historical data and expected return movement during the financial year. 'Riskier' assets such as equities will display greater potential volatility than bonds as an example, so the overall outcome will depend largely on fund's asset allocations. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the latest three years. This can then be applied to the period end asset mix.

The volatility shown for Total Assets incorporates the impact of correlation across the asset classes (which dampens volatility) therefore the value on increase/decrease figures for the asset classes will not sum to the total asset figures.

Had the market price of the Fund's investments increased/decreased the change in the value of assets would have been as follows:

Asset Type	Value as at March 2015	Change	Value on Increase	Value on Decrease
	£000	%	£000	£000
Unit Trusts	472,933	9.01	515,544	430,322
Fixed interest & index linked securities	86,377	8.49	93,710	79,044
Alternative investments	59,535	6.93	63,658	55,412
Pooled property investments	50,562	2.60	51,877	49,247
Derivative contracts: net forw ard currency	-2,649	0.00	-2,649	-2,649
Total	**666,758**		**722,140**	**611,376**

b) Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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

The Fund's direct exposure to interest rate movements of 1% as at 31 March 2015 is set out below.

Asset Type	Value as at March 2015	Change	Value on Increase	Value on Decrease
	£000	%	£000	£000
Cash and cash equivalents	6,930	1.00	6,930	6,930
Fixed interest securities	69,247	1.00	68,555	69,939
Total	**76,177**		**75,485**	**76,869**

This analysis demonstrates that changes in interest rates do not impact on the value of cash & 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. However since the funds cash balances are low the effect of interest changes is minimal.

c) 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 the pound. 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 performance advisors the Council's considers the likely volatility associated with foreign exchange rate movements to be 3.62%. This fluctuation is based on the advisor's analysis of long term historical movements in the month end exchange rates over a rolling 3 year period.

A 3.62% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available as follows.

Asset Type	Value as at March 2015	Change	Value on Increase	Value on Decrease
	£000	%	£000	£000
Overseas Equities	398,206	3.62	412,621	383,791

d) 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 credit 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 financial years.

The Fund's cash holding at 31 March 2015 was £6.9m (31 March 2014: £4.9m). This was held with the following institutions.

31-Mar-14		31-Mar-15
£000		£000
530	Royal Bank of Scotland	4,633
3,741	JP Morgan	1,432
602	BlackRock	865
4,873	**Total**	**6,930**

e) 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 Fund considers liquid assets to be those that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert in to cash. As at 31 March 2015 the value of illiquid assets was £73.5m, which represented 11% of the total Fund assets (31 March 2014: £69.7m, which represented 12% of the total Fund assets)

All financial liabilities at 31 March 2015 are due within one year.

f) Refinancing risk

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

9.4.19 Appendices

9.5 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 Council are required to follow "proper accounting practices" which are set out both in Acts of Parliament and in professional Codes and statements of recommended practice (The Code).

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 employed by one pf the employers in the Fund who is paying contributions into the find.

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: the initial measurement will be at fair value, normally the amount of the originating transaction such as the receipt or loan advance less transaction costs. The effective interest rate is then calculated to the amount in the balance sheet at initial measurement. The result in the balance sheet carrying amount (the amortised cost) and a profile of interest charges that might be different from the amounts specified in the contract as being for interest and principal.

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

Balances: unallocated reserves held to resource unpredictable expenditure demands.

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. Examples of community assets are parks 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) 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 liability.

Corporate and Democratic Core: comprises all activities that local Council engage in specifically because they are elected, multipurpose Council with a responsibility for making choices in the use of taxpayer's money. 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. There is therefore no logical basis for apportioning these costs to services.

Council Tax: a locally determined charge based on domestic property values levied by a local authority to enable it to provide its services.

Creditors: amounts owed by the Council for goods and services received where payment has not been made at the date of the balance sheet.

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 accounting period. 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 date of the balance sheet.

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 fixed 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 in an arms length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

Fees and Charges: income raised by charging users of services.

Finance Leases: a method of paying for capital expenditure where a rent is paid for an asset during its useful life. Finance leases are treated as capital. See Operating Leases.

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 are not allowed to make up any deficit on the HRA from the General Fund.

Impairment: a reduction in the value of a fixed asset below its previously assessed value in the balance sheet.

Infrastructure Assets: a classification of fixed 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 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.

National Non Domestic Rate (NNDR): a flat rate in the pound set by Central Government and levied on businesses in the borough. The money is collected by the Council and passed to Central Government. Sums are then re-allocated to all Councils in proportion to their population.

Net Realisable Value: the open market value of the asset in its existing use (open market value in the case of non-operational assets), or sale proceeds for stocks and stores less the expenses to be incurred in realising the asset.

Non-Distributable Cost: these include overheads for which no user now 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.

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

Past Service Cost: the increase in present value of Pension Fund liabilities arising in the current year from previous years service.

Pensioner member: a Pension Fund member who is drawing benefits from the Fund. Pensioner members include former active members drawing their pensions along with widows, widowers and other dependants of former active members.

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 and employees from investment income.

Pension Interest Costs: the expected increase in present value of Pension Fund liabilities because benefits are due one year sooner.

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 to correct 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 local Council 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 Council 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 local Council revenue expenditure.

SERCOP: a consistent framework establishing proper practice for consistent financial reporting of local authority accounts.

Taxbase: the number of Band D equivalent properties in a local authority's area. An Council tax base is taken into account when it calculates it's 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.

9.6 Abbreviations

ASB	Accounting Standards Board
AVC	Additional Voluntary Contributions
CFR	Capital Financing Regulations
CIPFA	Chartered Institute of Public Finance and Accountancy
CSB	Corporate Strategy Board
DSG	Dedicated Schools Grant
EU	European Union
FRS	Financial Reporting Standards
GARMS	Governance, Audit, Risk Management and Standards Committee
GDP	Gross Domestic Product
HRA	Housing Revenue Account
IASB	International Accounting Standards Board
IAS 19	International Accounting Standard in respect of Employee Benefits
IAS 26	Accounting and Reporting by Retirement Benefit Plans
IFReM	International Financial Reporting Manual
IFRIC	International Financial Reporting Interpretations Committee
IFRIC 12	International Financial Reporting Interpretations Committee relating to Service Concession Arrangements
LGPS	Local Government Pension Scheme
LOBO	Lenders Option Borrowers Option
MMI	Municipal Mutual Insurance
MRP	Minimum Revenue Provision
MTFS	Medium Term Financial Strategy
NDC	Non Distributed Costs
NI	National Insurance
NPV	Net Present Value
PFI	Private Finance Initiative
PWLB	Public Works Loan Board
RCCO	Revenue Contribution to Capital Outlay
RICS	Royal Institute of Chartered Surveyors
RSG	Revenue Support Grant
SERCOP	Service Reporting Code of Practice
SETS	Stock Exchange Electronic Trading Service
USM	Unlisted Securities Market
WLWA	West London Waste Authority

9.7 Service Reporting Code of Practice (SERCOP)

Division of Service	2014-15 Gross Expend.	2014-15 Gross Income	2014-15 Net Expend.	2013-14 Net Expend.
Service Reporting Code of Practice Summary	**£000**	**£000**	**£000**	£000
Central Services	7,191	-3,777	3,414	1,936
Court Services	168	0	168	216
Cultural and Related Services	11,073	-3,296	7,777	9,908
Environmental and Regulatory Services	17,396	-2,305	15,091	16,721
Planning Services	6,978	-3,288	3,690	3,619
Education and Children's Services	197,589	-157,566	40,023	15,435
Highways & Transport Services	34,084	-13,456	20,628	17,765
Housing Services - general fund	166,443	-155,724	10,719	11,665
Housing Services - HRA	-36,632	-31,926	-68,558	-14,011
Adult Social Care	79,260	-16,851	62,409	62,087
Public Health	10,045	-9,208	837	335
Corporate and Democratic Core	8,936	-1,091	7,845	8,440
Non Distributed Costs	-597	-116	-713	1,434
Cost of Services	**501,934**	**-398,604**	**103,330**	135,550
Other items			-165,332	-168,033
Surplus or Deficit on the Provision of Services			**-62,002**	-32,483
Central Services				
Local Tax Collection	3,466	-1,380	2,086	1,803
Registration of Births, Deaths & Marriages	1,029	-1,083	-54	-75
Elections	1,189	-145	1,044	458
Emergency Planning	302	-69	233	210
Local Land Charges	400	-617	-217	-157
General Grants, Bequests & Donations	15	0	15	16
Local Welfare Assistance Schemes	790	-483	307	-319
	7,191	**-3,777**	**3,414**	1,936
Court Services				
Coroners' Court Services	168	0	168	216
	168	**0**	**168**	216
Cultural and Related Services				
Culture & Heritage	1,214	-804	410	1,187
Recreation & Sport	1,236	-1,297	-61	86
Open Spaces	4,592	-950	3,642	2,960
Library Service	4,031	-245	3,786	5,675
	11,073	**-3,296**	**7,777**	9,908
Environmental and Regulatory Services				
Cemetery, Cremation & Mortuary services	563	-354	209	275
Community safety (Crime Reduction)	511	-13	498	332
Community Safety (CCTV)	654	-1	653	601
Flood Defence & Land Drainage	588	-52	536	1,042
Regulatory Services	3,365	-860	2,505	2,339
Street Cleansing (not chargeable to highways)	2,636	-15	2,621	4,370
Waste Collection	3,566	-111	3,455	3,192
Waste disposal	972	-271	701	910
Trade Waste	306	-521	-215	-243
Recycling	4,235	-107	4,128	3,588
Climate Change Costs	0	0	0	315
	17,396	**-2,305**	**15,091**	16,721

Division of Service	2014-15 Gross Expend. £000	2014-15 Gross Income £000	2014-15 Net Expend. £000	2013-14 Net Expend. £000
Planning Services				
Building Control	869	-734	135	408
Development Control	2,986	-1,956	1,030	989
Planning Policy	789	-76	713	631
Economic Development	1,051	-107	944	577
Community Development	1,283	-415	868	1,014
	6,978	**-3,288**	**3,690**	3,619
Children's and Education Services				
Early Years	9,275	-8,365	910	1,635
Primary Schools	96,248	-95,319	929	-28,218
Secondary Schools	14,788	-15,290	-502	95
Special Schools	26,195	-25,182	1,013	1,499
Post-16 Provision	1,476	-1,483	-7	20
Other School Related Education Services	16,664	-9,096	7,568	9,990
Sure Start Children's Centres/Flying Start & Early Years	2,302	-216	2,086	2,944
Children Looked After	9,337	-419	8,918	8,099
Other Children & Family Services	1,504	-330	1,174	1,401
Family Support Services	3,498	-408	3,090	2,740
Youth Justice	960	-280	680	664
Safeguarding Children & Young Peoples Services	10,488	-552	9,936	10,452
Asylum Seekers	1,402	-578	824	931
Services for Young People	3,452	-48	3,404	3,183
	197,589	**-157,566**	**40,023**	15,435
Highways and Transport Services				
Transport Planning, Policy & Strategy	350	-358	-8	-302
Structural Maintenance	855	-338	517	986
Environment Safety & Routine Maintenance	13,051	-1,832	11,219	7,476
Street Lighting	2,268	-14	2,254	1,957
Winter Service	375	-45	330	307
Traffic Management & Road Safety: Education & Safe Routes	95	0	95	84
Traffic Management & Road Safety: Other	943	-366	577	3,115
Parking Services	6,337	-10,473	-4,136	-5,717
Public Transport	9,810	-30	9,780	9,859
	34,084	**-13,456**	**20,628**	17,765
Housing Services				
Housing strategy, advice, advances, enabling, renew als and licensing	2,526	-279	2,247	1,888
Homelessness	11,233	-5,842	5,391	4,730
Housing benefits payments	145,585	-146,225	-640	-815
Housing benefits administration	4,828	-3,084	1,744	1,858
Other council property	0	-3	-3	1
Housing Welfare: Supporting People	2,271	-291	1,980	4,003
Housing Revenue Account	-36,632	-31,926	-68,558	-14,011
	129,811	**-187,650**	**-57,839**	-2,346

Division of Service	2014-15 Gross Expend. £000	2014-15 Gross Income £000	2014-15 Net Expend. £000	2013-14 Net Expend. £000
Adult Social Care				
Physical support - adults (18–64)	5,473	-1,336	4,137	4,628
Physical support - older people (65+)	20,897	-6,299	14,598	13,809
Sensory support - older people (65+)	1,306	-550	756	2,467
Support w ith memory and cognition - older people (65+)	1,893	-714	1,179	1,113
Learning disability support - adults (18–64)	21,825	-2,892	18,933	18,213
Learning disability support - older people (65+)	3,958	-2,514	1,444	1,482
Mental health support - adults (18–64)	6,066	-375	5,691	5,405
Social support: Support for carer	695	-67	628	559
Social care activities	9,391	-1,613	7,778	7,088
Information and early intervention	2,901	-22	2,879	2,671
Commissioning and service delivery	4,855	-469	4,386	4,652
	79,260	**-16,851**	**62,409**	62,087
Public Health				
Sexual Health	3,487	-3,338	149	148
NHS Health Check Programme	387	-585	-198	-182
Health Protection	17	-27	-10	-11
National Child Measurement Programme	13	-18	-5	-5
Public Health Advice	29	-119	-90	-80
Obesity	60	-64	-4	-22
Physical Activity	88	-92	-4	-31
Substance Misuse	3,610	-3,038	572	443
Smoking & Tobacco	182	-375	-193	-104
Children 5-19 Public Health Programmes	997	-750	247	41
Misc Public Health Services	1,175	-802	373	138
	10,045	**-9,208**	**837**	335
Corporate and Democtratic Core				
Democratic Representation & Management	3,982	-404	3,578	3,651
Corporate Management	4,954	-687	4,267	4,789
	8,936	**-1,091**	**7,845**	8,440
Non Distributed Costs				
Retirement Benefits	-597	-116	-713	1,434
	-597	**-116**	**-713**	1,434

London Borough of Harrow Pension Fund

Annual Report and Financial Statements for the year ended 31 March 2015

Harrow COUNCIL
LONDON

CONTENTS

Appendices

INTRODUCTION

The main purpose of the Pension Fund Annual Report is to account for the income, expenditure and net assets of the London Borough of Harrow Pension Fund (‘the Fund’) for the financial year to 31 March 2015. This Report also explains the administration and management of the Fund, the investment and funding policy objectives and asset allocation, as well as highlighting market and Fund performance.

Information about the economic resources controlled by the Fund is provided by the net assets statement. The actuarial funding level is reported in Note 16 and in the Statement of the Consulting Actuary.

The Pension Fund Committee is responsible for overseeing the management, administration and strategic direction of the Fund. The Committee continuously reviews the Fund’s investment strategy to improve returns within acceptable risk parameters. This in turn minimises the amount the Council and other employers will need to make in contributions to the Fund to meet future liabilities.

During 2014-15, overall, equity markets continued to perform strongly with overseas markets producing returns approaching 20% in local currency and the UK 6.6%.All other asset classes in which the Fund is invested produced positive returns

The market value of the Fund as at 31 March 2015 was £674.8m compared to £590.80m as at 31 March 2014. The Fund was ranked 14th in the local authority annual league table of investment returns for the year.

D. Calvert

Dawn Calvert - CPFA
Director of Finance (Interim)
24 June 2015

INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF LONDON BOROUGH OF HARROW ON THE PENSION FUND FINANCIAL STATEMENTS

To be added in by Deloitte's

SCHEME MANAGEMENT AND ADVISORS

Administering Authority	London Borough of Harrow
Pension Fund Committee	Councillor Keith Ferry (Chairman) Councillor Bharat Thakker(Vice Chairman) Councillor Adam Swersky Councillor Barry Macleod-Cullinane
Independent Advisors	Colin Robertson Richard Romain
Co-optee	Howard Bluston
Trade Union Observers	John Royle - UNISON Pamela Belgrave - GMB
Officer	Simon George, Director of Finance and Assurance
Actuary	Hymans Robertson LLP
Investment Consultant	Aon Hewitt Limited
Investment Managers	Aviva Investors Global Services Limited BlackRock Investment Management (UK) Limited GMO LLC Insight Investment Longview Partners Oldfield Partners Pantheon Ventures Record Currency Management Limited Standard Life Investments State Street Global Advisors Limited
AVC Providers	Clerical Medical Equitable Life Assurance Society Prudential Assurance
Custodians	JP Morgan, Northern Trust, Brown Brothers Harriman & Bank of New York Mellon
Auditor	Deloitte LLP
Performance Measurement	State Street Global Services
Bankers	The Royal Bank of Scotland

SCHEME OVERVIEW

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 2009.

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) Memberships

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.

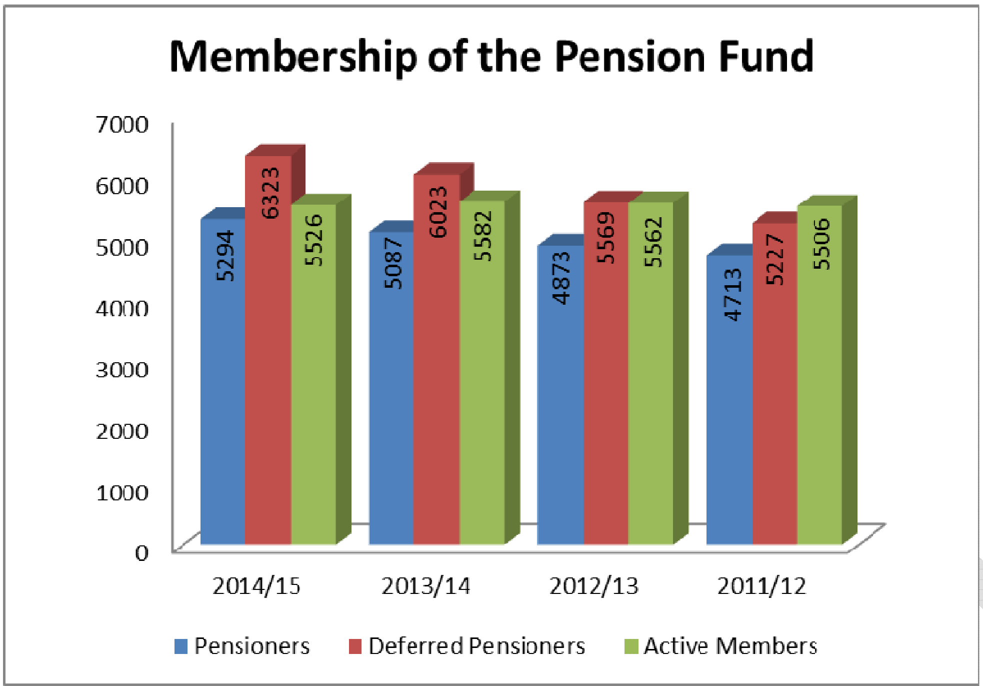
Organisations participating in the Fund are:

- **Scheduled Employer:** These are statutorily defined bodies listed within the LGPS Regulations and have a statutory obligation to participate in the LGPS (e.g. a local authority, a further or higher education establishment).

- **Community Admission Body:** These are typically charities or other not-for-profit public sector bodies providing a public service which has sufficient links with the administering employer to be regarded as having a community of interest.

- **Transferee Admission Body:** These are typically private sector companies or charities which will have taken on staff from a local authority as a result of an outsourcing of services.

There are 29 employer organisations within the Harrow Pension Fund including the Council itself, as detailed below.



Employer	Status	Actives	Deferred	Pensioners	Total	%
Harrow Council	Scheduled Body	4,066	5,469	4,982	14,517	84.68
Alexandra School	Scheduled Body	27	1	1	29	0.17
Avanti Free School	Scheduled Body	15	1	0	16	0.09
Aylward Primary School	Scheduled Body	73	5	0	78	0.45
Bentley Wood School	Scheduled Body	60	43	7	110	0.64
Canons High School	Scheduled Body	91	29	6	126	0.73
Harrow College	Scheduled Body	152	257	137	546	3.18
Harrow High School	Scheduled Body	64	30	6	100	0.58
Hatch End School	Scheduled Body	87	110	8	205	1.20
Heathland and Whitefriars	Scheduled Body	129	3	0	132	0.77
Krishna Avanti Primary	Scheduled Body	25	4	0	29	0.17
Nower Hill High School	Scheduled Body	124	71	6	201	1.17
Park High School	Scheduled Body	83	36	2	121	0.71
Rooks Heath College	Scheduled Body	117	30	5	152	0.89
Salvatorian College	Scheduled Body	49	37	5	91	0.53
St Dominics College	Scheduled Body	49	25	30	104	0.61
Stanmore College	Scheduled Body	87	127	63	277	1.62
NLCS	Community Admission Body	75	30	28	133	0.78
Birkin	Transferee Admission Body	10	0	0	10	0.06
Capita Business Services	Transferee Admission Body	11	1	0	12	0.07
Carillion Services	Transferee Admission Body	81	6	6	93	0.54
Chartwells	Transferee Admission Body	19	0	0	19	0.11
Govindas	Transferee Admission Body	5	0	0	5	0.03
Granary Kids	Transferee Admission Body	1	1	1	3	0.02
Jubilee Academy	Transferee Admission Body	16	4	0	20	0.12
Julius Rutherfoord	Transferee Admission Body	1	2	1	4	0.02
Linbrook	Transferee Admission Body	4	1	0	5	0.03
Taylor Shaw	Transferee Admission Body	3	0	0	3	0.02
Temco Facilities Services	Transferee Admission Body	2	0	0	2	0.01
	Total	5,526	6,323	5,294	17,143	100.00

c) Funding

Membership of the Fund is voluntary. 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 and the employee also pays lower National Insurance contributions between the Lower and Upper Earnings Limits, unless the employee has opted to pay the married woman’s reduced rate.

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 2013 and showed that the Fund was 70% Funded. The deficit is to be funded 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, employer contribution rates range from 14.9% to 27.9% of pensionable pay with most of the largest employers paying 19.9%.

d) Benefits

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

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

From 1 April 2014, the Scheme became a career average 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 Prices Index.

There are a range of other benefits provided under the Scheme including early retirement, disability pensions and death benefits. For more details, please refer to the ‘Brief Guide to the Local Government Pension Scheme’ attached as Appendix 3.

GOVERNANCE ARRANGEMENTS

The Council has delegated to the Pension Fund Committee various powers and duties in respect of its administration of the Fund. The Committee convenes approximately six times a year and contains four Councillors with full voting rights. Representatives from the trade unions are able to participate as members of the Committee but do not have voting rights.

The Pension Fund Committee has the following terms of reference:

1) to exercise on behalf of the Council, all the powers and duties of the Council in relation to its functions as Administering Authority of the LB Harrow Pension Fund (the Fund), save for those matters delegated to other Committees of the Council or to an Officer;
2) the determination of applications under the Local Government Superannuation Regulations and the Teachers' Superannuation Regulations;
3) to administer all matters concerning the Council's pension investments in accordance with the law and Council policy;
4) to establish a strategy for the disposition of the pension investment portfolio;
5) to appoint and determine the investment managers' delegation of powers of management of the Fund;
6) to determine cases that satisfy the Early Retirement provision under Regulation 26 of the Local Government Pension Scheme Regulations 1997 (as amended), and to exercise discretion under Regulation 8 of the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 (as amended), subject to the conditions now agreed in respect of all staff, excluding Chief Officers;
7) to apply the arrangements set out in (6) above to Chief Officers where the application has been recommended by the Chief Executive, either on the grounds of redundancy, or in the interests of the efficiency of the service, and where the application was instigated by the Chief Executive in consultation with the leaders of the political groups;

.

The Committee is advised by two independent advisors, a co-optee and an Investment Consultant.

The dates of the Pension Fund Committee meetings, along with meeting agendas, reports and minutes are available on the Harrow Council website:
http://www.harrow.gov.uk/www2/mgCommitteeDetails.aspx?ID=1297

During 2014/15 arrangements were put in place for the appointment of a Local Pension Board which, from 2015/16 will assist the Council and the Pension Fund Committee in the administration of the Fund.

INVESTMENT POLICY AND PERFORMANCE

Investment Market Commentary

Equity markets performed strongly but with marked regional differences. UK equities returned only 6% for the year with investors concerned about the possibility of political uncertainty resulting from a hung Parliament post the upcoming general election. Japan was the strongest performing of the major overseas markets returning over 30% to local investors, but a slightly lower 27% to UK investors as the Yen continued to weaken against Sterling. Conversely UK investors benefited from the strength of the US Dollar over the year which represented almost half of the US equity return of 25%, Pacific and emerging markets returned 16% and 14% respectively whilst Europe returned 9% for the year.

After the near flat outcome in 2013/14, UK bonds bounced back strongly, producing double digit returns. Duration was the big story of the latest year with marked differences in return depending upon where funds were invested across the yield curve. Long dated gilts produced returns approaching 30% as yields reached historic lows. Investors needing to hold them for liability matching purposes continued to buy them at any price. On the other, hand, short dated bonds returned only 3% for the year. The index-linked story for the year was much the same; funds returning 20% on average with the return driven by longer dated issues.

Alternative investments in aggregate also enjoyed a good year. Private equity returned 16% whilst hedge funds averaged 9%. Pooled multi asset (diversified growth) investments, which have recently been gaining traction amongst funds, returned a strong 10%, well ahead of most funds' targets for this asset class. Property returned 16% for the year.

Investment Policy

The investment objective of the Fund is to achieve a return that is sufficient to meet the primary funding objective of minimising the level of employer contribution in order to meet the cost of Fund benefits as required by statute, subject to an appropriate level of risk (implicit in the target) and liquidity.

The Council has delegated the management of the Fund's investments to professional investment managers, appointed in accordance with the LGPS regulations, whose activities are specified in detailed investment management agreements and regularly monitored.

The Fund Statement of Investment Principles specifies that the Fund may invest in accordance with the Regulations in equities, fixed interest and other bonds and property, in the UK and overseas markets. The Regulations specify other investment instruments that may be used, for example, financial futures, traded options, insurance contracts, stock lending, sub-underwriting contracts.

To support the Fund's objective of achieving a return that is sufficient to meet the cost of benefits and achieving this within acceptable risk parameters the Committee, in conjunction with the Fund's investment advisor, set the strategic asset allocation on 6 March 2013.

The Committee aims to achieve its investment objective by maintaining a high allocation to growth assets, mainly equities, reflecting the security of the sponsor's covenant, the funding level, the long time horizon of the Fund and the projected asset class returns and volatility. Diversifying investments reduces the risk of a sharp fall in one particular market having a substantial impact on the whole Fund.

During the year contracts with Fidelity, Wellington and Barings were terminated and new agreements put in place with GMO, Oldfields and Insight. The overall equity portfolio was rebalanced to implement the strategy agreed by the Committee.

The following table compares the actual asset allocation as at 31 March 2015 to the agreed allocation

Investment assets	Actual Percentage of Fund	Agreed Allocation
	%	%
Fixed interest securities	10	10
Index-linked securities	3	3
Developed world equities-active	23	21
Emerging markets equities-active	11	10
Global equities-passive	33	31
Pooled property	8	10
Private equity	3	5
Diversified growth funds	9	10
Total	**100**	**100**

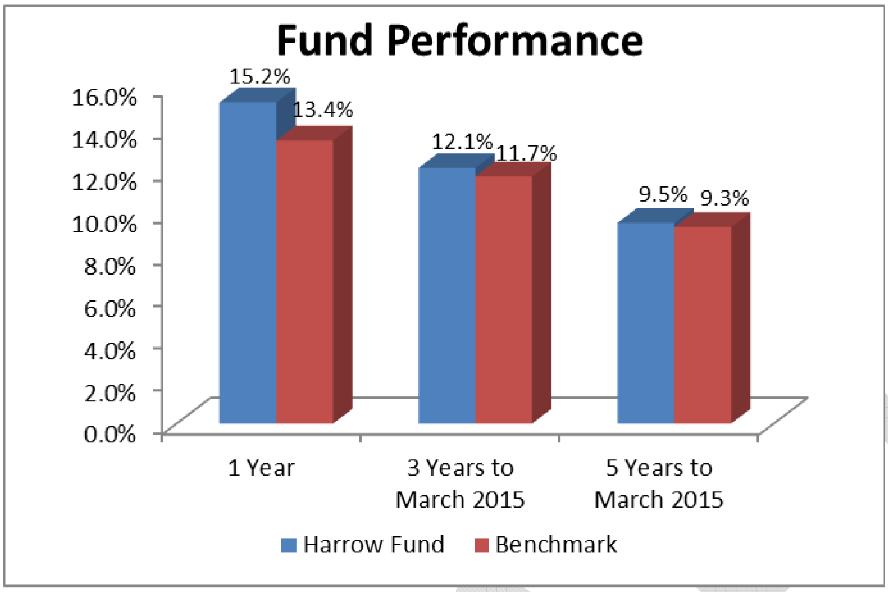
The Committee believes in appointing Fund managers with clear performance benchmarks that place maximum accountability for performance against that benchmark with the investment manager. Fund managers are set risk parameters to provide them with some flexibility in achieving the asset allocation to allow them to make the most of market conditions. They must seek approval for any positions that go beyond the agreed risk parameters set for their strategies. Following the manager changes discussed above, the Fund has ten investment managers to give diversification of investment style and spread of risk. The Committee will continue to monitor the ability of the investment managers to achieve their target returns.

Investments held by Fund Managers

Market value 31 March 14	Percentage of Fund	Manager	Investment assets	Market value 31 March 15	Percentage of Fund
£'000	%			£'000	%
57,567	10	BlackRock	Fixed interest securities	69,247	10
14,468	2	BlackRock	Index-linked securities	17,130	3
68,381	12	Fidelity	Global equities-active	0	
0		GMO	Emerging markets equities-active	76,541	11
49,507	8	Longview	Developed world equities-active	75,561	11
0		Oldfields	Developed world equities-active	77,276	12
113,911	19	Wellington	Global equities-active	0	
0		State Street	Global equities-passive	220,601	33
155,512	27	State Street	UK equities-passive	0	
45,051	8	Aviva	Pooled property	50,562	8
24,648	4	Pantheon	Private equity	22,954	3
26,630	5	Barings	Diversified growth fund	0	
0		Insight	Diversified growth fund	28,857	4
27,890	5	Standard Life	Diversified growth fund	30,678	5
1,113		Record	Forward currency contracts	-2,649	
602		BlackRock	Cash deposits	865	
0		JP Morgan	Cash deposits	272	
585,280	**100**		**Total**	**667,895**	**100**

Fund performance

The Committee uses State Street Global Services as its independent investment performance measurer. Investment returns over 1, 3 and 5 years are shown below.



Source: State Street Global Services

The Fund's return of 15.2% during 2014-15 was due to positive returns for all assets classes. Returns over all three time periods were strong, reflecting recovery from the significantly lower returns achieved at the height of the financial crisis in 2008.

The average local authority fund (as measured by State Street Global Services) returned 13% on its assets during the year. The Council's Fund was ranked 14th (19th 2013-14) in the local authority annual league table of investment returns for the year. This was almost entirely due to the relatively low commitment to the UK equity market and successful stock selection policies of the various fund managers.

STATEMENTS AND PUBLICATIONS

Governance Compliance Statement

The Local Government Pension Scheme (Administration) Regulations 2008 Regulation 31 requires all administering authorities to produce a Governance Compliance Statement. This Statement must set out whether the Administering Authority delegates its function and if so what the terms, structure and operation of the delegation are. The Administering Authority must also state the extent to which a delegation complies with guidance given by the Secretary of State. The current Statement can be found in Appendix 1.

Communications Policy Statement

The Local Government Pension Scheme (Administration) Regulations 2008 require all administering authorities to produce a Communications Policy Statement. This statement sets out the Fund's strategy for communicating with members, members' representatives, prospective members and employing authorities, together with the promotion of the Scheme to prospective members and their employing authorities. The latest Statement can be found in Appendix 2.

Local Government Pension Scheme Guide
A brief guide to the Local Government Pension Scheme can be found in Appendix 3

Statement of Investment Principles
Regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 requires administering authorities to publish a Statement of Investment Principles. This Statement provides details of the Fund's investment policies including

- The types of investment to be held
- The balance between different types of investment
- Risk measurement and management

The Statement also details the Fund's compliance with the six principles set out in the Chartered Institute of Public Finance and Accountancy's publication 'Investment Decision Making and Disclosure in the Local Government Pension Scheme 2009 – a guide to the application of the 2008 Myners Principles to the management of LGPS Funds'.
The current version can be found in Appendix 4.

Funding Strategy Statement
Regulation 35 of the Local Government Pension Scheme (Administration) Regulations 2008 requires all administering authorities to produce a Funding Strategy Statement. The purpose of the Funding Strategy Statement is to explain the funding objectives of the Fund, in particular:

- How the costs of the benefits provided under the LGPS are met through the Fund
- The objectives in setting employer contribution rates
- The funding strategy that is adopted to meet these objectives.

The Funding Strategy Statement is reviewed every three years at the same time as the triennial actuarial valuation of the Fund. An interim review of the Statement may be carried out and a revised Statement published if there has been a material change in the policy matters set out in the Statement or there has been a material change to the Statement of Investment Principles. The current full Statement can be found in Appendix 5.

RISK MANAGEMENT

The Fund's primary long term risk is that the assets will fall short of its liabilities (i.e. promised benefits payable to members). The Pension Fund Committee is responsible for managing and monitoring risks and ensuring that appropriate risk management processes are in place and operating effectively. The aim of risk management is to limit risks to those that are expected to provide opportunities to add value.

The most significant risks faced by the Fund and the procedures in place to manage these risks are described below:

i) Governance and Regulatory Risk

The failure to exercise good governance and operate in line with regulations can lead to financial as well as reputation risk. These risks are managed through:

- Regular reviews of the Statement of Investment Principles and Funding Strategy Statement that set out the high level objectives of the Fund and how these will be achieved.
- Tailored training for members.
- Reviews of the Pension Fund Committee agenda and papers by Harrow's Legal Department.
- Establishment of Pension Board

ii) Sponsor Risk

The Fund is currently in deficit and achieving a fully funded status may require the continued payment of deficit contributions. The Actuary reviews the required level of contributions every three years. To protect the Fund and the Administering Employer, bonds and other forms of security are received from Admitted employers.

iii) Investment Risk

The Fund is invested in a range of asset classes as detailed in Note 13. This is done in line with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 which require pension funds to invest any monies not immediately required to pay benefits. These Regulations require the formulation of a Statement of Investment Principles which sets out the Fund's approach to investment including the management of risk. The predominant asset class is listed equities, which has both a greater expected return and volatility than the other main asset classes. Potential risks affecting investments include:

<u>Pricing Risk</u>
The valuation of investments is constantly changing, impacting on the potential realisation proceeds and income. For example, the value of the Fund's investments increased by 14% in 2014-15 compared to 11% for the previous year. Most of the price changes relate to the value of global equities. Changes of a similar magnitude are possible in future.

Procedures in place to manage the volatility of investments include:

- Diversification of the investments between asset classes and geographical areas to include fixed interest and index linked bonds, property, multi assets mandates and private equity. The investment strategy is reviewed by the Pension Fund Committee and market conditions are reviewed to monitor performance at every meeting to determine if any strategic action is required.
- Global equities are managed by three active managers and diversified growth funds by two managers to reduce the risk of underperformance against benchmarks. The Investment Advisor provides quarterly reports on the performance and skills of each manager to the Pension Fund Committee.
- The benefit liabilities are all Sterling based and to reduce the currency risk from non Sterling investments, 50% of the overseas currency exposures are hedged to Sterling.

Liquidity Risk
Investments in some asset classes e.g. private equity and property can be illiquid in that they cannot be realised at short notice. Around 11% of Harrow's Fund is in illiquid assets. This is deemed appropriate for a fund that continues to have a positive cashflow. All cash balances are managed in accordance with the Council's Treasury Management Strategy Statement and are all currently on overnight deposit and readily accessible.

Counterparty Risk
The failure by a counterparty, including an investee company, can lead to an investment loss. This risk is mainly managed through wide diversification of counterparties and also through detailed selection of counterparties by external fund managers.

iv) Actuarial risks

The value of the liability for future benefits is impacted by changes in inflation, salary levels, life expectancy and expected future investment returns. Although there are opportunities to use financial market instruments to manage some of these risks, the Pension Fund Committee does not currently believe these to be appropriate. Recent changes to the benefits structure will reduce some of these risks. All are monitored through the actuarial valuation process and additional contributions required from employers should deficits arise.

v) Operational Risk

Operational risk relates to losses (including error and fraud) from failures in internal controls relating to investment managers and internally e.g. administration systems.

Controls at external fund managers are monitored through the receipt of audited annual accounts for each manager together with annual assessments of the control environment including reviews of internal controls reports certified by reporting accountants.

Controls within the Administering Authority are reviewed by Harrow's Internal Audit Team.

COMMUNICATIONS

Registered Address	London Borough of Harrow Shared Services - Pensions, 3rd Floor South Wing, Civic Centre, Harrow, HA1 2XF
Administration Enquiries	Email address: Pension@harrow.gov.uk Telephone Number: 020 8424 1186 Website: www.harrowpensionfund.org
Complaints and Advice	The Pensions Advisory Service 11 Belgrave Road London SW1V 1RB Telephone Number: 0300 123 1047 Website: www.pensionsadvisoryservice.org.uk The Pensions Regulator Napier House Trafalgar Place Brighton BN1 4DW Telephone Number: 0870 6063636 Website: www.thepensionsregulator.gov.uk The Pensions Ombudsman 11 Belgrave Road London SW1V 1RB Telephone Number: 0207 630 2200 Fax Number: 0207 821 0065 Email: enquiries@pensions-ombudsman.org.uk Website: www.pensions-ombudsman.org.uk
Tracing Service	The Pension Tracing Service Tyneview Park Whitley Road Newcastle Upon Tyne NE98 1BA Telephone Number: 0845 6002 537 Website: www.gov.uk/find-lost-pension

STATEMENT OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Council's Responsibilities

The Council is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Harrow, that officer is the Chief Financial Officer, i.e., the Director of Finance;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- To approve the Financial Statements.

The Director of Finance's Responsibilities

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

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

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

I certify that these Financial Statements present fairly the financial position of the London Borough of Harrow Fund of the Local Government Pension Scheme as at 31 March 2015 and its income and expenditure for the year then ended.

D. Calvert

Dawn Calvert – CPFA
Director of Finance (Interim)
24 June 2015

Harrow Pension Fund Account

2013/14 £'000		Notes	2014/15 £'000
	Dealings with members, employers and others directly involved in the fund		
-25,458	Contributions	6	-28,013
-2,874	Individual transfers in from other pension funds	7	-1,267
-306	Other income		-35
-28,638			**-29,315**
31,259	Benefits	8	32,008
1,074	Payments to and on account of leavers	9	2,266
32,333			**34,274**
3,695	**Net additions/reductions from dealings with members**		**4,959**
820	Management expenses	10	1,095
	Return on investments		
-7,468	Investment income	11	-10,863
-75	Investment management expenses	12	113
-35,562	Profit/losses on disposal of investments and changes in the market value of investments	13A	-79,332
-43,105	Net return on investments		**-90,082**
-38,590	Net (increase)/decrease in the net assets available for benefits during the year		-84,028
-552,227	Net Assets at start of year		-590,817
-590,817	Net Assets at end of year		**-674,845**

Net Assets Statement for the year ended 31 March 2015

31/03/2014 £'000		Notes	31/03/2015 £'000
	Investment assets		
583,565	Pooled investment vehicles	13B	669,407
1,351	Derivative contracts	13B	1,459
584,916			**670,866**
	Investment liabilities		
-238	Derivative contracts	13B	-4,108
584,678			**666,758**
602	Cash with investment managers		1,137
585,280			**667,895**
4,271	Cash deposits		5,793
589,551			**673,688**
2,000	Current assets	18	2,051
-734	Current liabilities	19	-894
590,817	**Net assets of fund available to fund benefits at the period end**		**674,845**

Notes to the Harrow Pension Fund Accounts for the year ended 31 March 2015

NOTE 1: BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2014/15 financial year and its position at year-end as at 31 March 2015. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 which is based upon International Financial Reporting Standards (IFRS), 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 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund account - Income

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.

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 (see notes 7 and 9).

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.

c) Investment income

i) Interest income

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

ii) Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue.

iii) Movement in the net market value of investments

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 – Expenditure

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 as it arises.

c) Management expenses

The Council discloses its Pension Fund management expenses in accordance with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Costs*.

d) 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.

e) Oversight and governance costs

All oversight and governance expenses are accounted for on an accruals basis.

f) Investment management expenses

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

Where an investment manager's fee note has not been received by the balance sheet date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the Fund account. In 2014/15, £0.3m of fees is based on such estimates (2013/14: £0.1m).

The costs of the Council's in-house Fund Management Team are recharged to the Fund and a proportion of the Council's costs representing management time spent by officers on investment management are also charged to the Fund.

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 as follows:

i) Market-quoted investments

The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

ii) Fixed interest securities

Fixed interest securities are recorded at bid market price ruling on the final day of the accounting period.

iii) Unquoted investments

Investments in private equity funds and unquoted listed partnerships are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association. The Fund's private equity investments are valued by the manager at 31 December 2014 and are adjusted to take into account distributions/contributions and exchange rate movements taking place up to 31 March 2015

iv) Pooled investment vehicles

Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing price available. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the Fund, net of applicable withholding tax.

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.

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are included in change in market value.

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract.

c) Cash and cash equivalents

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

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

d) Financial liabilities

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

e) Actuarial present value of promised retirement benefits

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

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 17)

NOTE 3: CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING 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. Unquoted private equities are valued by the investment managers using guidelines set out by the British Venture Capital Association. The value of unquoted private equities at 31 March 2015 was £22.9m (31 March 2014 £24.6 m).

Pension Fund liability

The Pension Fund liability is calculated every three years by the appointed actuary. Annual updates in the intervening years use the methodology in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in notes 16 and 17. The latter estimate is subject to significant variances based on changes to the underlying assumptions.

NOTE 4: 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 2015 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	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, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £**93m.** A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £**24m,** a 0.5% increase in pension increase would increase the liability by approximately **£67m** and a one-year increase in assumed life expectancy would increase the liability by approximately £**30m.**
Private equity	Private equity investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £22.9m. There is a risk that this investment may be under- or overstated in the accounts.

NOTE 5: EVENTS AFTER THE REPORTING DATE

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Two types of events can be identified:

a) Those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period), and

b) Those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period).

The Fund is not aware of any such events.

NOTE 6: CONTRIBUTIONS RECEIVABLE

By category

2013/14 £'000		2014/15 £'000
-19,142	Employers	-21,452
-6,316	Members	-6,561
-25,458		**-28,013**

By authority

2013/14 £'000		2014/15 £'000
-20,136	Administering Authority	-21,243
-4,516	Other scheduled bodies	-5,410
-377	Community admission body	-504
-429	Transferee admission bodies	-856
-25,458		**-28,013**

By type

2013/14 £'000		2014/15 £'000
-6,316	Employees' normal contributions	-6,561
-19,142	Employers' normal contributions	-17,518
0	Employers' deficit recovery contributions	-3,934
-25,458		**-28,013**

NOTE 7: TRANSFERS IN FROM OTHER PENSION FUNDS

2013/14 £'000		2014/15 £'000
-2,874	Individual transfers	-1,267
-2,874		**-1,267**

NOTE 8: BENEFITS PAYABLE

By category

2013/14 £'000		2014/15 £'000
23,296	Pensions	25,188
6,957	Commutation and lump sum retirement benefits	6,068
1,006	Lump sum death benefits	752
31,259		**32,008**

By authority

2013/14 £'000		2014/15 £'000
29,109	Administering Authority	30,268
1,459	Other scheduled bodies	1,398
169	Community admission body	203
522	Transferee admission bodies	139
31,259		**32,008**

NOTE 9: PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2013/14 £'000		2014/15 £'000
17	Refunds to members leaving service	44
1,057	Individual transfers	2,222
1,074		**2,266**

NOTE 10: MANAGEMENT EXPENSES

2013/14 £'000		2014/15 £'000
787	Administrative costs	1,061
0	Investment management expenses	4
33	Oversight and governance costs	30
820		**1,095**

This analysis of the costs of managing the Harrow Pension Fund during the period has been prepared in accordance with CIPFA guidance.

In addition to these costs, management costs are charged direct to the investments by the Fund Managers and indirect costs are incurred through the bid-offer spread on investments sales and purchases. The latter are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments (see Note 13A).

NOTE 11: INVESTMENT INCOME

2013/14 £'000		2014/15 £'000
-3,100	Private equity income	-5,723
-1,534	Pooled property investments	-1,940
-2,772	Pooled investments - units trusts and other managed funds	-3,200
-62	Other	0
-7,468		**-10,863**

NOTE 12: INVESTMENT EXPENSES

2013/14 £'000		2014/15 £'000
-444	Management fees	-181
18	Custody fees	1
17	Performance monitoring service	20
334	Actuarial fees & investment consultancy	273
-75		**113**

NOTE 13: INVESTMENTS

Market value 31 March 14 £'000		Market value 31 March 15 £'000
	Investment assets	
57,567	Fixed interest securities	69,247
14,468	Index-linked securities	17,130
387,311	Pooled equity investments	449,979
45,051	Pooled property investments	50,562
24,648	Private equity/infrastructure	22,954
54,520	Alternative investments	59,535
1,351	Derivative contracts: forward currency	1,459
602	Cash deposits	1,137
585,518	**Total investment assets**	**672,003**
	Investment liabilities	
-238	Derivative contracts: forward currency	-4,108
-238	**Total investments liabilities**	**-4,108**
585,280	**Net investment assets**	**667,895**

NOTE 13A: RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

	Market value 31 March 14	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2015
	£'000	£'000	£'000	£'000	£'000
Investment assets					
Fixed interest securities	57,567	3,302	-106	8,484	**69,247**
Index-linked securities	14,468	683	-791	2,770	**17,130**
Pooled equity investments	387,311	363,811	-357,708	56,565	**449,979**
Pooled property investments	45,051	0	0	5,511	**50,562**
Private equity	24,648	731	-6,476	4,051	**22,954**
Alternative investments	54,520	27,925	-27,924	5,014	**59,535**
Derivative contracts:net forward currency	1,113	1,282	-1,713	-3,331	**-2,649**
Cash deposits - JP Morgan	0	0	0	272	**272**
Cash deposits	602	-2,938	0	3,201	**865**
Total investment assets	**585,280**	**394,796**	**-394,718**	**82,537**	**667,895**

	Market value 31 March 13	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2014
	£'000	£'000	£'000	£'000	£'000
Investment assets					
Fixed interest securities	57,527	2,611	-389	-2,182	**57,567**
Index-linked securities	14,532	764	-87	-741	**14,468**
Pooled equity investments	390,728	429	-34,726	30,880	**387,311**
Pooled property investments	41,905	0	0	3,146	**45,051**
Private equity	26,328	0	0	-1,680	**24,648**
Alternative investments	0	54,000	0	520	**54,520**
Derivative contracts:net forward currency	-2,274	1,508	-3,740	5,619	**1,113**
Cash deposits	731	-3,375	476	2,770	**602**
Total investment assets	**529,477**	**55,937**	**-38,466**	**38,332**	**585,280**

NOTE 13B: ANALYSIS OF POOLED INVESTMENTS

31 March 14 £'000			31 March 15 £'000
	UK		
57,567	Fixed Interest Securities	Corporate	69,247
14,468	Index Linked Securities	Public Sector	17,130
45,051	Managed Funds - Property	Unit Trusts	50,562
155,512	Managed Funds - Other	Unitised Insurance Policy	0
272,598			**136,939**
	Global		
141,801	Managed Funds - Other	Unit Trusts	30,678
0	Managed Funds - Other	Unitised Insurance Policy	220,601
24,648	Managed Funds - Other	Private Equity	22,954
144,518	Managed Funds - Other	Other	258,235
310,967			**532,468**
583,565			**669,407**

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 currencies within the equities portfolio

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	AUD	5,591	GBP	-2,898		-20
Up to one month	CAD	9,073	GBP	-4,843		-16
Up to one month	CHF	6,888	GBP	-4,825		-44
Up to one month	EUR	6,495	GBP	-4,753		-53
Up to one month	GBP	4,495	CHF	-6,888		-286
Up to one month	GBP	3,763	HKD	-45,284		-172
Up to one month	GBP	5,795	JPY	-1,070,200		-219
Up to one month	GBP	207	SGD	-426		-2
Up to one month	GBP	23,512	USD	-37,552		-1,788
Up to one month	HKD	15,098	GBP	-1,312		-0
Up to one month	JPY	1,832,800	GBP	-10,338		-39
Up to one month	NOK	13,708	GBP	-1,178		-31
Up to one month	SEK	4,555	GBP	-376		-20
One to six months	GBP	9,925	JPY	-1,832,800		-394
One to six months	GBP	23,379	USD	-36,181		-1,013
Over six months	GBP	24,392	USD	-36,181		-11
Up to one month	GBP	2,929	AUD	-5,591	51	
Up to one month	GBP	5,025	CAD	-9,073	198	
Up to one month	GBP	5,090	EUR	-6,495	389	
Up to one month	GBP	4,309	JPY	-762,600	24	
Up to one month	GBP	1,185	NOK	-13,708	39	
Up to one month	GBP	375	SEK	-4,555	19	
Up to one month	HKD	30,186	GBP	-2,531	92	
Up to one month	SGD	426	GBP	-208	1	
Up to one month	USD	37,552	GBP	-25,216	85	
One to six months	GBP	2,885	AUD	-5,591	20	
One to six months	GBP	4,840	CAD	-9,073	15	
One to six months	GBP	4,846	CHF	-6,888	44	
One to six months	GBP	5,102	EUR	-6,495	392	
One to six months	GBP	1,313	HKD	-15,098	0	
Over six months	GBP	4,771	EUR	-6,495	53	
Over six months	GBP	10,377	JPY	-1,832,800	37	
					1,459	**-4,108**

Net forward currency contracts at 31 March 2015	**-2,649**
Net forward currency contracts at 31 March 2014	**1,113**

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

Investment	Market value 31 March 2014	% of total fund	Market value 31 March 2015	% of total fund
	£'000		£'000	
SSGA MPF All World Equity Index Sub-Fund	0	0	220,601	33
BlackRock Institutional Bond Fund - Corp Bond 10 yrs A Class	57,567	10	69,247	10
GMO Emerging Domestic Opportunities Equity Fund	0	0	76,541	11
Longview Partners Invest - Global Pooled Equities FD K Class	49,507	8	75,561	11
Overstone Global Equity CCF (USD Class A1 Units)	0	0	77,276	12
Aviva Investors UK Real Estate Fund of Funds	45,051	8	50,562	8
SSGA MPF UK Equity Index Sub-Fund	155,512	27	0	0
Wellington Global Pooled Value Equity Portfolio	113,911	19	0	0
Fidelity Institutional Select Global Pooled Equities	61,174	12	0	0

NOTE 13C: STOCK LENDING

Stock lending is permitted within pooled funds. At present, use of this facility is restricted to the State Street Global Advisors mandate.

The State Street lending programme covers equity and fixed income assets around the world and is designed to generate incremental returns for investors in a risk controlled manner.

The programme benefits from a counterparty default indemnity from State Street Bank & Trust Company pursuant to its Securities Lending Authorisation Agreement.

NOTE 14: FINANCIAL INSTRUMENTS

NOTE 14A: CLASSIFICATION OF FINANCIAL INSTRUMENTS

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (excluding cash) by category and net assets statement heading. No financial assets were reclassified during the accounting period.

Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost		Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
	31 March 2014				31 March 2015	
£'000	£'000	£'000		£'000	£'000	£'000
			Financial assets			
57,567			Fixed interest securities	69,247		
14,468			Index-linked Securities	17,130		
387,311			Pooled equity investments	449,979		
45,051			Pooled property investments	50,562		
24,648			Private equity	22,954		
54,520			Alternative investments	59,535		
1,351			Derivative contracts	1,459		
	6,551		Cash		8,496	
	322		Debtors		485	
584,916	**6,873**	0		**670,866**	**8,981**	0
			Financial liabilities			
-238			Derivative contracts	-4,108		
			Other investment balances			
		-734	Creditors			-894
-238	0	**-734**		**-4,108**	0	**-894**
584,678	**6,873**	**-734**		**666,758**	**8,981**	**-894**

NOTE 14B: NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

31 March 2014		31 March 2015
£'000		£'000
	Financial assets	
35,562	Fair value through profit and loss	82,395
2,770	Loans and receivables	3,473
	Financial liabilities	
0	Fair value through profit and loss	-3,331
0	Loans and receivables	0
38,332	**Total**	**82,537**

NOTE 14C: FAIR VALUE OF FINANCIAL INSTRUMENTS AND LIABILITIES

The following table summarises the carrying values of the financial assets and financial liabilities by class of instrument compared with their fair values.

Carrying value	Fair value		Carrying value	Fair value
31 March 2014			31 March 2015	
£'000	£'000		£'000	£'000
		Financial assets		
584,916	584,916	Fair value through profit and loss	670,866	670,866
6,873	6,873	Loans and receivables	8,981	8,981
591,789	**591,789**	**Total financial assets**	**679,847**	**679,847**
		Financial liabilities		
-238	-238	Fair value through profit and loss	-4,108	-4,108
0	0	Loans and receivables	0	0
-238	**-238**	**Total financial liabilities**	**-4,108**	**-4,108**

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

NOTE 14D: VALUATION OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

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

Level 1

Financial instruments 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.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments 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 and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Harrow Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments and currency movements are used to roll forward the valuations to 31 March as appropriate.

The following tables provide 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 2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Financial assets at fair value through profit and loss	646,453	1,459	22,954	**670,866**
Loans and receivables	8,981			**8,981**
Total financial assets	**655,434**	**1,459**	**22,954**	**679,847**
Financial liabilities				
Financial liabilities at fair value through profit and loss		-4,108		**-4,108**
Financial liabilities at amortised cost			-894	**-894**
Total financial liabilities	**0**	**-4,108**	**-894**	**-5,002**
Net financial assets	**655,434**	**-2,649**	**22,060**	**674,845**

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2014	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Financial assets at fair value through profit and loss	558,917	1,351	24,648	**584,916**
Loans and receivables	6,873			**6,873**
Total financial assets	**565,790**	**1,351**	**24,648**	**591,789**
Financial liabilities				
Financial liabilities at fair value through profit and loss		-238		**-238**
Financial liabilities at amortised cost			-734	**-734**
Total financial liabilities	**0**	**-238**	**-734**	**-972**
Net financial assets	**565,790**	**1,113**	**23,914**	**590,817**

NOTE 15: 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 (ie 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

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

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

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 advisors undertake appropriate monitoring of market conditions and benchmark analysis.

i) Other price risk

Other 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.

ii) Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's performance advisors, the Council has determined that the following movements in market price risk are reasonably possible for the 2015/16 reporting period.

Assets type	Potential market movements (+/-)
Total equities	9.01%
Fixed interest & index linked securities	8.49%
Alternative investments	6.92%
Cash and equivalents	0.01%
Pooled property investments	2.60%

Potential price changes are determined based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds as an example, so the overall outcome will depend largely on the Fund's asset allocations. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the latest three years. This can then be applied to the period end asset mix.

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 2015	Percentage change	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Cash and cash equivalents	6,930	0.01	6,931	6,929
Investment portfolio assets:				
Total equities	472,933	9.01	515,544	430,322
Fixed interest & index linked securities	86,377	8.49	93,710	79,044
Alternative investments	59,535	6.92	63,655	55,415
Pooled property investments	50,562	2.60	51,877	49,247
Derivative contracts: net forward currency	-2,649	0.00	-2,649	-2,649
Total	673,688		729,068	618,308

b) Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's direct exposure to interest rate movements as at 31 March 2015 and 31 March 2014 is set out below.

Asset type	As at 31 March 2015	As at 31 March 2014
	£'000	£'000
Cash and cash equivalents	6,930	4,873
Fixed interest securities	69,247	57,567
Total	76,177	62,440

Interest rate risk sensitivity analysis

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 impact of a 1% movement in interest rates would be as follows:

Asset type	Carrying amount as at 31 March 2015		Effect on asset value
		+1%	-1%
	£'000	£'000	£'000
Cash and cash equivalents	6,930	0	0
Fixed interest securities	69,247	-692	692
Total change in assets available	76,177	-692	692

Asset type	Carrying amount as at 31 March 2014		Effect on asset value
		+1%	-1%
	£'000	£'000	£'000
Cash and cash equivalents	4,873	0	0
Fixed interest securities	57,567	-576	576
Total change in assets available	62,440	-576	576

This analysis demonstrates that changes in interest rates do not impact on the value of cash & 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. However since the Fund's cash balances are low the effect of interest changes is minimal.

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 the pound. To mitigate this risk, the Fund uses derivatives and hedges 50% of the overseas equity portfolio arising from the developed market currencies.

The following table provides the estimated total of the Fund's currency exposure as at 31 March 2015.

Following analysis of historical data in consultation with the Fund's performance advisors the Council considers the likely volatility associated with foreign exchange rate movements to be 3.62%

This fluctuation is based on the advisors analysis of long term historical movements in the month end exchange rates over a rolling 3 years' period.

A 3.62% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available as follows.

Currency Exposure - asset type	Asset Value as at 31 March 2015	Change to net assets	
		+3.62%	-3.62%
	£'000	£'000	£'000
Overseas Equities	398,206	412,621	383,791

d) 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 credit 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 2015 was £6.9m (31 March 2014: £4.9m). This was held with the following institutions.

Summary	Balances at 31 March 2015	Balances as 31 March 2014
	£'000	£'000
Bank accounts		
Royal Bank of Scotland	4,633	530
JP Morgan	1,432	3,741
BlackRock	865	602
	6,930	**4,873**

e) Liquidity risk

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

The Council has immediate access to its Pension Fund cash holdings

The Fund considers liquid assets to be those that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert in to cash. As at 31 March 2015 the value of illiquid assets was £73.5m, which represented 11% of the total Fund assets (31 March 2014: £69.7m, which represented 12% of the total Fund assets)

All financial liabilities at 31 March 2015 are due within one year

f) Refinancing risk

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

NOTE 16: 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 2013. The next valuation will take place as at 31 March 2016.

The key elements of the Funding policy are:

- to ensure the long-term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
- to ensure that employer contribution rates are as stable as possible
- to minimise the long-term cost of the Scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- to reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so
- 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. Normally this is three years but in some cases a maximum period of 12 years can be granted. 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 2013 actuarial valuation, the Fund was assessed as 70.3% funded (73.5% at the March 2010 valuation). This corresponded to a deficit of £234m (2010 valuation: £157m) at that time.

For most employers within the Fund, contribution increases were phased in over the 3 years' period ending 31 March 2017

Individual employers' rates vary depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2013 actuarial valuation report on the Fund's website.

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase 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

Price inflation (CPI)	2.5%
Salary increases	3.8%
Pension increases	2.5%
Gilt based discount rate	3.0%
Funded basis discount rate	4.6%

Mortality assumptions

The life expectancy assumptions are based on the Fund's Hymans Robertson's VitaCurves with improvements in line with the CMI 2010 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% per annum.

Future life expectancy based on the actuary's Fund-specific mortality review was as follows.

	Male	Female
Current pensioners	22.1 years	24.4 years
Future pensioners	24.5 years	26.9 years

Commutation assumption

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

NOTE 17: 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 16). The actuary has also valued ill health and death benefits in line with IAS 19.

Calculated on an IAS 19 basis, the actuarial present value of promised retirement benefits at 31 March 2015 was £959m (31 March 2014: £824m). The net assets available to pay benefits as at 31 March 2015 was £602m (31 March 2014: £528m). The implied Fund deficit as at 31 March 2014 was therefore £357m (31 March 2014: £296m).

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2013 triennial funding valuation because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

Assumptions used

Inflation/pension increase rate assumption	2.4%
Salary increase rate	3.8%
Discount rate	3.2%

NOTE 18: CURRENT ASSETS

31 March 2014		31 March 2015
£'000		£'000
	Debtors:	
283	Contributions due - employers	381
0	Transfer values receivable (joiners)	79
39	Sundry debtors	25
1,678	Cash owed to Fund	1,566
2,000		**2,051**

Analysis of debtors

31 March 2014		31 March 2015
£'000		£'000
1,678	Other local authorities	1,645
0	NHS bodies	4
283	Scheduled/Admitted bodies	381
39	Other entities and individuals	21
2,000		**2,051**

NOTE 19: CURRENT LIABILITIES

31 March 2014		31 March 2015
£'000		£'000
-580	Sundry creditors	-355
0	Transfer values payable (leavers)	-212
-154	Benefits payable	-327
-734		**-894**

Analysis of creditors

31 March 2014		31 March 2015
£'000		£'000
-288	Central government bodies	-4
0	Other local authorities	-212
-446	Other entities and individuals	-678
-734		**-894**

NOTE 20: ADDITIONAL VOLUNTARY CONTRIBUTIONS

The Fund provides an additional voluntary contributions (AVC) Scheme for its members, the assets of which are invested separately from those of the Fund. The Fund has appointed Prudential, Clerical Medical and Equitable Life as its AVC providers. AVCs are paid to the AVC provider by employees and are specifically 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(2)(b) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only.

AVC contributions of £0.36m were paid directly to the providers during the year (2013/14: £0.37m)

Market value 31 March 2014		Market value 31 March 2015
£'000		£'000
1,128	Prudential Assurance	1,208
996	Clerical Medical	812
286	Equitable Life Assurance Society	266

NOTE 21: 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 above.

The Pension Fund has operated a separate bank account since April 2011. However, due to the ease of administration and to avoid any undue cost to the Fund some transactions continue to be processed through the Council's bank account and as such these balances are settled on a monthly basis

31 March 2014		31 March 2015
£'000		£'000
-15,042	Employers Pension Contributions to the Fund	-16,162
787	Administration expenses paid to the Council	1,061
1,678	Cash held by the Council	1,566

Governance

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

Key management personnel

Paragraph 3.9.4.3 of the Code exempts local authorities from the key management personnel disclosure requirements of IAS 24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in section 3.4 of the Code (which are derived from the requirements of Regulation 7(2)–(4) of The Accounts and Audit (England) Regulations 2011 and Regulation 7A of The Accounts and Audit (Wales) Regulations 2005) satisfy the key management personnel disclosure requirements of paragraph 16 of IAS 24. This applies in equal measure to the accounts of the Harrow Pension Fund.

The disclosures required by Regulation 7(2)–(4) of The Accounts and Audit (England) Regulations can be found in the main accounts of Harrow Council.

NOTE 22: CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments at 31 March 2015 totalled £4.5m (31 March 2014: £5.1m).

These commitments relate to outstanding call payments due on unquoted limited partnership Funds held by Pantheon Ventures in the private equity part of the portfolio

NOTE 23: CONTINGENT ASSETS

Six admitted body employers in the Fund hold insurance bonds or guarantees 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 2014/15

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013, and Chapter 6 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK 2014/15. This statement is in respect of the London Borough of Harrow Pension Fund ("The Fund") which is administered by Harrow Council ("the Administering Authority").

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated March 2014. In summary, the key funding principles are as follows:

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

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised below the theoretical rate required to return their portion of the Fund to full funding over 20 years if the valuation assumptions are borne out. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is still a better than 50% chance that the Fund will return to full funding over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 was as at 31 March 2013. This valuation revealed that the Fund's assets, which at 31 March 2013 were valued at £552 million, were sufficient to meet 70% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2013 valuation was £234 million.

Individual employers' contributions for the period 1 April 2014 to 31 March 2017 were set in accordance with the Funding Strategy Statement.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the valuation report dated 28 March 2014.

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 2013 valuation were as follows:

Financial assumptions	31 March 2013	
	% p.a. Nominal	% p.a. Real
Discount rate	4.60%	2.10%
Pay increases	3.80%	1.30%
Price inflation/Pension increases	2.50%	-

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 2010 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% p.a.. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	22.1 years	24.4 years
Future Pensioners*	24.5 years	26.9 years

*Future pensioners were assumed to be aged 45 as at the last formal valuation date.

Copies of the 2013 valuation report and Funding Strategy Statement are available on request from, the Administering Authority.

Experience over the period since April 2013

Real bond yields have fallen dramatically since the valuation, placing a higher value on liabilities. Strong asset returns have partially offset this. In aggregate, deficits are likely to have increased since the 2013 valuation.

The next actuarial valuation will be carried out as at 31 March 2016. The Funding Strategy Statement will also be reviewed at that time.

Gemma Sefton FFA

Fellow of the Institute and Faculty of Actuaries
For and on behalf of Hymans Robertson LLP
8 May 2015

Hymans Robertson LLP
20 Waterloo Street
Glasgow

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REPORT FOR: **GOVERNANCE, AUDIT, RISK MANAGEMENT AND STANDARDS COMMITTEE**

Date of Meeting:	22 July 2015
Subject:	Treasury Management Outturn 2014/15
Responsible Officer:	Dawn Calvert – Director of Finance (Interim)
Exempt:	No
Wards affected:	All
Enclosures:	Appendix 1 - Prudential Indicators 2014/15 Outturn Appendix 2 – New Investments Undertaken for Periods of Over 3 Months Appendix 3 – The Economy and Interest Rates Appendix 4 – Counterparty Policy Appendix 5 – Corporate Bonds – Report from Capita Appendix 6 – Proposed Revised Counterparty Policy Appendix 7 – Legislation and Regulations Impacting on Treasury Management Appendix 8 – Treasury Management Delegations and Responsibilities

Section 1 – Summary and Recommendations

This report sets out the summary of treasury management activities for 2014/15 and recommends some changes to the counterparty policy.

Recommendation

The Committee is requested to review and comment on:

(a) The outturn position for treasury management activities for 2014/15.
(b) The points in paragraph 32 and that officers will investigate new investment opportunities for consideration by Cabinet and Council
(c) The proposed revised Counterparty Policy as described in Appendix 6.

Reasons

(a) To promote effective financial management and comply with the Local Authorities (Capital Finance and Accounting) Regulations 2003 and other relevant guidance.
(b) The Committee is responsible for ensuring effective scrutiny of the Treasury Management Strategy and associated strategies and policies.

Section 2 – Report

1. INTRODUCTION

1.1 Background

1. The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as:

   "The management of the local authority's 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."

   The Council has adopted this definition.

2. The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. The first main function of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. In line with the Treasury Management Strategy Statement 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.

3. 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, any debt previously drawn may be restructured to meet Council risk or cost objectives.

4. The Local Government Act 2003 and supporting regulations require the Council to 'have regard to' the CIPFA Prudential Code and Treasury Management Code of Practice to set Treasury and Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

5. The Act, the Codes and subsequent Investment Guidance (2010) requires 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 of those investments followed by liquidity and yield. In 2011 CIPFA updated both their Code of Practice and Prudential Code and, in 2013 issued revised guidance notes. Relevant legislation, regulations and guidance are included as Appendix 7.

6. The budget for each financial year includes the revenue costs that flow from capital financing decisions. Under the Code of Practice, increases in capital expenditure should be limited to a level whereby increases in charges to revenue from:
   - increases in interest charges caused by increased borrowing to finance additional capital expenditure, and
   - any increases in running costs from new capital projects

   are affordable within the projected income of the Council for the foreseeable future.

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.

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.

1.2 Reporting Requirements

9. The Council and/or Cabinet are required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

   Prudential and treasury indicators and treasury strategy - The first, and most important report is presented to the Council in February 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).

   A mid year treasury management report – This is presented to Cabinet in November and updates members with the progress of the capital position, amending prudential indicators as necessary, and identifying whether the treasury strategy is meeting the objectives or whether any policies require revision.

   An annual treasury report (this report) – This is 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 strategy.

   Scrutiny - The above reports are required to be adequately scrutinised with the role being undertaken by the Governance, Audit, Risk Management and Standards Committee.

10 The Council has delegated responsibility for the implementation and regular monitoring of its treasury management policies and treasury management practices to the Section 151 officer. The Section 151 Officer chairs the Treasury Management Group (TMG), which, during 2014/15, consisted of the Head of Technical Finance and Accountancy and the Treasury and Pension Fund Manager, to monitor the treasury management activity and market conditions.

11. The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is, therefore important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Members.

12. Under the Code, the Council must give prior scrutiny to all of the above treasury management reports by the Governance, Audit, Risk Management and Standards Committee before they are reported to the Full Council.

13. Further details of responsibilities are given in Appendix 8.

1.3 Matters covered in report

14. The main matters covered in the report are:

- Treasury management outturn
- Treasury position as at 31 March 2015
- Strategy for 2014/15
- Borrowing outturn
- Investment outturn
- Compliance with treasury limits and Prudential Indicators.
- Economic background

1.4 Options considered

15. For the reasons discussed above no options other than those recommended were considered.

2. TREASURY MANAGEMENT OUTTURN

16. There was a favourable variance of £0.1m on the revised capital financing budget of £20.1m as detailed below:-

Table 1: Outturn Summary

	Revised Budget	Outturn	Variation	
	£000	**£000**	**£000**	**%**
Cost of Borrowing	7,960	7,857	-103	0.1%
Investment Income	-1,122	-1,664	-542	-48.3%
Minimum Revenue Provision	13,310	13,819	509	3.8%
Total	**20,148**	**20,012**	**-136**	**-0.7%**

The favourable variance on investment income is due to balances throughout the year being substantially higher than estimated and interest rates a little higher partly offset by a lower level of drawdown (and, therefore interest earned) of the WLWA loan.

17. The returns from the investment portfolio are benchmarked by the treasury management adviser, Capita. At the end of the fourth quarter the weighted average return of the investment portfolio calculated by Capita at 1.00% exceeded the average of other London boroughs (0.77%). Similar results were achieved at the end of each of the previous three quarters in the year. The overall average return for the whole year was 0.97%.

3. TREASURY POSITION AS AT 31 MARCH 2015

18. The Council's debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through Member reporting and through officer activity detailed in the Council's Treasury Management Practices. At the end of 2014/15 the Council's treasury (excluding borrowing by PFI and finance leases) position was as follows:

Table 2: Outstanding Borrowings and Investments

	31 March 2015	**Average Rate at 31 March 2015**	**Average Life**	31 March 2014	Average Rate at 31 March 2014	Average Life
	£m	**%**	**Years**	£m	%	Years
Fixed Rate Borrowing						
Public Works Loans Board (PWLB)	218.5	4.09	36.2	218.5	4.09	37.2
Market	115.8	4.53	37.0	121.8	4.58	36.1
Total Debt	**334.3**	**4.24**	**36.5**	**340.3**	**4.26**	**36.8**
Investments:						
In-House	119.1	1.00	214 days	130.8	1.11	174 days
Total Investments	**119.1**			**130.8**		

The above analysis assumes loans structured as LOBOs (see paragraph 24 below for definition and further details) mature at the end of the contractual period. If the first date at which the lender can reset interest rates was used as the maturity date, the average life for market loans would be 1.3 years and for the whole debt portfolio 24.1 years.

4. STRATEGY FOR 2014 – 15

19. In the Treasury Management Strategy Statement agreed by Council on 27 February 2014 it was pointed out that with capital expenditure being constrained and a large proportion being grant funded the need for additional borrowing had become less likely. The only foreseen circumstances in which new long term borrowing might be required would be either if part of the LOBO portfolio had to be refinanced or if funds became available for substantial affordable housing development. Even then the preference would be to reduce investment balances unless the substantial gap between investment and borrowing rates had narrowed.

20. None of the circumstances necessitating additional borrowing arose and none was made.

21 Investments continued to be dominated by low counterparty risk considerations resulting in low returns compared to borrowing rates.

22. No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

5. BORROWING OUTTURN

23. There was no additional borrowing during the year and the only repayment a sum of £6m repaid to Landesbank Hessen-Thuringen on 28th April 2014. The table below sets out the borrowing maturity profile.

Table 3: Borrowing Maturity Profile (Assuming Full Term Maturity for LOBOS)

	31st March 2015		31st March 2014	
	£m	**%**	£m	%
Under 12 Months	0.0	0.0	6.0	1.7
12 Months and under 24 Months	0.0	0.0	0.0	0.0
24 Months and within 5 years	32.0	9.6	20.0	5.9
5 years and within 10 years	5.0	1.5	17.0	5.0
10 years and within 20 years	35.0	10.5	35.0	10.3
20 years and within 30 years	20.0	6.0	20.0	5.9
30 years and within 40 years	80.0	23.9	60.0	17.7
40 years and within 50 years	128.5	38.4	148.5	43.6
50 years and above	33.8	10.1	33.8	9.9
Total	**334.3**	**100.0**	340.3	100.0

24. In aggregate there are £83.8m of Lender Option Borrower Option (LOBO) structured loans shown in the table above as having maturities of between 35 and 63 years. The lenders are permitted to reset interest rates five years after the loan is drawn and either semi-annually or annually thereafter. Should interest rates on these loans increase, the Council has the option to repay at no cost. The table below restates the maturity profile by including LOBO loans at their first interest reset date.

Table 4: Borrowing Maturity Profile (Assuming Earliest Repayment for LOBOS)

	31st March 2015		31st March 2014	
	£m	**%**	£m	%
Under 12 Months	83.8	25.1	69.8	20.5
12 Months and under 24 Months	0.0	0.0	20.0	5.9
24 Months and within 5 years	32.0	9.6	20.0	5.9
5 years and within 10 years	5.0	1.5	17.0	5.0
10 years and within 20 years	35.0	10.4	35.0	10.3
20 years and within 30 years	20.0	6.0	20.0	5.9
30 years and within 40 years	60.0	18.0	40.0	11.7
40 years and within 50 years	98.5	29.4	118.5	34.8
Total	**334.3**	**100.0**	340.3	100.0

25. The approach to funding capital expenditure, as discussed in past strategy statements, is to use internal funds wherever possible in recognition of the unfavourable gap between investment returns and borrowing costs. Consideration continues to be given as to the cost and benefits of the premature repayment of debt and the premium which would be incurred. However, in view of the cost and the estimated future requirements of the capital programme, which could necessitate further borrowings, it was not felt to be appropriate to make any premature repayments during 2014/15.

6. INVESTMENT OUTTURN

26. Bank rate remained at its historic low of 0.5% throughout the year and it has now remained unchanged for six years. Market expectations as to the timing of the start of monetary tightening started the year at quarter 1 2015 but then moved back to around quarter 3 2016 by the end of the year. Average LIBOR and LIBID average rates for the year at 0.55% and 0.43% respectively remain low making investing over short terms unattractive. Despite these unattractive rates the investment portfolio achieved an average return of 0.97% in the year through concentrating investments with the two part UK Government owned banks that offered superior returns.

27. The Council manages its investments in-house and invests with the institutions listed in the Council's approved lending list. The treasury strategy permits investments for a range of periods from overnight to three years, dependent on the Council's cash flows, its interest rate view and the interest rates on offer. Further details of the credit quality of counterparties are given in Appendix 4.

28. The investment portfolio is mostly (85%) invested with two banks, Lloyds / HBOS (38%) and RBS (47%). The counterparty policy permits 50% to be invested in each of these banks.

29. Advantage has been taken of the available limits with Lloyds and RBS. Not only did they offer higher interest rates than the other UK banks but the longer permitted maturities also enhanced returns.

30. As at 31 March 2015 the investment portfolio is invested over a spread of maturities up to three years. At the year end £28m matures in more than 12 months taking advantage of the longer term rates available. This is below the maximum (£40.5m) permitted by the strategy. These deposits yield between 1.1% and 1.6%, somewhat higher than one year deposits which yield around 1% and very short term of under 0.5%. A listing of new investments of 3 months or more in the year is included in Appendix 2.

31. The table below sets out the investment balances as at 31 March 2015.

Table 5: Investment Balances

	31st March 2015		31st March 2014	
	£m	**%**	£m	%
Specified Investments				
Banks & Building Societies	5.3	4.5	0.0	0.0
Money Market Funds	1.6	1.3	1.6	1.2
Local Authority	5.0	4.2	0.0	0.0
Non –Specified Investments				
Banks & Building Soc.	101.1	84.9	109.2	83.5
Enhanced Money Market Funds	6.1	5.1	20.0	15.3
Total	**119.1**	**100.0**	130.8	100.0

Included in the above balances are Pension Fund balances of £1.6 m. The Pension Fund cash balances are held in separate banks accounts in the name of the Fund. In aggregate 12% of interest earned is allocated to internal funds.

32. Notwithstanding the relative success of the Council's investment performance and the ability to operate within the agreed counterparty policy, officers remain concerned that absolute returns are historically poor and that, at times, some of the constraints on the investments cause logistical problems. Additionally advice recently received from Capita requires the policy to be reviewed. Cabinet are therefore asked to consider the following:

- Over the last few months, Fitch, the only rating agency which provides a sovereign (national government) support rating for banks globally, has reviewed this rating. They now believe that legislative, regulatory and policy initiatives have substantially reduced the likelihood of sovereign support for senior creditors of UK, EU and Swiss banks. On 20 May Capita issued their credit rating update in which they advised that several banks in each of Belgium, Denmark, Finland, France, Germany, Netherlands, Switzerland and UK should have their support rating downgraded from 1 (the highest level) to 5 (the lowest level). The UK banks affected are Lloyds/HBOS, Barclays, Standard Chartered, Nationwide and RBS. Svenska Handelsbanken, the Swedish bank in which the Council invests was downgraded from 1 to 2. However, Capita have also advised that this "…….is not indicative of deteriorating credit quality in the institution concerned. Instead it is reflective of underlying methodology changes by the agencies in light of regulatory changes." It is therefore recommended that for Non-Specified Investments the "Support" criterion be removed.
- Capita have recently advised that they have reviewed their categorisation of Lloyds Banking Group as "part-nationalised." They argue that with the recent sell off of a further 1% of the Government's holding in the Bank and the apparent intention of the Government to "materially reduce its holding in Lloyds over the current financial year" it should be subject to the same review methodology as all banks other than RBS. They specifically suggest that investments should not exceed six months and, whilst this is likely to impact on the Council's investment performance, it is recommended that the Cabinet agree to amend the Counterparty Policy accordingly.

- The Council's banking current accounts are maintained with RBS mainly through a Special Interest Bearing Account (SIBA). However, because of the relatively favourable medium term rates offered by RBS the Council also maintains various fixed term investments of up to three years with them. Fixed term investments are currently £43m. Whilst it is normally straightforward to maintain investments with RBS at the 50% level currently agreed, with the volatile nature of the Council's cashflow and the desirability of maintaining some fixed term investments with RBS, keeping within this limit is occasionally challenging. It is therefore recommended that the limit be increased to 60%
- Attached as Appendix 5 is a report produced by Capita discussing corporate bonds as a potential investment category for the Council to consider; at this stage it is recommended only that corporate bonds be included as a Non-Specified investment category and that officers be given the opportunity, along with Capita, to review specific opportunities but to make no investments without specific authority
- Additionally, officers would welcome the opportunity to investigate other non-standard and gilts investments but to make no investments without specific authority.

33. At the time of writing of this report, a decision was awaited from Cabinet as to whether it would recommend to Council the revised Counterparty Policy as stated in Appendix 6.

7. COMPLIANCE WITH TREASURY LIMITS AND PRUDENTIAL INDICATORS

34. The prudential framework for local authority capital investment was introduced through the Local Government Act 2003. The prudential system provides a flexible framework approach within which capital assets can be procured, managed, maintained and developed. Under this framework, individual authorities are responsible for deciding the level of their affordable borrowing for the Council's capital investment plans that is demonstrated to be affordable, prudent and sustainable.

35. The Act and the supporting regulations require the Council to have regard to the Prudential Code and to set Prudential Indicators for the next three years. The indicators for 2014/15 were approved by the Council on 27 February 2014. During the financial year the Council operated within the treasury limits and Prudential Indicators as shown in Appendix 1.

8. MINIMUM REVENUE PROVISION (MRP)

36. Under the statutory regulations a Minimum Revenue Provision is made each year to repay the outstanding debt on assets. This is calculated by spreading the capital expenditure over the useful life of the asset as detailed in the strategy.

9. ECONOMIC BACKGROUND

37. The Council has engaged Capita Asset Services, Treasury Solutions as its external treasury management adviser. Appendix 3 comprises a commentary on the UK and Global economies as prepared during April 2015.

10. FINANCIAL IMPLICATIONS

38. In addition to supporting the Council's revenue and capital programmes the Treasury Management budget of £20m discussed in paragraph 16 is an important part of the General Fund budget. Any savings achieved, or overspends incurred, have a direct impact on the achievements of the budgetary policy.

11. RISK MANAGEMENT IMPLICATIONS

39. The identification, monitoring and control of risk are central to the achievement of the treasury objectives. Potential risks are included in the Directorate risk register and are identified, mitigated and monitored in accordance with treasury practice notes approved by the Treasury Management Group.

12. EQUALITIES IMPLICATIONS

40. There is no direct equalities impact.

13. CORPORATE PRIORITIES

41. 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

Name: Dawn Calvert Date: 1 July 2015	√	Director of Finance (Interim)
Name: Caroline Eccles Date: 7 July 2015	√	on behalf of the Monitoring Officer

Ward Councillors notified: NO

Section 6 - Contact Details and Background Papers

Contact: Ian Talbot (Treasury and Pension Fund Manager) Tel: 020-8424-1450 / Email: ian.talbot@harrow.gov.uk

Background Papers:
Treasury Management Strategy Statement, Prudential Indicators, Minimum Revenue Provision Policy Statement and Annual Investment Strategy for 2014/15 (Cabinet 13 February 2014)

PRUDENTIAL INDICATORS 2014/15 OUTTURN

Capital Expenditure and Funding

The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

The actual capital expenditure forms one of the required prudential indicators and the table below provides the relevant data.

Table 1: Actual Capital Expenditure

	2013/14	2014/15	2014/15
	Actual	Approved	Actual
	£'000	£'000	£'000
Expenditure			
Non - HRA	29,069	69,571	57,927
HRA	6,261	9,527	4,443
TOTAL	**35,330**	**79,098**	**62,370**
Funding:			
Grants	9,404	46,675	27,779
Capital Receipts	4,434	13,483	179
Revenue Financing	6,748	7,428	5,534
Section 106 / Section 20 contributions	76	366	553
TOTAL	**20,662**	**67,952**	**34,045**
Net financing need for the year	**14,668**	**11,146**	**28,325**

The funding excludes the Minimum Revenue Provision (depreciation on General Fund assets) which offsets the need for external borrowing. Further detail and explanations are contained within the Revenue and Capital Outturn report.

The General Fund capital expenditure of £57.9m is lower than the approved programme resulting in a variance of £11.7m. The slippage will be carried forward into 2015/16.

From an affordability perspective, which is the treasury consideration, the reduction in expenditure has impacted favourably on interest income. The majority of Housing Revenue Account's (HRA's) capital expenditure of £4.4 million is funded from revenue sources.

Overall Borrowing Need

The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2014/15 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board [PWLB] or the money markets), or utilising temporary cash resources within the Council.

Reducing the CFR – the Council's (non-HRA) underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision (MRP), to reduce the CFR. This is effectively a repayment of the non-HRA borrowing need (there is no statutory requirement to reduce the HRA CFR). This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

The total CFR can also be reduced by:

- the application of additional capital financing resources (such as unapplied capital receipts); or
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

The Council's 2014/15 MRP Policy (as required by CLG Guidance) was approved as part of the Treasury Management Strategy Report for 2014/15 on 27 February 2014.

The Council's CFR for the year is shown below, and represents a key prudential indicator. It includes PFI and leasing schemes on the balance sheet, which increase the Council's borrowing need. No borrowing is actually required against these schemes as a borrowing facility is included in the contract (if applicable).

Table 2: Capital Financing Requirement

	2013/14	2014/15	2014/15
	Actual	Approved	Actual
	£'000	£'000	£'000
Capital Financing Requirement as at 31 March			
Non – HRA	244,215	264,985	256,390
HRA	149,538	149,524	149,526
TOTAL	**393,753**	**414,509**	**405,916**
Annual change in CFR			
Non – HRA	26	-3,922	12,175
HRA	-36	-25	-12
TOTAL	**-10**	**-3,947**	**12,163**

Reasons for annual change

	2013/14	2014/15	2014/15
	Actual	Approved	Actual
	£'000	£'000	£'000
Net financing need	14,114	11,146	27,825
Lease liability	554	500	500
Less MRP for PFI and Leases	-2,040	-2,034	-2,050
Less MRP	-12,638	-13,559	-14,112
TOTAL	**-10**	**-3,947**	**12,163**

The CFR value is greater than the outstanding borrowing (including finance leases) of £354m, indicating the level of cash generated by revenue balances.

Borrowing activity is constrained by prudential indicators for net borrowing and the CFR, and by the authorised limit.

Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2014/15) plus the estimates of any additional capital financing requirement for the current (2015/16) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

Table 3: Borrowing

	2013/14	2014/15	2014/15
	Actual	Approved	Actual
	£'000	£'000	£'000
Capital Financing Requirement	393,753	414,509	405,916
Gross borrowing	362,134	354,847	354,847
Under borrowing	**31,619**	**59,662**	**51,069**

The authorised limit - the authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2014/15 the Council has maintained gross borrowing within its authorised limit.

The operational boundary – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.

Table 4: Boundaries

	2013/14	2014/15	2014/15
	£m	£m	£m
Authorised Limit for external debt			
Borrowing and finance leases	394	414	406
Operational Boundary for external debt			
Borrowing	340	345	334
Other long term liabilities	22	22	20
Total	362	367	354
Upper limit for fixed interest rate exposure			
Net principal re fixed rate borrowing	340	345	334
Upper limit for variable rate exposure			
Net principal re variable rate borrowing	0	0	0
Upper limit for principal sums invested over 364 days	25	40	28

The approved operational boundary for debt is based on actual debt at the start of the year plus the actual borrowing requirement for the net projected capital expenditure in the year. The authorised limit is based on CFR balances. Total borrowing has been within both limits during the year.

Actual financing costs as a proportion of net revenue stream - this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

Table 5 - Ratio of Financing Costs to Net Revenue Stream

	2013/14	2014/15	2014/15
	Actual	Approved	Actual
	%	%	%
Ratio of financing costs to net revenue stream			
Non - HRA	13	14	14
HRA	45	43	48

This indicator identifies the trend in the cost of capital (depreciation, impairments, borrowing and other long term obligation costs net of investment income) against the net revenue stream. The increase in HRA ratio is due to impairments on garages.

Table 6 - Incremental Impact of Capital Investment Decisions

	2013/14	2014/15	2014/15
	Actual	Approved	Actual
	£	£	£
Incremental impact of capital investment decisions			
Increase in Council Tax (Band D) per annum	21.71	11.43	33.32
Increase in average housing rent per week	2.65	-0.14	0.11

This indicator identifies the revenue costs associated with the proposed capital programme and the impact on Council Tax and Housing Rents.

The capital expenditure and commitments to be funded from Council Tax increased significantly (£17m) as there were less capital receipts than anticipated to fund the programme.

NEW INVESTMENTS UNDERTAKEN FOR PERIODS OF OVER 3 MONTHS

Counterparty	Date invested	Period	Principal (£m)	Interest rate (%)
Royal Bank of Scotland	10-Apr-14	2 years	5	1.08
Bank of Scotland	16-May-14	1 year	5	0.95
Bank of Scotland	16-May-14	1 year	3	0.95
Lloyds TSB	04-Jul-14	1 year	5	0.95
Royal Bank of Scotland	15-Jul-14	3 years	5	1.60
Lloyds TSB	04-Aug-14	1 year	10	0.95
Royal Bank of Scotland	22-Sep-14	2 years	5	1.50
Lloyds TSB	16-Oct-14	1 year	10	1.00
Royal Bank of Scotland	17-Oct-14	1 year	8	1.50
Lancashire County Council	31-Oct-14	9 Months	5	0.74

THE ECONOMY AND INTEREST RATES

The original market expectation at the beginning of 2014/15 was for the first increase in Bank Rate to occur in quarter 1 2015 as the unemployment rate had fallen much faster than expected through the Bank of England's initial forward guidance target of 7%. In May, however, the Bank revised its forward guidance. A combination of very weak pay rises and inflation above the rate of pay rises meant that consumer disposable income was still being eroded and in August the Bank halved its forecast for pay inflation in 2014 from 2.5% to 1.25%. Expectations for the first increase in Bank Rate therefore started to recede as growth was still heavily dependent on buoyant consumer demand. During the second half of 2014 financial markets were caught out by a halving of the oil price and the collapse of the peg between the Swiss franc and the euro. Fears also increased considerably that the ECB was going to do too little too late to ward off the threat of deflation and recession in the Eurozone. In mid-October, financial markets had a major panic for about a week. By the end of 2014, it was clear that inflation in the UK was going to head towards zero in 2015 and possibly even turn negative. In turn, this made it clear that the MPC would have great difficulty in starting to raise Bank Rate in 2015 while inflation was around zero and so market expectations for the first increase receded back to around quarter 3 of 2016.

Gilt yields were on a falling trend for much of the last eight months of 2014/15 but were then pulled in different directions by increasing fears after the anti-austerity parties won power in Greece in January; developments since then have increased fears that Greece could be heading for an exit from the euro. While the direct effects of this would be manageable by the EU and ECB, it is very hard to quantify quite what the potential knock on effects would be on other countries in the Eurozone once the so called impossibility of a country leaving the EZ had been disproved. Another downward pressure on gilt yields was the announcement in January that the ECB would start a major programme of quantitative easing, purchasing EZ government and other debt in March. On the other hand, strong growth in the US caused an increase in confidence that the US was well on the way to making a full recovery from the financial crash and would be the first country to start increasing its central rate, probably by the end of 2015. The UK would be closely following it due to strong growth over both 2013 and 2014 and good prospects for a continuation into 2015 and beyond. However, there was also an increase in concerns around political risk from the general election due in May 2015.

The Funding for Lending Scheme, announced in July 2012, resulted in a flood of cheap credit being made available to banks which then resulted in money market investment rates falling drastically in the second half of that year and continuing throughout 2014/15.

The UK coalition Government maintained its tight fiscal policy stance but recent strong economic growth and falling gilt yields led to a reduction in the forecasts for total borrowing in the March budget.

The EU sovereign debt crisis had subsided since 2012 until the Greek election in January 2015 sparked a resurgence of fears. While the UK and its banking system has little direct exposure to Greece, it is much more difficult to quantify quite what effects there would be if contagion from a Greek exit from the euro were to severely impact other major countries in the EZ and cause major damage to their banks.

COUNTERPARTY POLICY

The Council's criteria for an institution to become a counterparty are:

Specified Investments
These are sterling investments of a maturity period of not more than 364 days, or those which could be for a longer period but where the lender has the right to be repaid within 364 days if it wishes. These are low risk assets where the possibility of loss of principal or investment income is negligible. The instruments and credit criteria to be used are set out in the table below.

Table 1: Specified Investments

Instrument	Minimum Credit Criteria	Use
Debt Management Agency Deposit Facility	Government backed	In-house
Term deposits – other LAs	Local Authority issue	In-house
Term deposits – banks and building societies	AA- Long Term F1+Short-term 2 Support UK or AAA Sovereign	In-house
Money Market Funds	AAA	In-house

Non-Specified Investments
Non-specified investments are any other type of investment (i.e. not defined as Specified above). They normally offer the prospect of higher returns but carry a higher risk. The identification and rationale supporting the selection of these other investments are set out in the table below.

Table 2: Non - Specified Investments

	Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period
Term deposits – banks and building societies	A Long Term F1 Short-term 1 Support UK or AAA Sovereign	In-house	50%	3 months
Callable Deposits	A Long Term F1 Short term 1 Support	In-house	20%	3 months
UK nationalised Banks [Lloyds / HBOS]	F1 Short-term 1 Support	In-house	50%	36 months
UK nationalised Banks [RBS]	F2 Short-term 1 Support	In-house	50%	36 months
Enhanced Cash Funds	AAA	In-house	25% (maximum £10 million per fund)	Minimum monthly redemption
HB Public Law Ltd		In house	£0.5m	36 months

Unless specified above, individual bank & building society counterparty limits that are consistent with the above limits are approved by the Section 151 Officer in accordance with the Council's Treasury Management Practices.

CORPORATE BONDS – REPORT FROM CAPITA

1. Corporate Bonds

1.1. Description

As from 1st April 2012, the CLG changed the rules on capital expenditure for English local authorities (this restriction was not implemented in Wales or Scotland) This, makes investment into corporate bonds easier, as they are no longer classified as capital spending.

In essence, companies issue bonds in order to raise long-term capital or funding, rather than issuing equity. These are non-standardised compared to other investment vehicles, each having an individual legal document known as a ‘bond indenture’. The document specifies the rights of the holder and the obligations that must be met by the issuer, as well as the characteristics of that particular bond. Investing in a corporate bond usually offers a fixed stream of income (except floating rate notes), known as a coupon, payable twice a year, for a fixed, predetermined period of time in exchange for an initial investment of capital.

Some bond investors prefer not to hold on to them until maturity, as they can be looking for capital appreciation, rather than just a regular income stream. However, for local authorities, purely looking for a fixed stream of income, the ‘buy and hold strategy’ is perhaps far more appealing. Though an option for local authorities in need of liquidating positions, bond trading before maturity can introduce further potential risks, especially during volatile market conditions.

Corporate bonds are usually grouped by credit rating as the following;
• **Investment-grade bonds –** “BBB” or higher
• **High yield/Speculative/Junk bonds –** “BB” and below

Characteristics of some corporate bonds can include sinking fund provisions that help the issuer pay back the face value of the bond in instalments, protective covenants to protect income streams paid out and call/put provisions meaning potential benefits and drawbacks for both the issuer and investor during volatile market conditions.

There are many types of corporate bonds including; zero-coupon bonds, debentures (which are usually secured by a floating charge), mortgage bonds which have security of specific collateral and unsecured bonds which are based solely on the credit quality of the issuer.

1.2. Benefits and Drawbacks of Investing in Corporate Bonds

The benefit for local authorities investing in corporate bonds can be the securing of a much higher rate of return for a given period, compared to Gilts and other assets. This is usually because of their higher perceived risk. They also potentially allow greater liquidity than fixed term deposits as they can be sold before maturity, though this does introduce the potential risk of capital loss. However, the latter would not usually apply, as the ‘buy and hold strategy’ would be the primary focus for local authorities.
Market risk is relatively higher compared to Gilts as corporate bonds typically have a lower

credit rating and perceived security, which can result in greater volatility of price / yield movements. Furthermore, the lower the rating, the greater the potential level of volatility, which again highlights the benefits of only selecting high quality bonds under a 'buy and hold' strategy.

A brief summary of the risks which should be considered by local authorities, both before investing and during investments in corporate bonds, are shown below:
• **Interest rate risk –** what impact would a changing interest rate outlook have on the performance of a bond?
• **Inflation risk -** "real" return can be eroded if inflation is expected to or will rise during the term of the bond, and thus coupon payments become less valuable.(Except Indexlinked Gilts)
• **Re-investment risk (only if traded before maturity) -** the effect of changing interest rates on the return of re-investing coupon payments before maturity.
• **Credit risk -** credit quality/rating deterioration can lead to the value of the bond decreasing.
• **Default risk -** possibility that total principal may not be returned at maturity, or partially returned, resulting in capital loss.
• **Call/Put provision risk -** the bond can be called by the issuer before maturity in a falling interest rate market, as cheaper funding can be sourced elsewhere and therefore re-investment risk is evident in a low interest rate period and vice versa.

Local authorities' preferred type of corporate bond would likely be a plain vanilla (repayment), investment grade bond, paying fixed coupons and denominated in sterling.

Ideally, the maturity horizon currently suggested for these types of bonds, would be to invest in the short-end, within 1-2 years, as rates are expected to rise in the first quarter of 2016. Moreover, with most local authority counterparty lists recently squeezed in terms of numbers of financial institutions, diversifying into the non-financial sector could also be beneficial.

An essential criterion to be aware of when selecting bonds is the collateral classification for each bond. Even though it is recommended that local authorities invest in investment grade bonds (BBB or higher), which meet the Capita Asset Services suggested-duration, that itself does not mean they are guaranteed risk free assets. If a corporate defaults on its bond payments, investors who take the least amount of risk are paid first. For this reason, creditors and bondholders who lend money to a company will be compensated before its stockholders, who own the company. Furthermore, the seniority of a bond is vital for local authorities when selecting these investments. Seniority refers to the order of which bonds will be repaid. The ranking order is:

1. **Senior secured**
2. **Senior unsecured**
3. **Subordinated**

The credit rating agencies play a crucial role in relation to this area of bond type, as they use this information and other fundamentals to evaluate their final ratings for each bond.

Custodian facilities will be required in order for local authorities to purchase corporate bonds.

The relations with brokers and market makers will be useful in finding bonds that are both suitable and available in the market. With local authorities looking to invest in the short-end of the yield curve, searching for bonds which are actively traded in the market is important, as in most instances Money Market Funds (both traditional and particularly wider-range versions), Pension Funds and other fund managers, are heavy buyers of short-term debt, whether issued by financials or non-financial institutions.

When investing in corporate bonds, the strategy of 'buy and hold till maturity' can only be valid if the Council's approved duration for the institution covers the maturity periods of these bonds. It is for this reason that the list of available corporate bonds can shrink drastically, when taking into account the suggested duration.

2. Covered Bonds

2.1. Description

Covered bonds are a type of secured bond that is usually backed by mortgages or public sector loans. In the UK, the assets backing the bond are transferred to a separate legal entity (a 'Special Purpose Vehicle' or SPV) and form collateral for the bonds.

The asset pool of a covered bond is dynamic. So, for example, mortgages which are refinanced or which fall into arrears can be replaced with new mortgages of better credit quality and characteristics. This is for as long as the issuer of the bond remains solvent. An important feature of covered bonds is that investors have "dual recourse", both to the issuer and to the underlying pool of assets.

- Under normal circumstances, covered bonds are an obligation of the issuer, so investors can expect that the issuer will make interest and principal payments on the agreed dates;
- In the event that either the issuer of the covered bond defaults on its obligations to covered bond holders or becomes insolvent, the asset pool becomes static and the SPV takes responsibility for administering the asset pool to continue to make payments to bondholders on the agreed dates; and
- If there are insufficient assets in the asset pool to meet obligations to covered bond holders, they become an unsecured creditors of the failed issuer for the residual amount.

2.2. Security

It is correct to state that the assets within the "cover pool" will be excluded from any resolution programme under UK regulations. However, if these fall short of obligations, then any residual investor claim will rank pari-passu with unsecured depositors. As such, it is more correct to state that the assets, rather than the investors, in these instruments are "un-bail-in-able" (i.e. In the event of issuer failure these assets are outside the pool used to pay creditors).

If clients wished to include the use of these instruments, they would likely need to make a provision for them within their Investment Strategy. These investments are rated, with the ratings being linked to the underlying position of the issuing entity, as well as the dynamics of the bond itself. Due to this rating position, we would suggest that they are included as separate instruments, rather than just a subset of investments within a particular counterparty (as with deposits, certificate of deposits etc). Typically, these instruments are rated "AAA" by rating agencies. Given the tenets of Security, Liquidity and then Yield, clients may deem it appropriate to specify "AAA" as the minimum rating requirement for such instruments. However, it has to be appreciated that although the vast majority of sterling-denominated bonds are rated "AAA", it is not universal and, importantly, ratings can change through the life of a bond.

For example, when first issued, the covered bond programme of Co-Operative Bank was rated “AAA” by both Moody’s and Fitch. However, when the entity itself suffered a series of downgrades related to capital shortfall issues in 2012 / 2013, the ratings of its covered bond programme were also hit. By November 2013, after a downgrade process which first began in October 2012, the ratings had fallen to Baa3 (Moody’s) and BBB+ (Fitch). In addition to potentially falling outside of any client criteria, the impact on the price of the bond at the time was also material. The price of the bond dropped by around 12% in value in a very short space of time in mid-2013. As such, if a client was required to sell its position, due to the bond rating falling outside its criteria, it may have had to crystallise a material capital loss. Although this may seem an extreme example, it is appropriate to consider what can happen to these types of investment instrument in a situation where an entity approaches a resolution position.

Importantly, the rating of a covered bond cannot be more than 6 notches higher than the related institution. As such, if an institution’s rating falls below the A rating, its covered bond will be rated lower than AAA.

2.3. Liquidity

In terms of liquidity, the UK sterling-denominated covered bond market is significantly smaller than many other European markets, where covered bond issuance is a key funding operation for financial institutions. As such, these bonds can be difficult to acquire in the first instance and any acquisition may not be at an attractive price. Furthermore, these types of issuance are typically long-dated and thus unsuitable to many investment portfolios. Although bonds can be bought in the secondary market with only a short life remaining, these opportunities can be relatively scarce and will often be only available at relatively low yields. It is also important to note that many sterling-denominated covered bonds have the option to allow final maturity to be extended by one year. As such, quoted maturity dates need to be checked to see whether these are “soft” (ie extendible) or “hard” (not able to be extended) and what can trigger the extension.

If investments are being laddered to meet cash flow expectations, then an unexpected maturity extension may need to be factored in to investment considerations.

2.4. Yield

If a bond does become available in the secondary market with only a short-life to maturity, it is typical for much of the yield enhancement that had originally attracted longer-term investors has been naturally whittled away. For example, a Leeds Building Society covered bond with a maturity of December 2018, originally issued with a coupon of 4.25% in June 2011, is now yielding only around 1.6%. It is a similar situation for a floating rate bond. For instance, a Yorkshire Building Society covered bond (maturity of March 2016) was originally issued at 3m LIBOR + 1.75% in March 2012. The discounted margin (ie margin from now to maturity) is now below 20bps. This is not to say that the options available are always unattractive, but that careful consideration needs to be given to more than just the enhanced security of a covered bond. For example, can an investment with another local authority actually generate a similar or enhanced return for a similar maturity period?

2.5. Summary

As with any investment asset class it is critical that the investor fully appreciates its different facets to allow a conscious investment decision. Although these instruments are further up the creditor hierarchy if an institution is placed into resolution under new guidance, this has always been the case. New regulations have not changed this fact. As we have stressed in other publications on the subject, the new regulatory environment in the UK is based on a “no creditor worse off” fundamental.

Furthermore, the new environment is not solely focussed on what happens in resolution but, more importantly, is aimed at making individual institutions and the financial market as a whole, much more robust and thus reduce the incidence of failure in the future. It is important that a varied number of investment instruments are considered when compiling an investment strategy. However, make sure that each type is considered from each of the Security, Liquidity and Yield perspectives. By undertaking this, clients will fully understand and appreciate each investment option and, therefore, determine whether they are appropriate for use.

APPENDIX 6

PROPOSED REVISED COUNTERPARTY LIST

The Council's criteria for an institution to become a counterparty are:

Specified Investments
These are sterling investments of a maturity period of not more than 364 days, or those which could be for a longer period but where the lender has the right to be repaid within 364 days if it wishes. These are low risk assets where the possibility of loss of principal or investment income is negligible. The instruments and credit criteria to be used are set out in the table below.

Table 1: Specified Investments

Instrument	Minimum Credit Criteria	Use
Debt Management Agency Deposit Facility	Government backed	In-house
Term deposits – other LAs	Local Authority issue	In-house
Term deposits – banks and building societies	AA- Long Term F1+Short-term 2 Support UK or AAA Sovereign	In-house
Money Market Funds	AAA	In-house

Non-Specified Investments
Non-specified investments are any other type of investment (i.e. not defined as Specified above). They normally offer the prospect of higher returns but carry a higher risk. The identification and rationale supporting the selection of these other investments are set out in the table below.

Table 2: Non - Specified Investments

	Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period
Term deposits – banks and building societies (excluding Lloyds / HBOS)	A Long Term F1 Short-term UK or AAA Sovereign	In-house	50%	3 months
Lloyds / HBOS	A Long Term F1 Short-term	In-house	50%	6 months
Callable Deposits	A Long Term F1 Short term	In-house	20%	3 months
UK nationalised Banks [RBS]	F2 Short-term	In-house	60%	36 months
Enhanced Cash Funds	AAA	In-house	25% (maximum £10 million per fund)	Minimum monthly redemption
Corporate bonds pooled funds, other non-standard investments and gilts			£10m in total	Dependent on specific agreement
HB Public Law Ltd		In house	£0.5m	36 months

Unless specified above, individual bank & building society counterparty limits that are consistent with the above limits are approved by the Section 151 Officer in accordance with the Council's Treasury Management Practices.

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 below

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, Department of Communities and Local Government Guidance 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' 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 prevents 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 forseeable 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 (eg 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.

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.

2. Department for Communities and Local Government Investment Guidance (March 2010)

The Local Government Act 2003 requires a local authority “…..to have regard (a) to such guidance as the Secretary of State may issue…………..” and the current guidance became operative on 1 April 2010.

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.

3. Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (CIPFA 2011)

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 of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - 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.

4. The Prudential Code for Capital Finance in Local Authorities (CIPFA 2011)

Compliance with the objectives of the Code by the Council should ensure that:

- Capital expenditure plans are affordable in terms of their implications on Council Tax and housing rents
- External borrowing and other long term liabilities are within prudent and sustainable levels
- Treasury management decisions are taken in accordance with good professional practice

As part of the two codes of practice above the Council is required to:

- agree a series of prudential indicators against which performance is measured
- produce Treasury Management Practice Notes for officers which set out how treasury management policies and objectives are to be achieved and activities controlled.

APPENDIX 8

TREASURY MANAGEMENT DELEGATIONS AND RESPONSIBILITIES

The respective roles of the Cabinet, GARMCS, the Section 151 officer, the Treasury Management Group and the Treasury Team are summarised below. Further details are set out in the Treasury Management Practices.

The main responsibilities and delegations in respect of treasury activities are:

Council

Council will approve the annual treasury strategy, including borrowing and investment strategies. In doing so Council will establish and communicate their appetite for risk within treasury management having regard to the Prudential Code

Cabinet

Cabinet will recommend to Council the annual treasury strategy, including borrowing and investment strategies and receive a half-year report and annual out-turn report on treasury activities.

Cabinet also approves revenue budgets, including those for treasury activities.

Governance, Audit, Risk Management and Standards Committee

GARMSC is responsible for ensuring effective scrutiny of the Treasury strategy and policies.

Section 151 Officer

Council has delegated responsibility for the implementation and monitoring of treasury management decisions to the Section 151 Officer to act in accordance with approved policy and practices. In particular, the Sector 151 Officer:

- Approves all new borrowing, investment counterparties and limits and changes to the bank mandate,
- Chairs the Treasury Management Group ("TMG"), and
- Approves the selection of treasury advisor and agrees terms of appointment.

Treasury Management Group

Monitors the treasury activity against approved strategy, policy, practices and market conditions.

Approves changes to treasury management practices and procedures.

Reviews the performance of the treasury management function using benchmarking data on borrowing and investment provided by Sector.

Monitors the performance of the appointed treasury advisor and recommends any necessary actions.

Ensures the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.

Monitors the adequacy of internal audit reviews and the implementation of audit recommendations.

Treasury and Pension Fund Manager

Has responsibility for the execution and administration of treasury management decisions, acting in accordance with the Council's Treasury Policy Statement and CIPFA's 'Standard of Professional Practice on Treasury Management'.

Treasury Team

Undertakes day to day treasury investment and borrowing activity in accordance with strategy, policy, practices and procedures and recommends changes to these to the TMG.

REPORT FOR:	GOVERNANCE, AUDIT AND RISK MANAGEMENT COMMITTEE
Date of Meeting:	22 July 2015
Subject:	**INFORMATION REPORT – Internal Audit Year-End Report 2014/15**
Responsible Officer:	Tom Whiting – Corporate Director of Resources
Exempt:	No
Enclosures:	Appendix 1 – Internal Audit Year-end Report 2014 Appendix 2 – Suspected Financial Irregularities

Section 1 – Summary

This report sets out the draft overall audit opinion on the control environment and progress against the 2014/15 Internal Audit plan.
FOR INFORMATION

Section 2 – Report

Background

2.1. The 2014/15 Internal Audit Year-end 2014/15 report, Appendix 1, covers the year-end position against the internal audit annual work plan and information on suspected financial irregularities is provided in Appendix 2.

Overview of Progress

2.2. Overall the Internal Audit Team has achieved 90% of the 2014/15 annual audit plan, meeting the target. This included 100% achievement of the core financial systems reviews relied upon by the council's External Auditors for their risk assessment of the authority. Thirty-seven audit reports and 5 Audit Briefing Notes were issued during the year containing a total of 409 recommendations of which 395 were agreed (or alternative actions agreed) for implementation (97%) which exceeds the 95% performance target.

2.3 The Appendix 1 provides a summary of work undertaken during the year including the assurance rating of each review, details of follow-up work and detailed results of the team's performance indicators showing that 5 of the 7 were met or exceeded and 1 of the 3 corporate indicators were met or exceeded.

Summary of Findings

2.4 Bearing in mind that the audit plan is risk based and that the vast majority of the reviews undertaken were rated as high risk a relatively low number of red assurance reports were issued in the year indicating that overall there is a strong internal control environment. All but one follow-up resulted in a green assurance rating demonstrating that the organisation remains responsive to Internal Audit recommendations and that in Internal Audit is adding value by helping management to improve the control environment.

2.5 Of the three red assurance reports issued two where as a result of investigations (schools) and one covered the IT Data Centre (report in draft). A red/amber assurance report was also issued for Business Continuity/IT Disaster Recovery and a detailed action plan agreeing all the recommendations has been agreed with management.

2.6 Of the other work undertaken during the year the Core Financial Systems and the schools continue to demonstrate that sound controls are in place.

Draft Audit Opinion on Overall Control Environment

2.4 This is a draft overall opinion based on internal audit risk based and reliance work carried out in 2014/15. The core financial systems work for 2014/15 will be included in the final opinion once completed.

The adequacy and effectiveness of organisation's control environment for the 2014/15 financial year has been assessed as "good" based on the following:

- 83% of the traffic lighted systems reviewed during 2014/15 were given an amber, an amber/green or a green assurance rating;
- 97% of recommendations made during 2013/14 were agreed for implementation;
- 68% of recommendations followed-up have been implemented, 29% are in progress or are planned at the time of follow-up thus it is expected that in due course 97% will be implemented. All follow-ups resulted in an improved assurance rating with 94% attaining a green assurance rating;
- 6 suspected financial irregularities were reported to Internal Audit during 2014/15 none of which resulted in any significant loss to the Council.
- Fraud Governance has been assessed using the CIPFA Fraud Governance Checklist and has been assessed as a Red/Amber assurance.

2.5 The final opinion will be reported to GARM at the next meeting.

Further Information

The next report on the performance of the Internal Audit team will be the 2015/16 Mid-year Report to be submitted to GARM Committee in November 2015.

Financial Implications

There are no financial implications to this report.

Equalities implications

None

Corporate Priorities

Internal Audit contributes to all the corporate priorities by enhancing the robustness of the control environment and governance mechanisms that directly or indirectly support these priorities.

Section 3 - Statutory Officer Clearance

Name:	Dawn Calvert	✓	On behalf of Chief Financial Officer
Date:	10/07/15		

Section 4 - Contact Details and Background Papers

Contact: Susan Dixson, Head of Internal Audit, Tel: 0208 424 1420

Background Papers: None

APPENDIX 1

1. Table 1 below details the follow ups completed in 2014/15 with the original assurance rating and the re-assessed assurance rating. All assurance ratings at follow-up have been re-assessed as green showing improvement in the control environment as a result of internal audit work.

KEY
RED assurance = 0-50% controls operating/substantially operating
RED/AMBER assurance = 51-60% controls operating/substantially operating
AMBER assurance = 61-70% controls operating/substantially operating
AMBER/GREEN assurance = 71-80% controls operating/substantially operating
GREEN assurance = 81-100% controls operating/substantially operating
Report ratings may be downgraded depending on the number of high risk recommendations made (with the agreement of the Head of Internal Audit)

Table 1 – Follow Ups completed in 2014/15

Review (2013/14 Plan)	Audit Coverage	Original Assurance Rating		Re-assessed Assurance Rating
Corporate Accounts Payable	Review of key controls	AMBER 70%O	GREEN 18%SO	GREEN 82%O 18%SO
St John Fisher Catholic School	Governance & Financial Controls	AMBER 81%O	GREEN 6%SO	GREEN 93%O 6%SO
Hillview Nursery	Governance & Financial Controls	RED 33%O 11%SO		GREEN 72%O 25%SO
Disabled Adaptations	Review of governance arrangements	AMBER 65%O	GREEN 22%SO	GREEN 84%O 13%SO
RetrEat	Review the cash handling process of the Council RetrEat Café and the trolley service	RED 25%O		GREEN 95%O 5%SO
Arboricultural Services	Review that there are appropriate processes in place to manage the works undertaken on the boroughs trees	RED 48%O	AMBER 5%SO	GREEN 58%O 42%SO
Belmont Primary School	Governance & Financial Controls	AMBER 69%O	GREEN 19%SO	GREEN 88%O 10%SO

2014/15 INTERNAL AUDIT YEAR-END REPORT

APPENDIX 1

Review (2013/14 Plan)	Audit Coverage	Original Assurance Rating		Re-assessed Assurance Rating
Kenmore Park Infant & Nursery	Governance & Financial Controls	AMBER 60%O	GREEN 19%SO	GREEN 96%O 2%SO
Shaftesbury High School	Governance & Financial Controls	AMBER 69%O	GREEN 21%SO	GREEN 96%O 2%SO
St Georges Primary School	Governance & Financial Controls	AMBER 83%O	GREEN 2%SO	GREEN 87%O 2%SO
St Johns C of E School	Governance & Financial Controls	AMBER 69%O 8%SO		GREEN 89%O 11%SO
Welldon Park Infant & Nursery	Governance & Financial Control	AMBER 56%O 19%SO		GREEN 90%O 4%SO
Emergency Relief Scheme	Risk based system review to include fraud risk	AMBER 57%O 19%SO		GREEN 86%O 9%SO
Parking Enforcement – Cancellation of PCN's (Depot)	Risk based system review to include fraud risk	RED 36%O 14%SO		GREEN 86%O 7%SO
Petty Cash	Risk based system review	AMBER 38%O 33%SO		GREEN 62%O 38%SO

2. Table 2 below details all the final reports issued in 2014/15 from the 2013/14 audit plan with the report assurance rating.

Table 2 – 2013/14 Plan Final Reports Issued in 2014/15

Review	Audit Coverage	Assurance Rating		Follow-up
Data Security Breaches	To assess action taken after breaches identified to close gaps and improve processes	AMBER 72%O	GREEN 7%SO	Follow up in progress
Housing Benefit	A review of controls in place to prevent fraud including response to CAFT reports	AMBER 69%O 9%SO		Follow up in progress
Housing Assessments	Review of the robustness of the assessments process to mitigate the risk of fraud	AMBER 19%O 50%SO		Follow up in progress

APPENDIX 1

Review	Audit Coverage	Assurance Rating	Follow-up
Data Quality	Reviewing a sample of areas where data quality is important to establish compliance with standards	RED 21%O 21%SO	Follow up in progress
Cashiers	IT System, petty cash, income and banking, separation of duties, refunds	AMBER 70%O / GREEN 11%SO	March 2015 - overdue
Finance Restructure	Maintenance of Key Controls (after restructure)	AMBER 88%O / GREEN 6%SO	Follow up in progress
Pensions	Risk based system review to include fraud risk	GREEN 96%O 4%SO	Follow up not required
Property Maintenance – Cyclical Maintenance	Review frequency and quality of cyclical maintenance and assess implications for Health and Safety.	AMBER 7%O 60%SO	February 2015 – overdue
Direct Payments – Children with Disability	To assess the adequacy, application and effectiveness of the controls in place to ensure clients are eligible, paid the correct amount of money and to mitigate the risk of overpayment/loss to the authority	AMBER 67%O 4%SO	Due December 2015
Whitchurch First School	Governance & Financial Control	AMBER 43%O 32%SO	Due July 2015

3. Table 3 below details the completed assurance report reviews issued in 2014/15 from the 2014/15 Plan and the assurance rating.

Table 3 – 2014/15 Plan Completed Assurance Report Reviews

Plan 14/15 Assurance Reviews	Audit Coverage	ASSURANCE RATING	Follow-up
Business Rates	Key Control Review, systems notes	GREEN 88%O 12%SO	GREEN 92%O 8%SO
Housing Benefit	Key Control Review, systems notes	GREEN 96%O 2%SO	March 2015 – overdue

APPENDIX 1

Capital Expenditure	Key Control Review, systems notes	**AMBER 56% O 19%SO**		March 2015 – overdue
Insurance claims	Controls in place to prevent fraud/use of claims handlers	**GREEN 90%O 5%SO**		Follow-up not required
IT Data Centre – Landlord Risks	Environmental and physical security controls over the IT Data Centre which supports Harrow Council's core IT infrastructure and systems	**RED 7%O**		In draft
Council Tax Discounts	Controls in place to prevent fraud	**AMBER 56%O 11%SO**		Follow-up due Dec 2015
Freedom of Information	Review of the policy and process employed by the Council for dealing with FOI requests to ensure appropriate and proportionate. Possible joint review with Lean Team.	**AMBER 31%O 38%SO**		In draft
Business Continuity/IT Disaster Recovery	To ensure that there are adequate and effective controls over the arrangements that are in place for the prevention of system downtime through adequate resilience.	**RED 20%O**	**AMBER 48%SO**	Follow-up due Dec 2015*
School Expansion Programme	Project Management	**AMBER 70% Operating**		In draft
Highways Contract	Contract Management	**GREEN 97% Operating**		No follow-up required
Cedars Manor School	Governance and Financial Controls	**AMBER 78% O**	**GREEN 10% SO**	Follow-up due August 2015
Moriah Jewish Day School	Governance and Financial Controls	**AMBER 74% O**	**GREEN 19% SO**	Follow-up due September 2015
Newton Farm Infant & Junior	Governance and Financial Controls	**AMBER 85% O**	**GREEN 8% SO**	Follow-up due September 2015
Norbury Primary School	Governance and Financial Controls	**AMBER 62% O**	**GREEN 29% SO**	Follow-up due August 2015
ST Teresa's Catholic Primary	Governance and Financial Controls	**AMBER 63%O 6%SO**		Follow-up due September 2015
Cannon Lane Primary School	Governance and Financial Controls	**AMBER 84% O**	**GREEN 4% SO**	Follow-up due September 2015

Pinner Wood Primary School	Governance and Financial Controls	**GREEN 96%O 2%SO**		Follow-up due September 2015
Roxeth Primary School	Governance and Financial Controls	**AMBER 94% O**	**GREEN**	Follow-up due September 2015
Stage Lane Infant & Nursery	Governance and Financial Controls	**AMBER 95% O**	**GREEN**	Follow-up due October 2015
West Lodge Primary School	Governance and Financial Controls	**AMBER 92% O**	**GREEN 3% SO**	Follow-up due November 2015
Priestmead Primary	Governance and Financial Controls	**AMBER 60%O**		Follow-up in progress

4. Table 4 below shows reports issued during the year as a result of emerging risks or suspected financial irregularities (SFIs) that were not in the plan.

Table 4 – 2014/15 Emerging Risk/SFI reports

Review	**Audit Coverage**	**Assurance Rating**	**Follow-up**	
School Expansion Programme & Capital Investigation Follow-up	To help CSB understand the root cause behind the problems identified with the school expansion programme and provide reassurance that action is being taken to address these issues.	AMBER 70%O	In draft – not yet due	
Whitchurch First School Investigation x 3 (one redacted + follow-up)	Investigation into Whistleblowing allegations	RED	GREEN	
Whitchurch Junior School Investigation x2 (one follow-up)	Investigation into Whistleblowing allegations – second follow-up in progress	RED	RED	AMBER

5. Table 5 details the Audit Briefing Notes issued as part of the 2014/15 Internal Audit Plan

Table 5 – 2014/15 Plan Audit Briefing Notes

Review	Audit Coverage	Comments
E&E Maintenance of Key Controls - Licensing	Compliance testing and to seek assurance that the core legal requirements are being met within the licensing stream, following the re-structure of the directorate.	Generally robust except timescales – follow-up due October 2015
Probationary Reviews Compliance Testing	A compliance check on probationary reviews	60% undertaken
Register of Interests Compliance Testing	To review compliance with the Policy on Register of Interests and gifts and hospitality including consistency in recording and decision making.	The number of declarations made for the size of the Authority is quite low
Schools HR Policies	To identify what policies and procedures schools have in place and to identify any gaps in these areas	The majority of schools, had policies in place with the exception of the Employment of Friends, Families and Partners Policy which was generally less known to schools.
Access Controls	To assess the controls in place and whether they complied with the Corporate Policy.	There is no consistent application of password controls or policy across systems on the network

6. Table 6 below details the completed assurance non report reviews undertaken in 2014/15 from the 201415 Plan.

Table 6 – 2014/15 Plan Completed Assurance Non Report Reviews in 2014/15

Review	Audit Coverage	Comments
Payroll	System notes, walkthrough. CRSA	Complete
Treasury	System notes, walkthrough. CRSA	Complete
Council Tax	System notes, walkthrough. CRSA	Complete
Housing Rents	System notes, walkthrough. CRSA	Complete
Corporate Accounts Payable	System notes, walkthrough. CRSA	Complete
Corporate Accounts Receivable	System notes, walkthrough. CRSA	Complete
Corporate Governance	Annual governance review, drafting AGS, AGS Action Plan	Complete
Management Assurance	Completion of 2013/14 exercise	Complete
Risk Management	Maintenance and update of Corporate Risk Registers	Complete
Information Governance Board (IGB)	To ensure that the Council has effective polices & management arrangements covering Information governance	Complete
Financial Regulations review/update (not in draft)	To feed into the current review of Financial Regulations	Complete
Contract Procedure Rules review/update (not in draft)	To feed into the current review of Contract Procedure Rules	Complete
Families First (Troubled Families Grant)	Grant certification	Complete
School Governor Governance Training	Training session to be presented at the C&F Heads & Directors meeting + evening Governor training session	Complete
Carbon Reduction Commitment	Audit review and sign-off of CRC Annual Report	Complete
Fees & Charges Compliance Testing	Compliance check on Fees & Charges	Complete
Budget sign-offs Compliance Testing	Compliance check on Budget sign-offs	Complete
Public Health IT Compliance	Check of progress on IT Compliance	Complete
Fighting Fraud Checklist for Governance	Completion of the CIPFA Fraud Governance checklist (Red/Amber assurance)	Complete to feed into AGS + HIA Opinion
Suspected Financial Irregularities + Control Reviews	Guidance to managers on investigations and the undertaking of investigations (see Appendix 2)	Complete

E-invoicing	To provide professional advice on control and risk mitigation	Complete
Professional Advice	Advice on risk mitigation & control	Complete
Liaison with External Audit	On-going liaison throughout the year	Complete
Audit Management	e.g. planning, GARM reporting	Complete

7. Table 7 below details the reviews currently still in progress from the 2014/15 Plan.

Table 7 – 20141/15 Plan Assurance Reviews still in progress

Review	Audit Coverage	Current Position
Procurement Fraud	Assessing risk of procurement fraud and preventative controls in place.	Testing
Right to Buy	A review of controls in place to prevent fraud	Testing
SIMS	Review of controls to ensure robust	Planning complete
IWorld/Northgate Housing Benefit – Operating System Review (c/f 2013/14)	To assess the control process built within Northgate Housing Benefits System including the localised CT Benefit module and the cloud based Harrow Emergency Scheme	Field work complete, report drafted (PwC)
My Community E Purse	Health check requested by management	Fieldwork complete
Leaseholder Charges	Risk based system review	Fieldwork complete, report drafted (PwC)

8. Table 8 below details elements of the 2014/15 plan that were removed during the year.

Table 8 – 2014/15 Plan Assurance Reviews removed

Review	Audit Coverage	Comments
Procure to Pay	To provide ongoing risk and control advice	No longer required
Public Health Visiting Transfer	To provide professional advice on control and risk mitigation	Delayed – not required

Legal Services Company	To provide professional advice on control and risk mitigation	Not required
IT Change Management	Review of system in place to manage IT change	New contract – c/f 2015/16

Performance Indicators

9. Table 9 below outlines the seven Internal Audit indicators agreed for the year, including the key indicator covering achievement of the IA annual plan and table 8 the three corporate audit indicators and the results achieved. These indicators cover performance on projects from the 2013/14 plan and the 2014/15 plan issued during the year.

Table 9 – Internal Audit Performance Indicator Results

	Performance Indicator	Target	Mid Year Result	Year End Result
1	Recommendations agreed for implementation	95%	99%	97%
2	Final reports issued on / ahead of time	85%	91%	93%
3	Projects completed within budgeted time allowance	85%	89%	85%
4	Target met for issue of draft report after end of fieldwork	85%	82%	80%
5	Follow up undertaken	100%	100%	88%
6	Plan achieved for key control reviews	100%	100%	100%
7	Plan achieved overall (key indicator)	45%	48%	90%

Analysis of Results

10. Overall 5 (71%) of the performance targets have been met or exceeded. Two of the performance targets have been exceeded, 3 have been fully met and 2 targets have not been met. Performance indicator 4 (target met for issue of draft report after the end of fieldwork) missed the target by 5% as 6 reports did not meet the target due to resources being diverted to undertake an investigation which caused a delay in the issue of the reports and performance target 5 (target for follow-up undertaken) missed the target by 12% which represents 3 follow-ups not being started on time due to the reduction in audit resources as a result of a combination of a deletion of 1 post, a secondment and maternity leave.

APPENDIX 1

Table 10 – Corporate Audit Indicators Results

	Performance Indicator	Target	Mid Year Result	Year End Result
1	Implementation of recommendations	90%	64% (expected to be 95%)	68% (expected to be 97%)
2	Auditee response times to draft report within 4 weeks	80%	73%	68%
3	Auditee response times to follow ups within 4 weeks	80%	78%	85%

Analysis of Results

11. The result for performance indicator 1 shows that whilst only 68% of recommendations had been implemented at the time of follow-up a further 29% were planned for implementation giving an expected implementation rate of 97% exceeding the 90% target.

12. The result reported in the 2013/14 year end report for auditee response times to draft reports was 53%; therefore the result for 2014/15 (whilst not meeting the target) has shown an improvement of 15%.

13. For the auditee response time to follow ups indicator, the result reported in the 2013/14 year end report was 62%; therefore the year-end result for 2014/15 has shown an increase of 23% and exceeds the target for the first time since this has been reported.

Susan Dixson
Head of Internal Audit
30/06/15

APPENDIX 2

IRREGULARITY INVESTIGATIONS REPORT 2014/15

1. During 2014/15, 6 cases of potential irregularity were dealt with by Internal Audit.

Significant SFI's

2. **86 Overpayments of Salary totalling £115,317.27** (0.1% of the net payroll**):** These are historically treated as one SFI and occur every year. These overpayments were not fraudulent in nature and the majority can be attributed to a lack of communication between management; HR and Payroll regarding changes in hours; staff leaving; overtime keyed incorrectly; incorrect sick pay; payments to incorrect employee or inputting errors. The overpayments were identified either by payroll staff, the employee concerned or management. Wherever possible these overpayments have been or will be recovered via the payroll system. It is anticipated that all of overpayments will be recovered. The percentage of overpayments recovered as at April 2014 was 85%. The 2013/14 overpayments were reviewed in detailed by Internal Audit and it was confirmed that the majority are caused by a lack of communication between management; HR and Payroll as above. From April 2015 Managers Self Service was introduced covering many aspects that have led to overpayments of salaries in the past such as change of hours and leavers, as part of the training for this the need to update the SAP system promptly was emphasised to managers.

3. **Schools:** Following whistleblowing allegations (received in 2013/14) an audit investigation was undertaken in two schools highlighting finance and governance irregularities. Both schools were issued with red assurance reports and action has been concluded against both Headteachers under the disciplinary procedure. Detailed follow-ups have been undertaken at both schools to ensure that appropriate financial and governance controls are now in place. The initial follow-ups resulted in a green assurance for one school and an red/amber assurance for the other which has since been followed-up again and a green assurance report is about to be issued. A significant number of internal audit days (74) was spent in 2014/15 on these two investigations.

4. **Purchase Cards:** Following a Freedom of Information request and the publication of information regarding the use of Council Purchase Cards the Internal Audit team undertook a detailed scrutiny of all Purchase Card transactions for 2013/14 (5,400 in total). No fraud or misuse was identified however a significant number of internal audit days (47) was spent on this investigation.

Susan Dixson
Head of internal Audit
30/06/15

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REPORT FOR:	**GOVERNANCE, AUDIT, RISK MANAGEMENT & STANDARDS COMMITTEE**
Date of Meeting:	22nd July 2015
Subject:	2015/16 Internal Audit Plan
Responsible Officer:	Tom Whiting – Corporate Director of Resources
Exempt:	No
Enclosures:	Appendix A: 2015/16 Final Internal Audit Plan

Section 1 – Summary and Recommendations

This report sets out the 2015/16 Internal Audit Plan.

Recommendations:

The Committee is requested to: Review and approve the 2015/16 Internal Audit Plan in accordance with the Public Sector Internal Audit Standards 2020 Communication and Approval.

Section 2 – Report

Background

2.1 This report sets out the 2015/16 Final Internal Audit Plan (Appendix A);

2.2 The draft Internal Audit Plan for 2015/16 was presented to the GARMS Committee's last meeting in April for review and comment.

2.3 The final plan table also shows the results of the audit risk assessment undertaken to determine reviews to be taken forward from the draft to the final plan; the main driver for each review (which was also shown on the draft plan) and a summary of the areas to be covered for each review.

2.4 The number of audit days available for the 2015/16 plan is determined via a detailed resource calculation. A realistic but challenging target is then set for each member of the team and the combination of these targets determines the days available for the Internal Audit Plan. 1164 audit days were identified for the 2013/14 plan, 1075 audit days for the 2014/15 plan and 900 days have been identified for the 2015/16 plan. The decrease in audit days reflects reductions in the number of Internal Audit posts.

Financial Implications

The functions of the Internal Audit service are delivered within the budget available.

Risk Management Implications

The work of internal audit supports the management of risks across the council and the Internal Audit Plan is derived from the review of the Corporate Risk Register, risks identified by management and risks identified by Internal Audit.

Equalities implications

None

Corporate Priorities

Internal Audit contributes to all the corporate priorities by enhancing the robustness of the control environment and governance mechanisms that directly or indirectly support the priorities.

Section 3 - Statutory Officer Clearance

Name: Dawn Calvert Date: 06/07/15	✓	Chief Financial Officer
Name: Caroline Eccles Date: 09/07/15	✓	On behalf of Monitoring Officer

Section 4 - Contact Details and Background Papers

Contact: Susan Dixson, Head of internal Audit
Tel:0208 424 1420

Background Papers: None.

If appropriate, does the report include the following considerations?

1.	Consultation	YES / NO
2.	Corporate Priorities	YES / NO

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Harrow COUNCIL
LONDON

INTERNAL AUDIT PLAN 2015/16

Background

Internal Audit is a statutory service. The Accounts and Audit Regulations 2011, which came into force on 31st March 2011 (previously the Accounts and Audit Regulations 2003 (as amended)[1], state that:

'A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.'

'Proper practice' for internal audit is now contained within Public Sector Internal Audit Standards (PSIAS) which have been adopted and are being implemented by the Council's Internal Audit section.

The Internal Audit Service at Harrow Council is provided by a dedicated in-house team situated in the Resources Directorate and is supported by an Audit Assurance and Advisory Services contract (currently with PwC) .

Annual Plan Process

Annually a plan of work is developed to reflect the Internal Audit Strategy and is supported by the Delivery Plan which outlines the key service activities/development projects and service performance indicators. The plan is designed to provide the GARM Committee, the Head of Paid Service, the S151 Officer, Corporate Directors and other senior managers with assurance on the Council's control environment. Internal Audit adds value to the organisation and contributes to its objectives and priorities by providing assurance on the organisation's control environment, alerting managers to weaknesses identified in the control environment, highlighting the risks of such weaknesses and instigating action to be taken by managers to improve the control environment via the implementation of audit recommendations/advice.

A top-down risk-based approach was adopted to the development of the audit plan in –line with the recommended PSIAS practice.

How Internal Audit Links to the Corporate Vision and Priorities

The Council's Vision for 2015/16 is:

[1] As amended by the Accounts and Audit (Amendment)[England] Regulations 2006

Working Together to Make a Difference for Harrow

The specific Corporate Priorities for 2015/16 are:

- **Making a difference for the vulnerable**
- **Making a difference for communities**
- **Making a difference for local businesses**
- **Making a difference for families**

The Council's vision and corporate priorities are taken into account when developing the Internal Audit annual operational plan of work. Where appropriate specific audit reviews will be scheduled to support individual priorities. In addition each year reviews are undertaken of systems that support the delivery of the corporate priorities.

Draft Plan

The first draft of the plan is developed after:

- consideration of the risk maturity of the organisation[2];
- review of the Council's Corporate Plan/Priorities 2015/16;
- review of the Final Revenue Budget 2015/16 and the MTFS 2014/15 – 2016/17
- review of the current Corporate Risk Register;
- review of the previous Internal Audit work covering the Council's internal controls (including an indicative audit risk rating);
- identification of significant local and national issues and risks, including new legislation;
- review of Protecting the Public Purse 2014 (Audit Commission, November 2014);
- review of the External Audit plan;
- consultation with Finance Business Partners on key areas of financial risk;
- consultation with the Service Manager, Corporate Anti-Fraud on key areas of fraud prevention.
- consultation with the Chief Executive, Corporate Directors, the S151 Officer and other key managers as appropriate;

The draft plan was presented formally to CSB (on 18th March) and the GARM Committee (on 1st April) for review/comment.

[2] Risk maturity is assessed by considering the risk management process in place to determine whether the risk maturity of the organisation is risk enabled, risk managed, risk defined, risk aware or risk naïve.

Final Plan

Once the consultation process is complete the final plan is developed by undertaking a detailed risk assessment of all reviews contained in the draft plan to rank the projects on the plan, based on materiality and risk, as high, medium or low.

The number of audit days available for the 2015/16 plan is determined via a detailed resource calculation for each auditor. A realistic but challenging target is then set for each member of the team and the combination of these targets determines the days available for the Internal Audit Plan. 1164 audit days were identified for the 2013/14 plan, 1075 audit days for the 2014/15 plan and 900 days for the 2015/16 plan. The decrease in audit days reflects reductions in the number of Internal Audit posts.

The internal audit resources required to undertake each proposed audit review, based on the suggested scope of each review, is estimated and a final plan is developed ensuring that the highest risk reviews are included.

The table below shows the final internal audit plan 2014/15 and includes:

- the type of review to be undertaken - Reliance/Assurance Reviews
- Corporate Risk Based Reviews
- Directorate Risk Based Reviews
- Schools Reviews
- Support, Advice & Follow-up
- the results of the audit risk assessment – High/Medium/Low
- the main driver for each review - KEY: IA - Internal Audit; EA - External Audit; CGG - Corporate Governance Group; CP - Corporate Priority; CR - Corporate Risk; M - Management and F - Finance
- days in the plan – this is an estimate of the days required that will be refined before the start of each review once full scope of the review has been developed and agreed with management
- the indicative timing of each review – the quarter of the year in which the review is expected to start
- a summary of the expected audit coverage – again this will be refined before the start of each review

Final Plan 14/15	Risk Assessment H/M/L	Main driver (accumulated IA knowledge/management consultation)	Days in plan	Indicative Timing - Quarter in which should be started	Audit Coverage
Reliance/Assurance Reviews					
Housing Rents	M	IA/EA	18	Q1	Key Control Review, systems notes
Corporate Accounts Payable	H	IA/EA	12	Q1	Key Control Review, systems notes
Corporate Accounts Receivable	H	IA/EA	12	Q1	Key Control Review, systems notes
Council Tax	H	IA/EA	1.5	Q1	System notes, walkthrough. CRSA
Treasury	M	IA/EA	1.5	Q1	System notes, walkthrough. CRSA
Payroll	H	IA/EA	1.5	Q1	System notes, walkthrough. CRSA
Housing Benefit	H	IA/EA	1.5	Q1	System notes, walkthrough. CRSA
Capital Expenditure	H	IA/EA	1.5	Q1	System notes, walkthrough. CRSA
Business Rates	H	IA/EA	1.5	Q1	System notes, walkthrough. CRSA
IT Reviews					
Northgate Housing Repairs – Application Review	H	IA/F	20	Q3	Covering access controls, data entry, processing, output, interfaces, back-up and recovery
SAP	H	IA	30	Q3	Targeted review of parameters
IT Change Management (c/f 14/15)	H	IA/CF	20	Q4	Review of system in place to manage IT change
Fraud Risk					
Purchase Invoice Fraud	H	PPP/CP	10	Q2	A review of a sample of purchase invoices across the council to ensure that payment is only being made on bonafide invoices
Mandate Fraud Risk	H	PPP/CP	10	Q3	A review of controls in place to prevent fraud
Tenancy Changes	H	F	15	Q2	To ensure appropriate check undertaken when there is a

					change of tenancy
Help2Let	H	M	15	Q3	Risk based systems review
Corporate Risk Based Reviews/Governance Reviews					
Corporate Governance	n/a	IA/CCG	25	Q1-Q4	Annual governance review, drafting AGS, AGS Action Plan
Risk Management	n/a	IA	70	Q1-Q4	Maintenance and update of Corporate Risk Registers + Corporate Risk Appetite Statement
Information Governance Board (IGB)	n/a	IA	5	Q1-Q4	Quarterly review of security breaches + HIA on Board
Debt Management	H	IA/F/M	20	Q3	To ensure that a joined up corporate approach is taken to debt management
Cabinet Decisions	H	IA	10	Q2	A review of the quality/robustness of information supplied in Cabinet reports to support key recommendations and ensure sound decisions
CIPFA Fraud Code	H	IA/CAFT	30	Q1-Q4	Input to the planning and implementation of the CIPFA Fraud Code
Income Maximisation (incl. Trading Standards)	H	F/IA	15	Q2	A check to ensure that Council is charging for everything it current should be charging for ahead of commercialisation
Project Assurance/Management	H	IA/M	10	Q2-Q4	Input to process for new construction delivery unit
Directorate Risk Based Reviews Resources					
E-invoicing	H	IA	10	Q2	Post implementation review
Legal Services Company	H	M	10	Q3	Review of governance, income and accounting arrangements
Pertemps Contract	H	IA	10	Q2	Contract Management (inc. goods receipting)
Blocked Invoices	H	IA	10	Q2	Identification/elimination of causes
HR Self-service	H	M	10	Q4	Review of the controls in place to ensure changes to payment details are not open to fraud and error
Community, Health & Wellbeing					
MyCep - PayPal, Claw Back of Surpluses	H	F	20	Q2	To ensure adequacy, application and effectiveness of controls in place for commercialisation
Fixed Assets	H	F	10	Q3	Ensure records on Northgate (Dwellings & Garages) and on SAP (Shops & Community Halls) are up to date and accurate
Homelessness Data on Northgate	H	F	15	Q4	Information Security, data quality, information sharing
Public Health - Health Checks Follow-up	H	IA/M	5	Q2	Follow-up of Audit Briefing note issued 2013/14
Children & Families					
Schools	H	IA	100	Q3,4	Thematic Reviews covering HR Policies & Procedures; Procurement; Landlord/Tenant Responsibilities; GB Decisions; Fraud Risk
Families First (Troubled Families Grant)	n/a	M	5	Q1-Q2	Audit check & grant certification
Bus Subsidy Grant	n/a	M	1	Q2	Grant certification

Cash Payments	M	F/CR	5	Q2	Review of cash payments made to identify alternative suitable methods where possible
Headteachers' Remuneration	H	M	10	Q3	Review of Headteachers' Remuneration across the borough
Schools Expansion Programme Phase 3	H	IA	10	Q3	Programme Management Assurance
Environment & Enterprise					
Trade Waste	H	CAFT/F/IA	15	Q3	Assurance re progress made to improve processes and reduce fraud risk
Grants	H	F	10	Q4	Compliance check on grant conditions
Support, Advice & Follow-up					
Suspected Financial Irregularities + Control Reviews	H	IA/M	50	Q1-Q4	Guidance to managers on investigations and the undertaking of investigations
Professional Advice	n/a	IA/M	40	Q1-Q4	Advice on risk mitigation & control particularly new & developing areas
Follow-up	H	IA	45	Q1-Q4	Red, Red/Amber & Amber reports followed-up
Liaison with External Audit	n/a	IA	5	Q1-Q4	On-going liaison throughout the year
Audit Management	n/a	IA	150	Q1-Q4	Audit planning, GARM reporting
TOTAL AUDIT DAYS			**902**		

Implementation of the Audit Plan

The Internal Audit Plan will be implemented by the in-house team following practices that comply with the Public Sector Internal Audit Standards.

Whilst every effort is made during the planning process to identify risks facing the Council we are working in an environment of rapid change and as such it has become more important over recent years for the audit plan to be flexible to allow for emerging risks. Such risks, as they occur, will be assessed and where they are deemed to be high risk an appropriate review will be included in the ongoing plan. Where possible such reviews will replace other reviews of a lower risk or reviews that have been taken out of the plan for other reasons however where neither of these options are possible work will be undertaken as necessary with a consequence that the agreed plan will roll into the following financial year.

The Internal Audit Mid-year and Year-end reports will detail all emerging risk work and outline the impact on the agreed plan.

Susan Dixson
Head of Internal Audit
June 2015

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REPORT FOR:	**GOVERNANCE, AUDIT, RISK MANAGEMENT & STANDARDS COMMITTEE**
Date of Meeting:	22nd July 2015
Subject:	**Draft Annual Governance Statement 2014/15**
Responsible Officer:	Tom Whiting – Corporate Director Resources
Exempt:	No
Enclosures:	2014/15 Draft Annual Governance Statement – Appendix 1

Section 1 – Summary and Recommendations

This report sets out the Council's Draft Annual Governance Statement (AGS) for 2014/15 required to meet the requirements of the Accounts and Audit Regulations 2011.

Recommendations:
The Committee is requested to:

1) Review the 2014/15 draft AGS (Appendix 1);

2) Make recommendations as appropriate to enhance the statement or improve the annual review process.

Reason: (For recommendations)
To confirm the Council's approach to Corporate Governance and demonstrate our commitment to uphold the highest standards of integrity, openness and accountability. To comply with the requirements of the CIPFA/SOLACE guidance which constitutes 'proper practice' under the Accounts and Audit Regulations 2011.

Section 2 – Report

Introduction

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

2.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

2.3 The Council has approved and adopted a corporate governance framework and a Code of Corporate Governance , which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government.* The Annual Governance Statement explains how the Council has complied with the framework/code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2011 in relation to the publication of a statement of internal control (Annual Governance Statement).

Annual Governance Statement

2.4 Each year the Council undertakes a robust review of its governance arrangements to ensure the delivery of good governance within a local government framework and current good practice. The purpose of the review is to provide assurance that governance arrangements are adequate and operating effectively and to identify action required to ensure effective governance in the future.

2.5 Internal Audit co-ordinates the annual review compiling evidence/sources of assurance provided by members of the Corporate Governance Working Group into an evidence table that is used as a basis for the preparation of the draft AGS which is reviewed and agreed by the Corporate Governance Group.

2.6 The Annual Governance Statement is prepared on behalf of the Leader of the Council and the Chief Executive. It is submitted in draft to the

Leader, the Chief Executive and the Governance, Audit and Risk Management (GARM) Committee for consideration and review and included with the draft annual accounts to meet the statutory requirement of the Accounts and Audit Regulations 2011 which requires authorities to "conduct a review at least once in a year of the effectiveness of its system of internal control".

2.7 The Statement will be finalised, having considered any comments received on the draft, and updated to reflect any changes in the governance framework between the end of the financial year and the point at which it is signed-off. The signed-off version will be presented at the next GARM Committee meeting with the Accounts.

Financial Implications

2.8 Financial implications have been addressed, where relevant, in the main body of the report.

Risk Management Implications

2.9 The work of internal audit supports the management of risks across the council.

Equalities Implications

2.10 None

Corporate Priorities

2.11 Internal Audit contributes to all the corporate priorities by enhancing the robustness of the control environment and governance mechanisms that directly or indirectly support these priorities.

Section 3 - Statutory Officer Clearance

Name: Dawn Calvert Date: 06/07/15	✓	Chief Financial Officer
Name: Caroline Eccles Date: 09/07/15	✓	On behalf of Monitoring Officer

Section 4 - Contact Details and Background Papers

Contact: Susan Dixson, Head of Internal Audit,
Tel:0208 424 1420

Background Papers: None.

If appropriate, does the report include the following considerations?

1.	Consultation	YES / NO
2.	Corporate Priorities	YES / NO

DRAFT ANNUAL GOVERNANCE STATEMENT 2014/15 v3

1. Scope of Responsibility

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

1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk i.e. it is responsible for ensuring a sound system of governance.

1.3 The Council has approved and adopted a Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE Framework '*Delivering Good Governance in Local Government*'. The code has been taken into account in drafting our constitution and a copy can be obtained from Harrow Council, Civic Centre, Station Road, Harrow, Middlesex HA1 2XF or from our website at:

http://harrowhub.harrow.gov.uk/info/200190/audit/991/code_of_corporate_governance

This statement explains how the Council has complied with the code and the governance framework and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2011 in relation to the publication of this Annual Governance Statement.

2. The Purpose of the Governance Framework

2.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled, and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its corporate priorities and consider whether those priorities have led to the delivery of appropriate, cost-effective services.

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

2.3 The governance framework has been in place at Harrow Council for the year ended 31 March 2015 and up to the date of approval of the statement of accounts.

3. The Governance Framework

3.1 The key elements of Harrow's governance framework are set out in our Code of Corporate Governance. A brief description of them is contained in the following paragraphs.

3.2 In May 2014, a new administration took control of the Council, and agreed at Council on the 12th June a new vision and set of priorities:

Vision:	Working Together to Make a Difference for Harrow
Priorities:	Making a difference for the vulnerable
	Making a difference for communities
	Making a difference for local businesses
	Making a difference for families

.

3.3 The vision and priorities are based on the new Administrations understanding of the views of local residents developed by listening to many people, from community groups, women's groups, businesses and trade unions over the last year in the run up to the local elections. These formed part of the Administration's manifesto which was publicly campaigned upon.

3.4 The council's strategic direction, it's vision, priorities, core outcomes and key initiatives are reviewed annually and set out in the Corporate Plan. The Council's Corporate Plan 2015-2019 was agreed in February 2015 following further consultation and events involving residents and local organisations. Proposals relating to major financial and service decisions set out in the plan were consulted upon with residents through the Take Part Consultation.

3.5 In October 2013 consultation was launched on the deletion of the Chief Executive post and a final decision taken to delete it and replace it with a Head of Paid Service combined with an existing Corporate Director post by Cabinet in December 2013 and ratified by full Council. The Chief Executive subsequently left the Council in February 2014 and was replaced on an interim basis by the Head of Paid Service and Corporate Director of Community Health and Wellbeing. In July 2014 the new administration launched a consultation with Harrow Council staff, Councillors and the Trade Unions on the senior management arrangements of the Council. In September 2014, following the consultation, in which two thirds of the respondents expressed a preference for the re-instatement of a Chief Executive; Cabinet resolved that the post of Chief Executive should be re-instated in the Council's management structure. An appointment was made and ratified by full Council on November 2014 and the position filled in February 2015..

3.6 Harrow Council works in partnership with many different organisations, both public and private sector, to deliver the best outcomes for our community. For many years the Harrow Strategic Partnership (HSP) was in place as an umbrella conduit for change to improve the social, economic, environmental, health, education, and community safety needs of the communities of Harrow. This was supported by a number of key boards including the Health and Wellbeing Board (although technically the Health and Wellbeing Board did not report to the HSP), the Safer Harrow Board and the Harrow Chief Officers Group. Over the years, as the partnerships have developed, the need for an umbrella board has diminished and thus in September 2014 the Harrow Strategic Partnership Board was abolished to streamline the decision making and governance arrangements for our partnerships with other public sector bodies. The key boards have continued to lead on the governance of our partnerships.

3.7 The Council also has a number of shared service arrangements and commercial partnership arrangements in place to help deliver the best outcomes for our community in terms of costs and service delivery. Each of these has governance structures in place, designed as appropriate for the individual arrangement.

3.8 The development of the Council's medium term financial strategy continues to be extremely challenging because:

- The Government's deficit reduction strategy is making significant reductions in the funding available to local authorities
- Changes to the way the Government funds local authorities are transferring significant risks to local authorities that were previously borne by Central Government

- The Financial settlement continues to be on an annual basis making medium term financial planning difficult.
- Harrow is already a relatively low spending council
- Considerable savings have been made in previous years and this makes it increasingly difficult to identify new areas for efficiencies and reductions
- The demand for services from our residents and expectations from central government are growing all the time
- Statutory guidelines around provision of many service areas and a demanding regulatory environment particularly regarding Ofsted

3.9 During 2014/15 as part of its preparations for meeting savings targets in 2014/17 and beyond a number of projects were launched across the Council to review outsourcing, in house and shared services options for the delivery of services. All of these which had an impact on services to the public were consulted upon with residents through the Take Part Consultation.

3.10 The authority strives to deliver best value for money to its residents by improving performance and minimising costs. Each directorate is required to identify efficiencies and improvements as part of their commissioning plans, considered by the Commissioning Panels. The Council's Reputation Tracker in March 2015 showed the second highest residents' satisfaction score in eight years and 48% of respondents agreed or strongly agreed that the Council gives local people good value for money.

3.11 Allocation of Responsibilities of the Executive and the individual members are set out in the Council's Constitution. Minutes of all decisions made by the Executive and individual Executive members are available on the intranet and internet and records are maintained by Legal & Governance Services. The Council's Constitution includes details of Director responsibilities, committee terms of reference and details of the statutory obligations (Head of Paid Service, Directors of Children's, Adult Social Services, Director of Public Health, Chief Financial Officer (S151 Officer), Monitoring Officer and Returning Officer).

3.12 Delegations are reviewed and approved annually. Matters specifically reserved for council and cabinet are reviewed and updated in accordance with legislation when issued. Delegations were last reviewed and approved by the Council on June 2014.

3.13 A scrutiny function is in place which comprises an overview and scrutiny committee, a performance and finance sub committee, a health and social care sub committee and lead scrutiny councillors for:

- Health
- Community, Health and Wellbeing
- Children and Families
- Environment and Enterprise
- Resources

The function is driven by the need to hold the council and our partners to account both for their policy direction and performance and the establishment of the performance and finance sub committee 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, and fed into the work programme of the committees.

3.14 Standards of behaviour for members and staff are defined in their respective Codes of Conduct which are available on the intranet and used as a basis for training.

3.15 The Council has a duty to manage its risks effectively and this is achieved through a consistent corporate process in a hierarchical series of risk registers. The Corporate risk register is reviewed by the Corporate Strategy Board and the Governance, Audit, Risk Management and Standards Committee on a regular basis. All Directorates have risk registers and these are reviewed by Directorate Management Teams regularly and the Improvement Boards quarterly.

3.16 A Corporate Anti-fraud Policy and Corruption Strategy is maintained by the Council's Corporate Anti-fraud team.

3.17 Throughout 2014/15 the authority's financial management arrangements have conformed with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The same CFO was in post throughout 2014/15 but changed in May 2015. The CFO reports operationally to the Corporate Director of Resources and has the right of access to the Chief Executive and Leader of the Council as necessary or appropriate on matters relating to their statutory role. The CFO sits on the Corporate Strategy Board. The authority's assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit. The Head of Internal Audit is a middle manager with extensive internal audit experience who has regular and open engagement with the Leadership Team and the Audit Committee.

3.18 The Council's top management team form the Corporate Strategic Board (CSB). It is chaired by the Chief Executive and comprises the four corporate directors, the Director of Legal Services and the Director of Finance. CSB meets fortnightly to discuss future strategy, major change, cross council issues and the medium term financial strategy (MTFS). In addition the board meets fortnightly as the Statutory Directors Board (SDB) to deal with operational matters e.g. Cabinet reports, performance, operational and service changes, and financial monitoring. SDB comprises members of CSB as well as the following statutory officers: Director of Adult Social Services and the Director of Public Health. On a quarterly basis, SDB holds a performance morning to review service and financial performance information, risk and programme monitoring etc.

3.19 The role of the Statutory Monitoring Officer is to report on likely contravention of any enactment or rule of law and the Statutory Monitoring Officer provisions are contained in Part 3 of the Constitution. Effective arrangements are in place to discharge the monitoring officer function via the Director of Legal and Governance Services. During 2014/15 the Council entered into an agreement (agreed by Cabinet March 2015) with Buckinghamshire County council and the postholder now works at the County Council 2 days a week and at Harrow Council 3 days a week. As the postholder is contactable 5 days a week and a Deputy Monitoring Officer is also in post this arrangement does not impact on the fulfilment of this Statutory role The arrangements for the discharge of the Head of Paid Service is covered in the constitution and this role was fulfilled by the interim Head of Paid Service form April 2014 to February 2015 and the Chief Executive the rest of the year and to date.

3.20 The Governance, Audit, Risk Management and Standards (GARMS) Committee undertake the core functions of an audit committee as identified in CIPFA's Guidance *Audit Committees – Practical Guidance for Local Authorities.* Its terms of reference encompass the review and monitoring role of a range of risk related services, including monitoring performance on corporate governance generally. The GARMS Committee is independent of the executive and scrutiny functions. As the political make-up of the Council changed in May 2014 the GARM Committee membership changed but has been stable since .

3.21 A whistleblowing policy exists and was last reviewed in 2013/14. It is accessible on the intranet, covered in the Staff Handbook and referenced in the staff induction checklist. A complaints procedure is also in place and is available on the Harrow Council website (How to make a complaint). A review of complaints, including the number and reason for complaints, the timescales for resolution and the actions taken as a result forms part of the quarterly directorate Improvement Board reports.

3.22 A Member Development Programme is in place that includes mandatory training on their statutory role. Access to development is also available to all members via e-learning. Monitoring of the Member Development Programme and evaluation of development activities is undertaken quarterly by the Member Development Panel, leading to improvements in the Member Development programme and in member induction. All new and existing members elected in May 2014 were provided with training on the Code of Conduct, Register of Interests and the Council's Social media Protocol. Learning and Development Plans for staff are produced annually and ensure the 'golden thread' between the Council's vision and objectives, through to Service Planning and individual objectives for staff. For 2013/14 a new corporate development programme was designed and launched, with improved attendances. Each development activity is evaluated and the programme updated quarterly.

3.23 The Council's Reputation Tracker seeks residents' opinions on a wide range of service and community issues, there was only one survey carried out in 2014/15 following the appointment of the new communications supplier, Lambeth Communications . Service User Groups are in place in some Directorates for example, Neighbourhood Champions and Park User Groups in Environment and Enterprise; the Local Account Group in Adults Social Care and the Whitefriars sub-group of the School Expansion Programme Stakeholders Reference Group in Childrens. Harrow's Community Involvement Toolkit provides practical advice and guidance including how to engage "seldom heard" groups and a consultation portal is used to co-ordinate consultation activity across the Council. In 2013/14 the corporate responsibility for consultation moved to the Council's Communications team.

3.24 During 2013/14 an independent review was commissioned by the Council into allegations of institutional racism. A report was issued on the 11th April 2014 that concluded that there is no evidence of institutional racism at Harrow Council. However, it makes nine recommendations. The council will now consider these recommendations and any actions which are necessary as a result of the report. The full report is available on the Council's Website:
http://www.harrow.gov.uk/news/article/193/report_published_into_claims_of_institutional_racism
In May 2015 a report went to Cabinet providing an update of the Council's performance against its equalities agenda in the last twelve months

(2014/15) as well as summarising the actions taken in response to the recommendations from the investigation commissioned in March 2014 into

alleged institutional racism. Following the review the Council's Corporate Equalities Group started work on the action plan which culmuniated in the report to Cabinet. The Cabinet report is available via the following link:

http://moderngov:8080/documents/g62363/Public%20reports%20pack%20Thursday%2021-May-2015%2018.30%20Cabinet.pdf?T=10

3.25 Add reference to new governance structure required for Council's Commercialisation Strategy.

3.26 Add reference to new Senior Management Structure before finalisation of AGS.

3.27 Add reference to Regeneration governance arrangements.

4. Review of Effectiveness

4.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have the responsibility for the development and maintenance of the governance environment, assurance provided by managers, the Corporate Governance Group, the Corporate Governance Working Group, the Internal Audit annual report, and also by comments made by the External Auditors and other review agencies and inspectorates.

4.2 The effectiveness of the governance framework has been evaluated by:

- Undertaking an annual review of governance arrangements in place against the Council's governance framework as reflected in the Code of Corporate Governance;

- Considering the Head of Internal Audit's overall annual opinion on the adequacy and effectiveness of the authority's control environment;

- Review of the overall assessment and the draft Annual Governance Statement by the Corporate Governance Group, the Corporate Strategy Board and the Governance, Audit & Risk Management Committee;

4.3 The results of the key elements of the evaluation of effectiveness are summarised in the following paragraphs.

5. Annual Review of Governance

5.1 The process employed for the annual review of governance followed the CIPFA guidance '*delivering good governance in Local Government 2012 Edition (published in November 2012).*

5.2 The process involves demonstrating compliance with the principles of good governance through the identification of systems, processes and documentation that provides evidence of compliance with the authority's governance framework. The process is undertaken by the Corporate Governance Working Group.

5.3 The aim of the governance review is to demonstrate that the authority's governance arrangements are adequate and working effectively in practice and, where gaps in governance are identified that will impact on the authority's achievement of its objectives, that appropriate action is taken to improve governance in the future. To this end an action plan will be agreed as part of the annual review process and any significant governance gaps identified by this process will be outlined in paragraph8.

6. Head of Internal Audit's Opinion

6.1 Internal Audit provide assurance to the Council on internal control and risk mitigation through the delivery of an agreed audit plan and a series of follow-up reviews which culminates in the provision of an overall audit opinion on the Council's control environment annually. The overall opinion is formulated from elements agreed as part of the Internal Audit Strategy.

6.2 The overall audit opinion for the Council's control environment for 2015/16 has yet to be fully assessed The detailed report setting out the reasoning behind this assessment will be considered by the Governance, Audit, Risk Management and Standards Committee (GARMS) in July 2015 (or September 2015).

7. Declaration (Part I)

7.1 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by Corporate Governance Group and the Governance, Audit & Risk Management Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions are outlined below.

8. Significant Governance Issues

8.1 The review process for 2015/16 has identified no significant governance gaps and XX minor gaps.

8.2 An action plan will be agreed as part of this process to address the gaps identified to further enhance our governance arrangements.

9. Declaration (Part II)

9.1 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of the effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed …………………………………….. ……………………………………………
Councillor David Perry | Michael Lockwood
Leader | Chief Executive

Date ………………………………………. ……………………………………………

REPORT FOR:	**Governance, Audit and Risk Management Committee**
Date of Meeting:	**22 July 2015**
Subject:	**INFORMATION REPORT** – Annual Health and Safety Report
Responsible Officer:	Caroline Bruce, Corporate Director (Environment and Enterprise)
Exempt:	No
Enclosures:	Appendix 1 – Analysis Report for Accidents and Incidents Quarter 1 To Quarter 4 (1st April 2014 – 31st March 2015) Appendix 2 – Insurance Claims, Quarter 1 To Quarter 4 (1st April 2014 – 31st March 2015) Appendix 3 – New Safety Team set up

Section 1 – Summary

This report summarises the council's health and safety performance for the year 1st April 2014 to 31st March 2015, providing an update of activities and giving information on outcome measures – training, audits and accidents.

FOR INFORMATION

Harrow COUNCIL LONDON

Section 2 – Report

Executive Summary

2.1 The Corporate Health and Safety Service has continued to develop the health and safety management system and to provide support and guidance across the organisation during the period from April 2014 to March 2015.

2.2 Part of this has included the major restructure of Corporate Health and Safety, with the function moving into the Commercial Safety Team, Public Protection in the Environment and Enterprise Directorate. This has led to the transfer of two staff, as well as a restructure to strengthen the service.

2.3 As a result of the restructure a £100,000 saving was achieved as well as £10,000 spent on external training providers. The training is now carried out by the Commercial Safety Team as an accredited training centre, providing internal and external training.

2.4 The key work streams during the period have been:

- The completion of the restructure, and on-going increase to the capacity of the team
- The introduction of phase two of a two year improvement plan (see appendix 1).
- Introduction of a new health and safety system in place in Environment and Enterprise, initiating Safety Teams at the front line which is to be rolled out corporately
- Maintenance and introduction of organisation specific health and safety policies and Codes of Practice.
- Provision of health and safety support, advice and guidance.
- Continued delivery of health and safety training.

2.5 The management of the occupational health service and employee assistance programme has stayed with HR under the restructure, due to direct links with employment and sickness.

2.6 The key points from this period are as follows:

- No enforcement action from the HSE.
- There has been a slight improvement in incident performance, with a reduction in the accident incident rate and the RIDDOR injury frequency rate from previous years' data.

- Increased delivery of health and safety training, including joint work with the Unions

Background

2.7 An annual safety review is undertaken and a report prepared detailing health and safety performance to enable the Council to determine it's effectiveness in managing risk and address any shortcomings.

External Assurance

2.8 In 2014 the HSE Inspector performed a follow up visit following an inspection of waste and recycling arrangements to monitor progress against the requested improvements. The Inspector was satisfied that the identified improvements had been addressed and no further action was taken.

Improvement Plan

2.9 Following the completion of the first two year improvement plan, a phase two improvement plan was introduced in September 2013, running until the end of September 2015. The improvement plan focussed on seven key areas for improvement, risk assessment, training, auditing, behavioural safety, policies and procedures, incident management and work equipment.

2.10 The improvement plan is underway and broadly on target, with phase two of the auditing completed and new incident management arrangements in place. At the time of writing this report the incident management is ahead of schedule and risk assessment is slightly behind schedule. Focus will therefore be given on risk assessment and greater use of the SHEAssure software for this.

Health and Safety Policy and Guidance

2.11 A review of all existing policies and codes of practice was undertaken in this year, including the overarching health and safety policy. Updates were made to reflect changes in working activities, including increased use of DSE in vehicles

2.12 With the re-instatement of a Chief Executive post in February 2015, the corporate health & safety policy was updated to reflect the change. This will be further updated and signed off once the Senior Management Restructure has been confirmed.

Health and Safety Groups

2.13 Due to internal changes, this aspect is being sought to be revitalised to ensure that it happens, due to past concerns over poor representation from all directorates.

2.14 Revitalisation has taken place in the Environment & Enterprise directorate with greater focus on service involvement.

2.15 In addition the Health at Work group meets every quarter.

2.16 The focus going forward is for the correct issues to be addressed at the correct level, to prevent unnecessary escalation as well as resolution at the earliest opportunity.

Health and Safety Visits, Inspections and Audits

2.17 Site visits, inspections and accident investigations have continued to be performed by the Corporate Health and Safety Service through the organisation.

2.18 Further e-self health and safety audits are to be conducted within the year to establish the current level of health & safety compliance throughout the organisation, especially following a number of directorates restructures that have, and currently being, undertaken.

2.19 The service has also continued to respond to requests for site visits, principally in schools, providing guidance and support on a range of issues including monitoring the summer holiday building works programme and fire arrangements.

2.20 Going forward, a plan of site audits will be taking place using the capacity within the Commercial Safety Team to ensure health & safety stays at the forefront of the organisation and schools

Education Outside the Classroom

2. 21 Educational visit assessments have been under review this year with schools. Greater clarity has been provided relating the volume of detail required to the level of risk. The service has continued to review assessments for a wide range of trips including residential trips, outdoor activities and overseas trips.

Occupational Health

2.22 HML continues to provide the occupational health service and the service is overseen by HR as part of the overall Corporate Health & Safety restructure. They continue to carry out online and face to face appointments, the latter being held off-site at a number of their premises.

2.23 The number of management referrals and work health assessments undertaken in 2014/15 has gone up slightly from the previous year.This may, in part, be accounted for by reduced staffing levels and organisational and operational changes. 78 referrals were made, up

5% from the previous comparative period, of which 36% were from the Environment and Enterprise Directorate

2.24 The main causes for management referrals remain musculoskeletal (36%) and mental health (19%). This is broadly consistent with previous years and consistent with other Local Authorities data. Of these figures, 43% of mental health referrals were work related, and 27% of musculoskeletal referrals.

2.25 The occupational health service also continues to provide health surveillance and administer inoculations, including driver medicals and hepatitis B vaccinations. A 'flu vaccination voucher scheme was also offered to staff in 2014.

Promotion of Health, Safety and Well Being

2.26 The Public Health Directorate Harrow Council leads on implementation of the London Healthy Workplace Charter in Harrow. This initiative was launched by the Greater London Authority (GLA) in 2012 to recognise and support business investment in staff health and wellbeing.

2.27 Harrow was awarded the first stage of the London Healthy Workplace Charter in 2014, showing commitment to all key areas, being:

- corporate support
- health and safety
- attendance management
- physical activity
- healthy eating
- smoking cessation
- substance use, and
- mental health and well-being

2.28 Promotion events, including mental health, diabetes checks, healthy eating and physical activity took place during 2014 at the Civic Centre and the Central Depot.

2.29 Harrow will not work towards submission for the two higher stages.

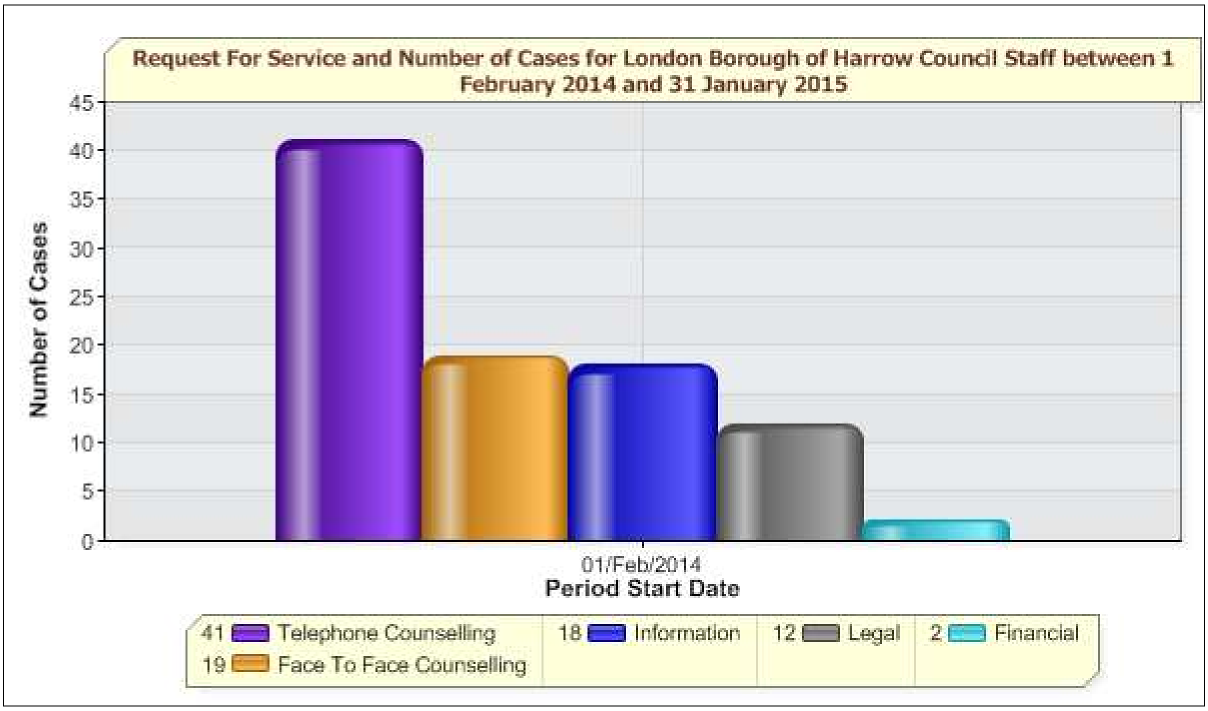
Employee Assistance Programme

2.30 HM Assist has continued to provide an Employee Assistance Programme to the organisation whereby employees can freely obtain a range of services including specialist counselling and financial advice. This service has continued to be promoted throughout the year, including the Christmas period.

2.31 Usage of the service is very similar to previous years and, as before, a wide range of support has been given on topics ranging from advice on wills to counselling for psychological anxiety. In the period from the 1st February 2014 to the 31st January 2015, 62% of callers were female, 30.5% of the callers were in the age range 36 - 45 and 20% of cases required face to face counselling.

2.32 Table 1 breaks down the type of calls made, with telephone counselling representing 44% of overall interactions, of which the biggest reason being related to work stress / work stress demand.

TABLE 1 – Break Down of EAP Interactions



Incidents reported

2.32 Incident performance is still monitored by both the directorate & corporate groups every quarter (see appendix 3). The data is considered both in terms of volume and through key performance indicators which allow consideration of the number of employees and number of employee hours worked.

2.33 There has been 289 employee related incidents in this period, 16 of which have required reporting to the Health and Safety Executive.

2.34 The majority of employee incidents continue to occur in schools (135). As with previous years the largest accident types within schools related to physical assault (47) and slips, trips and falls (27).

2.35 The majority of physical assaults related to the management of children with additional needs and of these 47 incidents only 1 was reportable to the HSE. Accredited training is provided to staff on physical intervention.

2.36 Two key performance indicators (see appendix 3) are used to monitor performance, the accident incidence rate, which is the number of accidents per 100,000 employees and the reportable injury frequency rate, which is the number of incidents reportable to the HSE per 100,000 person hours.

2.37 A review of the accident incident rate over the last four years has revealed the following. There was an increase in the rate over the first two years, which would be expected as more robust reporting arrangements were introduced. The data then appears to have 'plateaued' in 2012-13 and has reduced slightly in 2013-14 and continued to do so in 2014-15. Quarter 3 showed an increase; however, this could be related to seasonal issues and increased work with schools. However, it is still recognised that improvements are necessary to capture all incidents, near misses and reporting arrangements using the SHE Assure software. A programme of training by Corporate Health & Safety within schools has taken place to ensure that the system is used correctly.

2.38 The RIDDOR injury frequency rate over the last four years has seen an initial increase followed by a reduction in 2014-15. For quarter 2 and 3 these figures rose, but the numbers are low so any RIDDOR shows a significant change.

2.39 In reviewing incident type across the organisation in 2014/15 the three main incident types remain physical assault (31%), slips, trips and falls (17%) and hit by moving object (11%). This is comparable to 2013/14 where the three main incident types were physical assault (45%), slips, trips and falls (25%) and handling, lifting and carrying (11%).

2.40 It is difficult to account for the fall in reporting of physical assaults. As previously discussed the majority of incidents are minor, staff continue to receive accredited training and risk assessments are undertaken. However it can be noted that a pupil leaving or joining a special school can directly influence the number of incidents reported.

2.41 In reviewing occupation type in relation to incident, teachers, teaching assistants and school support workers account for 41.5% of all incidents. This is a significant drop compared to 2013/14 where these occupations accounted for 69% of all incidents.

2.42 The service continues to record incidents relating to non-employees where it relates to the organisation's activities or the use of its facilities. Nearly all these incidents relate to pupils and are minor incidents e.g. sports or playground injuries. There are no trends identified from this data and individual incidents have been addressed in the appropriate manner.

2.43 Analysis of the trends from the key performance indicators and the incident type and occupation indicates that overall incident performance within the Council is improving. The health and safety audit programme has focussed on areas where management of risk will reduce the potential for an incident, for example, lone working assessments for social care workers and managing medicines arrangements in schools. Continuous improvement in risk assessment and safety procedures will improve incident performance but due to the low numbers and the diverse nature of the incidents, the improved performance cannot be attributed to direct intervention in key areas.

2.44 A new process for recording and reporting incidents was being implemented in 2014/15 using the SHEAssure software. The new process is designed to capture more detail, allow greater analysis and assist local management in identifying immediate and root causes, develop action plans and link to risk assessments.

Health and Safety Training Data

2.45 A training programme has continued to be delivered by the Corporate Health and Safety Service, but within the bigger remit of the Commercial Safety Team since August 2014

2.46 The Commercial Safety Team is an accredited training centre for Highfield and Chartered Institute of Environmental Health (CIEH); offering accredited and bespoke courses across all areas of health & safety, food safety and public health matters.

2.47 These courses are available on the training calendar and the service will continue to monitor incident performance, using the improved SHEAssure software arrangements, against delivered training to identify positive impacts and areas where further training is necessary.

2.48 It has been noted that not all new starters are attending the induction training with the course now available online through learning pool, which should aid greater completion of the course.

2.49 Future use of online training, through the learning pool, is planned for 2015/16. The suggested courses to be considered will not include courses where a classroom session is appropriate e.g. manual handling.

2.50 It is likely to see an increase in the delivery of the Level 2 Health & Safety course in 2015-16 as a new health & safety directorate structure is put in place, and more front line staff are trained to maximise effectiveness and input.

Legislation Update

2.51 The period 2014/15 saw no significant legislation change that impacted the reporting of health & safety. It should be noted that the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) 1995 amendment to reporting arrangements (mainly the increase to 7 working day absence to become reportable) will affect the comparison between 2013/14 and 2014/15 RIDDOR figures, and potentially account for the slight drop in numbers.

Stakeholder Feedback

2.52 A Hazard Notice was served on the Council on 10th March 2015 by Unison due to concerns over health & safety in the refuse section. As a result, the matter was raised at the Employee Consultative Forum (ECF) and a clear action plan put in place to address the matters.

2.53 Development of health and safety management continues to proceed through collaboration with the recognised Trade Unions, including the joint launch of the health and safety team system in Environment and Enterprise. An overview of this is shown in **Appendix 3**

2.54 There has been no enforcement activity by the HSE during this period. The HSE did revisit following their waste and recycling review and were satisfied with the improvement implemented. This included steps put in to ensure safety between pedestrians and vehicles in the civic amenity yard.

Management Assurance

2.55 Monitoring of health and safety performance within the organisation continues to be performed by the health and safety groups including the Health at Work group, Directorate and Corporate Health and Safety groups.

2.56 Due to the restructures over the last 6 months, and changes around the Council, these health and safety forums are to be re-energised to ensure taking place regularly and effectively. This will include the School' Health and Safety Forum to ensure that all schools views are considered.

Plans for April 2015 - March 2016

2.57 The key actions for 2015/16 include the following:

- Internal; reorganisation for the delivery of the Corporate Health and Safety Service.

- Implementation of safety team structures across the Council, in line with the Senior Management Review

- Performance management of the delivery of the Occupational Health Service and the Employee Assistance Programme under HR

- Health and safety support and advice within Harrow Council.

- Increased catalogue of training courses offered to all parties, including accredited and bespoke

Financial Implications

Health and safety management is integral to directorate budgets, and the functions of the Corporate Health and Safety team are carried out within the budget available.

The saving of £101,000 in 2014/15 has not compromised the functions offered, but allows a more efficient and better capacity service going forward, that has the ability to meet future challenges.

Equalities implications

This report is for information, and protected characteristics are constantly measured as part of any health & safety system, especially aspects of age and disability.

Corporate Priorities

The delivery of health and safety management is integral to, and supports the achievement of all Corporate Priorities.

Section 3 - Statutory Officer Clearance

Name: Jessie Mann Date: 10th July 2015	X	on behalf of the Chief Financial Officer
Name: Bob Huffam Date: 7th July 2015	X	on behalf of the Monitoring Officer

Contact Details and Background Papers

Contact: Richard Le-Brun, ESM (Public Protection),
020 8736 6267

Background Papers: None

Appendix 1

Specific details regarding RIDDORs is available, but are reviewed as standard practice.

Community health and wellbeing – Employees Q1 to Q4 2014/15

Type of Incident	Total Incidents		Employee
Slipped, Tripped Or Fell On The Same Level	**21**		6
Aggression and Violent Behaviour	**5**		5
Medical Emergency	**5**		1
Physically Assaulted By A Person	**3**		2
Fell From A Height (State Height in Notes)	**3**		0
Feeling faint / Unconsciousness	**3**		1
Near Miss	**3**		0
Hit By A Moving, Flying Or Falling Object	**2**		2
Choking / Asphyxiation	**2**		0
Injured While Handling, Lifting Or Carrying	**2**		1
Challenging Behaviour	**2**		1
Fatality	**2**		0
Seizure	**2**		1
Handling/Lifting/Carrying	**2**		1
Exposure To, Or In Contact With, A Harmful Substance	**2**		2
Security Breach	**1**		0
Nosebleed	**1**		0
Incident With Faulty Equipment	**1**		1
Hit By A Moving Vehicle	**1**		0
Infectious disease	**1**		0
Incident Involving a Vehicle	**1**		1
Exposure To Fire	**1**		0
Total	**66**	**0**	**25**

Reporting of incidents is improving. The main areas related to; slips and falls (6); verbal abuse (5); physical assault (2);

There were 3 employee RIDDOR incidents and these are illustrated in the table below

Community health and wellbeing – Employee RIDDOR

Occupation	Total Incidents		RIDDOR
Office Worker	**12**		1
Social Care Worker	**7**		1
Support Worker	**3**		1
Total	**66**		**3**

RIDDORs related to 2 trip incidents and a person hurting their back when lifting

Resources – Employees Q1 to Q4 2014/15

Type of Incident	Total Incidents		Employee
Medical Emergency	**4**		1
Feeling faint / Unconsciousness	**2**		2
Contact With Hot Surface	**1**		1
Slipped, Tripped Or Fell On The Same Level	**1**		1
Contact With Sharp Object	**1**		1
Hit By A Moving, Flying Or Falling Object	**1**		1
Exposure To, Or In Contact With, A Harmful Substance	**1**		1
Hit Something Fixed Or Stationary	**1**		1
Seizure	**1**		0
Total	**13**		**9**

The number of incidents is low. The main area reported to the corporate health and safety services related to feeling faint / unconsciousness (2).

There were no employee RIDDOR incidents

Children and families – Non Schools Employees Q1 to Q4 2014/15

Type of Incident	Total Incidents		Employee
Physically Assaulted By A Person	**65**		41
Slipped, Tripped Or Fell On The Same Level	**22**		6
Challenging Behaviour	**11**		2
Near Miss	**9**		3
Physical Contact (Not Assault)	**7**		1
Hit By A Moving, Flying Or Falling Object	**7**		3
Aggression and Violent Behaviour	**6**		3
Handling/Lifting/Carrying	**5**		5
Faecal smearing	**5**		1
Seizure	**4**		0
Hit Something Fixed Or Stationary	**4**		1
Feeling faint / Unconsciousness	**4**		3
Incident With Threatening Behaviour	**4**		4
Contact With Sharp Object	**4**		2
Medical Emergency	**3**		2
Fell From A Height (State Height in Notes)	**2**		0
Injured While Handling, Lifting Or Carrying	**2**		1
Nosebleed	**2**		0
Self-harm	**2**		0
Security Breach	**2**		1
Trapped	**1**		0
Incident With Faulty Equipment	**1**		1
Faulty Apparatus	**1**		1
Other - Please add details below	**1**		0
Contact With Hot Surface	**1**		0
Violence & Aggression	**1**		1
Hit By A Moving Vehicle	**1**		0
Incident With Verbal Abuse	**1**		0
Injured By An Insect or Animal	**1**		1

Total	**179**		**83**

There were low numbers of incidents reported to the corporate health and safety service and the main area related to physical assaults. These were minor incidents.

Children and families – Non Schools Employees – Employee RIDDOR

Occupation	Total Incidents		RIDDOR
Passenger Assistant	**44**		2
Office Worker	**11**		0
Driver	**11**		0
Social Care Worker	**8**		0
Support Worker	**6**		0
Teacher	**1**		0
Cleaner	**1**		1
Apprentice	**1**		0
Total	**179**		**3**

There were 3 employee RIDDOR incidents. These are illustrated in the table above.

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Schools - Employees Q1 to Q4 2014/15

Type of Incident	Total Incidents		Employee
Slipped, Tripped Or Fell On The Same Level	**131**		27
Physically Assaulted By A Person	**59**		47
Hit Something Fixed Or Stationary	**55**		9
Hit By A Moving, Flying Or Falling Object	**51**		13
Physical Contact (Not Assault)	**31**		4
Medical Emergency	**18**		3
Fell From A Height (State Height in Notes)	**17**		2
Injured While Handling, Lifting Or Carrying	**10**		6
Seizure	**9**		0
Sports Injury	**6**		0
Contact With Sharp Object	**6**		3
Challenging Behaviour	**5**		4
Trapped	**5**		3
Feeling faint / Unconsciousness	**5**		1
Aggression and Violent Behaviour	**4**		2
Foreign Object in Eye	**4**		2
Near Miss	**4**		2
Handling/Lifting/Carrying	**4**		3
Infectious disease	**3**		2
Security Breach	**2**		0
Contact With Acid	**2**		0
Nosebleed	**1**		0
After School Staff (Agency)	**1**		0
Contact With Moving Machinery Or Material Being Machined	**1**		0
Exposure To, Or In Contact With, A Harmful Substance	**1**		0
Ingestion of Foreign Object	**1**		0
Fatality	**1**		0

Contact With Electricity Or An Electrical Discharge	**1**		1
Injured While Trampolining	**1**		0
Accident	**1**		1
Foreign Object in Ear	**1**		0
Total	**441**		**135**

The main areas related to; physical assault (47); slips and trips (27); Hit by a Moving, Flying or Falling Object (13) These incidents mainly occurred in Special Schools and represent a reduction on the previous reporting period

Schools Employees – Employee RIDDOR

Occupation	**Total Incidents**		**RIDDOR**
School Support Staff	**44**		1
Teaching Assistant	**38**		3
Teacher	**36**		2
Total	**441**		**6**

There were 6 employee RIDDOR incidents. These are illustrated in the table above.

Special Needs Transport - Employees Q1 to Q4 2014/15

Children & Families

Who Was Involved	Total Incidents		Employee	Service User
Challenging Behaviour	**11**		5	6
Near Miss	**2**			2
Physically Assaulted By A Person	**2**		2	
Hit By A Moving, Flying Or Falling Object	**1**		1	
Other - Please add details below	**1**			1
Slipped, Tripped Or Fell On The Same Level	**1**		1	
Total	**18**		**9**	**9**

The main areas related to; challenging behaviour (11) which is not unexpected in the service area concerned. No RIDDOR incidents and accidents occurred during the year.

Adults

Type of Incident	Total Incidents		Client
Slipped, Tripped Or Fell On The Same Level	**2**		2
Challenging Behaviour	**1**		1
Total	**3**		**3**

Very few incidents were recorded, and no RIDDOR matters.

Environment Enterprise – Employees Q1 to Q4 2014/15

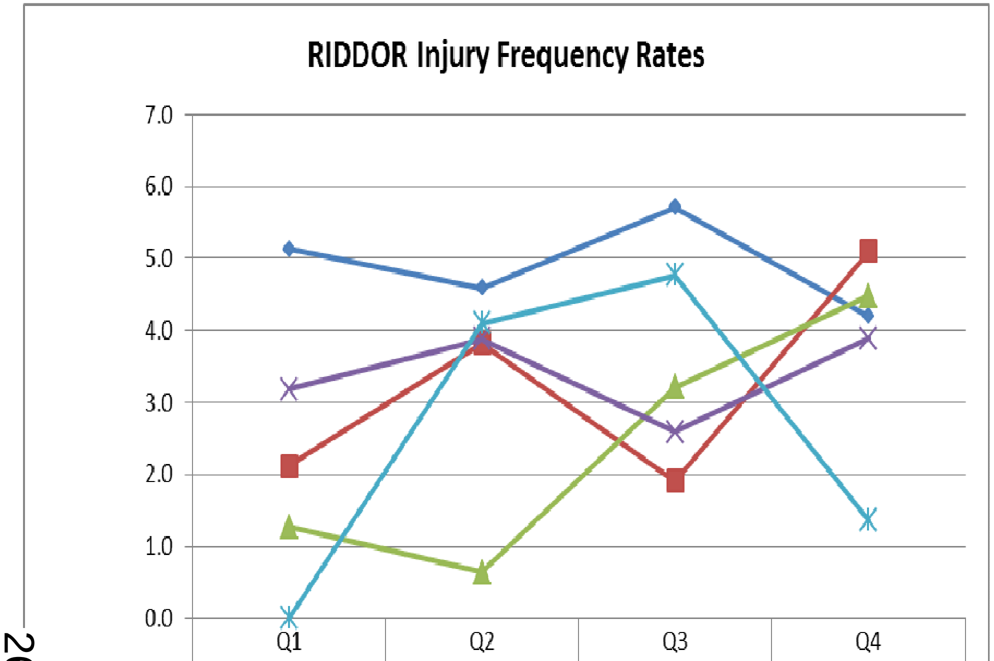
Type of Incident	Total Incidents		Employee
Slipped, Tripped Or Fell On The Same Level	**13**		9
Handling/Lifting/Carrying	**5**		5
Aggression and Violent Behaviour	**4**		2
Feeling faint / Unconsciousness	**4**		2
Near Miss	**4**		2
Hit By A Moving, Flying Or Falling Object	**3**		3
Medical Emergency	**3**		2
Physically Assaulted By A Person	**2**		1
Hit Something Fixed Or Stationary	**2**		0
Incident With Faulty Equipment	**2**		2
Incident With Burglary/Theft/Mugging	**2**		0
Exposure To, Or In Contact With, A Harmful Substance	**2**		2
Incident Involving a Vehicle	**2**		2
Injured While Handling, Lifting Or Carrying	**1**		1
Contact With Moving Machinery Or Material Being Machined	**1**		1
Seizure	**1**		0
Faulty Apparatus	**1**		1
Property Damage	**1**		0
Contact With Sharp Object	**1**		1
Incident With Verbal Abuse	**1**		0
Hit By A Moving Vehicle	**1**		1
Total	**56**		**37**

Incidents within EE have improved from previous years. The main areas related to slips and trips (9); handling / lifting (5) and hit by moving / flying object (3), which correlates to the previous year in terms of types.

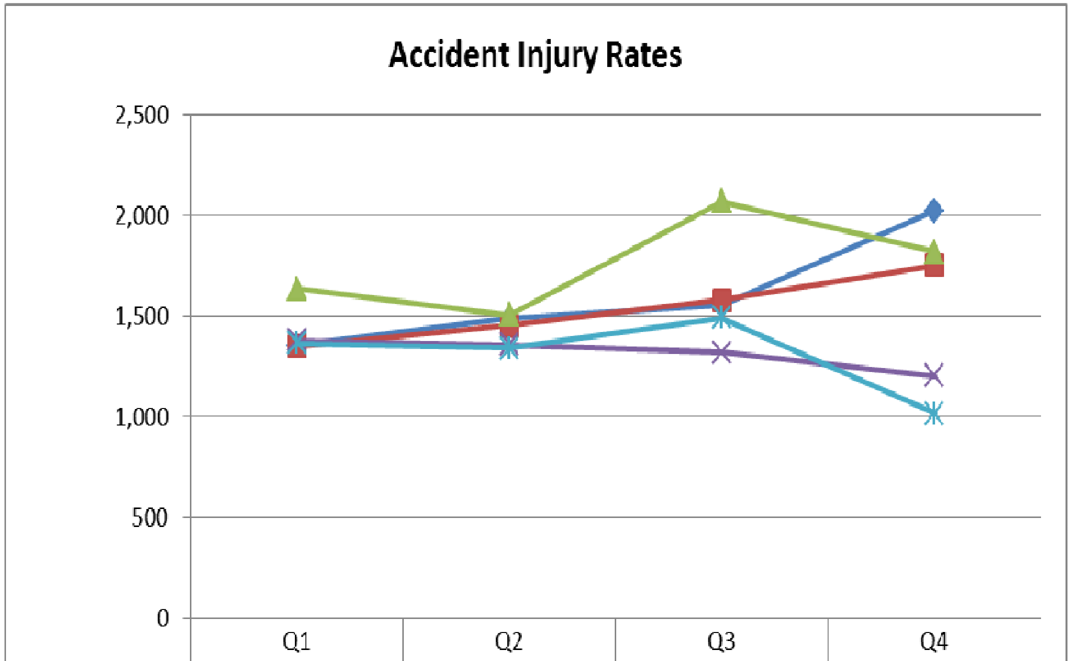
There were 6 employee RIDDOR incidents. These are illustrated in the table below.

Environment Enterprise – Employee RIDDOR

Occupation	Total Incidents		RIDDOR
Not a Harrow Council Employee	**18**		0
Office Worker	**18**		1
Maintenance (Grounds)	**4**		1
Refuse Loader	**4**		0
Security Guard	**2**		1
Civil Enforcement Officer	**2**		0
Social Care Worker	**1**		0
Driver	**1**		0
Machine Operator	**1**		0
Not Specified	**1**		1
Cleaner	**1**		0
Loading Bay Operative	**1**		1
Groundworker	**1**		0
Teacher	**1**		1
Total	**56**		**6**



	Q1	Q2	Q3	Q4
2010-11	5.1	4.6	5.7	4.2
2011-12	2.1	3.8	1.9	5.1
2012-13	1.3	0.6	3.2	4.5
2013-14	3.2	3.9	2.6	3.9
2014-15	0.0	4.1	4.8	1.4



	Q1	Q2	Q3	Q4
2010-11	1,356	1,489	1,551	2,025
2011-12	1,352	1,453	1,581	1,752
2012-13	1,636	1,505	2,067	1,818
2013-14	1,379	1,360	1,320	1,203
2014-15	1,364	1,342	1,491	1,015

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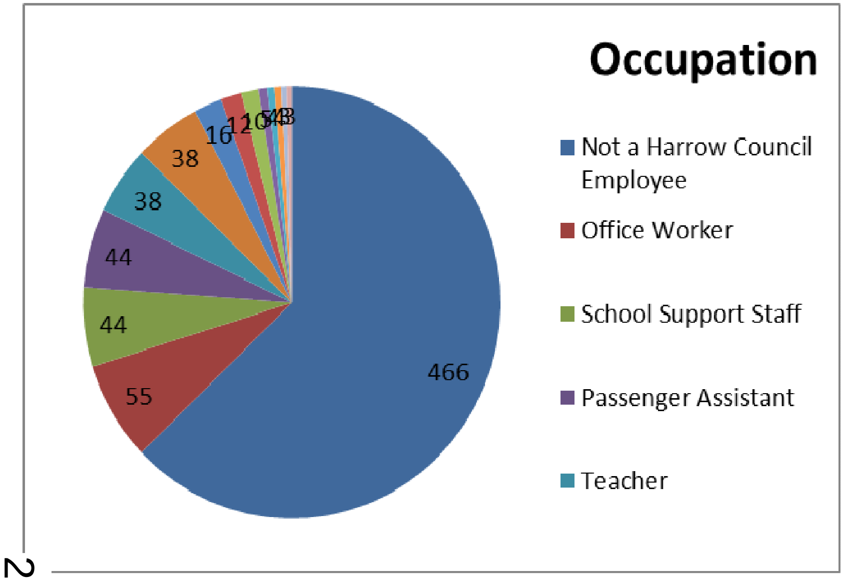
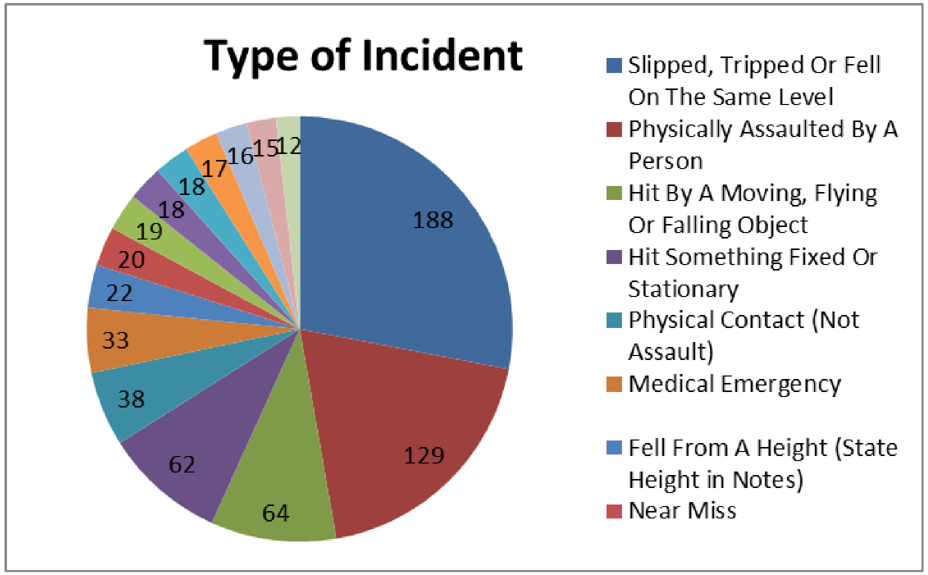
The RIDDOR injury frequency rate has slightly increased in quarter two and three compared to previous years and subsequently remained low. This may, in part, be due to changes in the reporting requirements under the regulations which have included an extended period of absence before reporting is required.

The general trend for the accident incident rate has increased from the period 2010-11 to the period 2012-13. During this period improved arrangements for reporting incidents have been introduced and it appears that the number may have reached a plateau. As greater focus was placed on introducing effective arrangement and addressing the causes of accidents reduction of incidents in this area was expected as illustrated in 2013-14 and continued reduction 2014-15 on the whole.

All Directorates Incidents – Q1 to Q4 2013/14

Occupation	Total Incidents		RIDDOR	Lost Time	Near Miss
Not a Harrow Council Employee	**466**		3	0	0
Office Worker	**55**		2	7	0
School Support Staff	**44**		1	7	0
Passenger Assistant	**44**		2	4	0
Teacher	**38**		3	7	0
Teaching Assistant	**38**		3	5	0
Social Care Worker	**16**		1	2	0
Driver	**12**		0	1	0
Support Worker	**10**		1	1	0
Catering	**5**		0	0	0
Maintenance (Grounds)	**4**		1	2	0
Refuse Loader	**4**		0	2	0
Caretaker	**3**		0	1	0
Cleaner	**3**		1	1	0
Apprentice	**2**		0	0	0
Security Guard	**2**		1	0	0
Civil Enforcement Officer	**2**		0	1	0
Machine Operator	**1**		0	0	0
Site Management	**1**		0	0	0
Not Specified	**1**		1	0	0
Loading Bay Operative	**1**		1	1	0
Groundworker	**1**		0	0	0
Plumber	**1**		0	0	0
Other (Specify In Notes)	**1**		0	0	0
Total	**755**		**19**	**40**	**0**



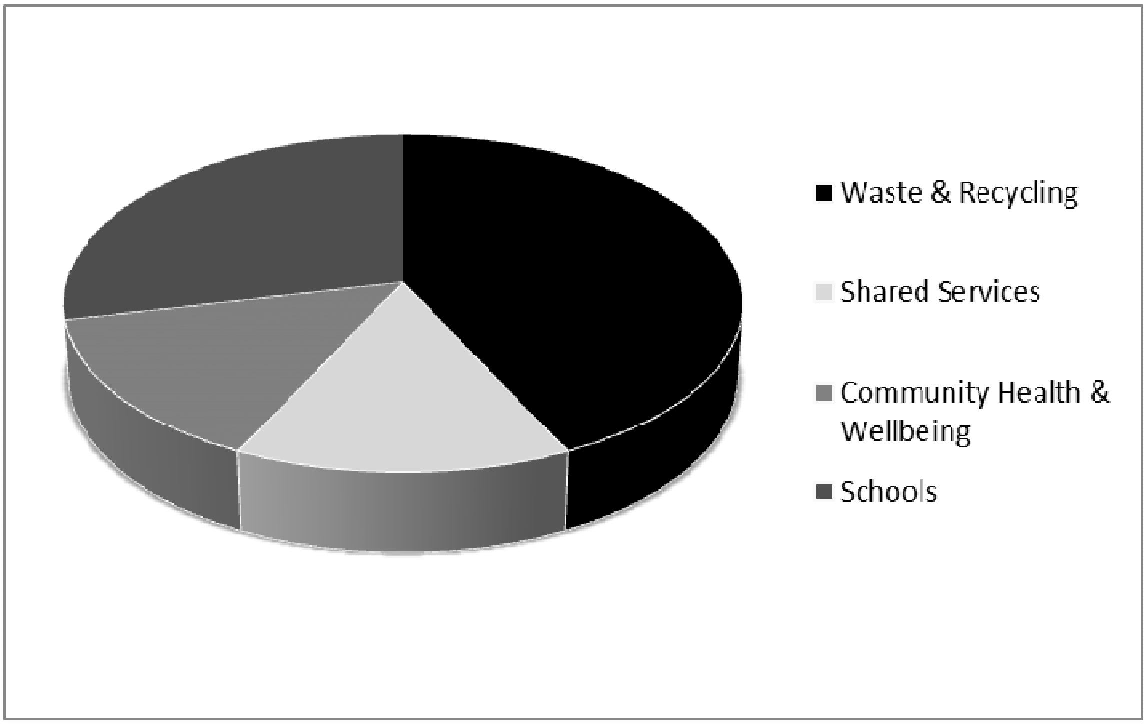


267

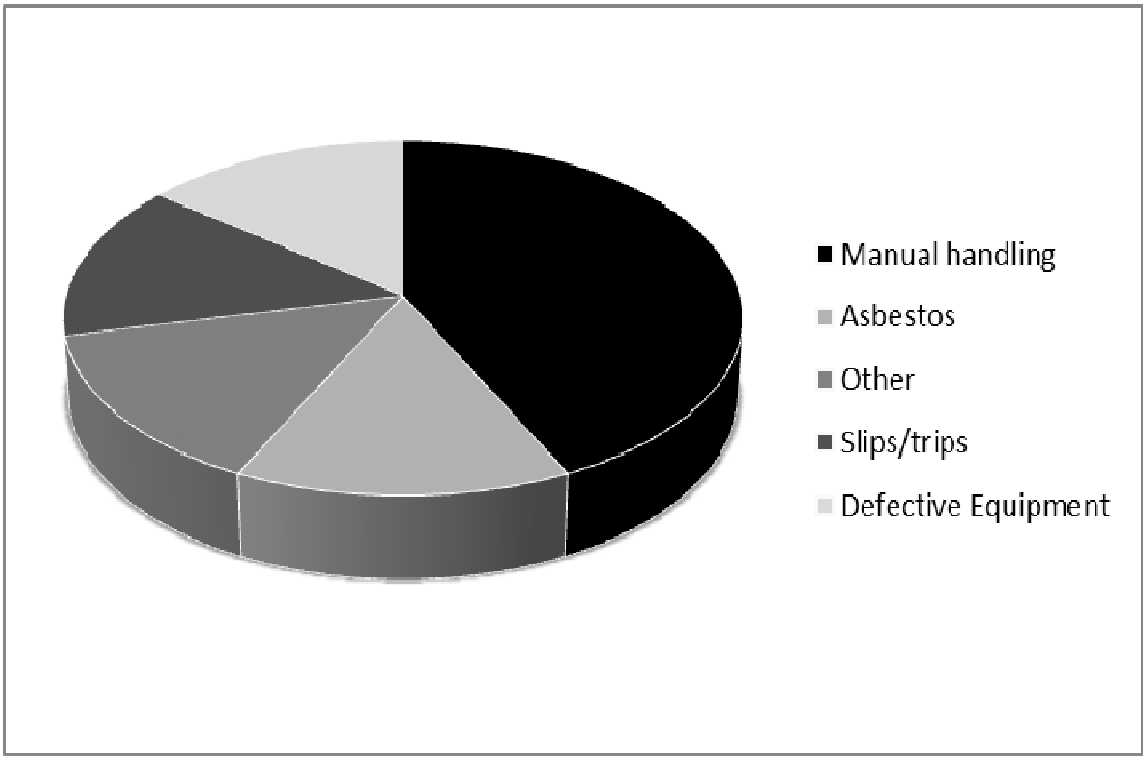
he largest amount of incidents overall is from non Harrow Employees, of which 307 are children in schools with the vast majority being for minor injuries. These numbers remain high due to encouragement of Corporate Health & Safety to report all incidents and accidents, including close misses, through the SHEAssure software.

Appendix 2 - Employers' Liability Insurance Claims

Claims Received 1 April 2014 to 31 March 2015 by Department



Claims Received 1 April 2014 to 31 March 2015 by Cause



Detailed Information

Department	Incident Date	Details	Reserve	Status
Shared Services	1/6/13	Employee sustained back injury at home but claims it was exacerbated due to late arrival of orthopaedic chair	£2,000	Repudiated
Waste & Recycling	12/10/14	Employee hurt shoulder moving bin	£6,500	Repudiated
Waste & Recycling	23/2/15	Employee sustained injury through loading and unloading bins up and down steps	£4,500	Repudiated
Waste & Recycling	1964	Former employee contracted asbestos related disease allegedly through collection of asbestos waste	£6,000	Under investigation
Community Health & Wellbeing	29/11/14	Employee hurt back moving piano	£7,000	Liability admitted
Schools	8/9/14	Employee tripped over discarded plastic	£1,800	Repudiated
Schools	16/12/14	Employee trapped finger in gate	£8,030	Repudiated

APPENDIX 3 – SAFETY ORGANISATION (E&E)

SAFETY ORGANISATION

Work Team
Identifies and raises issues
Responsible for working safely

SAFETY TEAM
Membership: Staff reps
Supervisors
Manager
[Each team to determine numbers etc.]

Functions: Identify issues
Safety inspections
Risk assessments
(New and annual review)
Identify Significant Risks
Training
Local Campaigns
PIs
Refer unresolved issues up

DIVISIONAL
Membership: Divisional director
DMT
Union rep (as required)
[Normally part of DMT meeting or special meeting/Task Group]

Functions: Monitor PIs
Divisional Campaigns
Resolve Issues
Refer unresolved issues up

DIRECTORATE
Membership: Corporate Director
SMT
Unions
Corporate H&S
[First hour of SMT– Quarterly]

Functions: Monitor PIs
Divisional Campaigns
Resolve Issues
Refer unresolved issues up

CORPORATE

FEEDBACK INFORMATION

COMMISSIONING

Collect and collate data

Maintain register of Risk Assessments
(identify which of these are Significant Risks)

All issues to be resolved as quickly as possible.

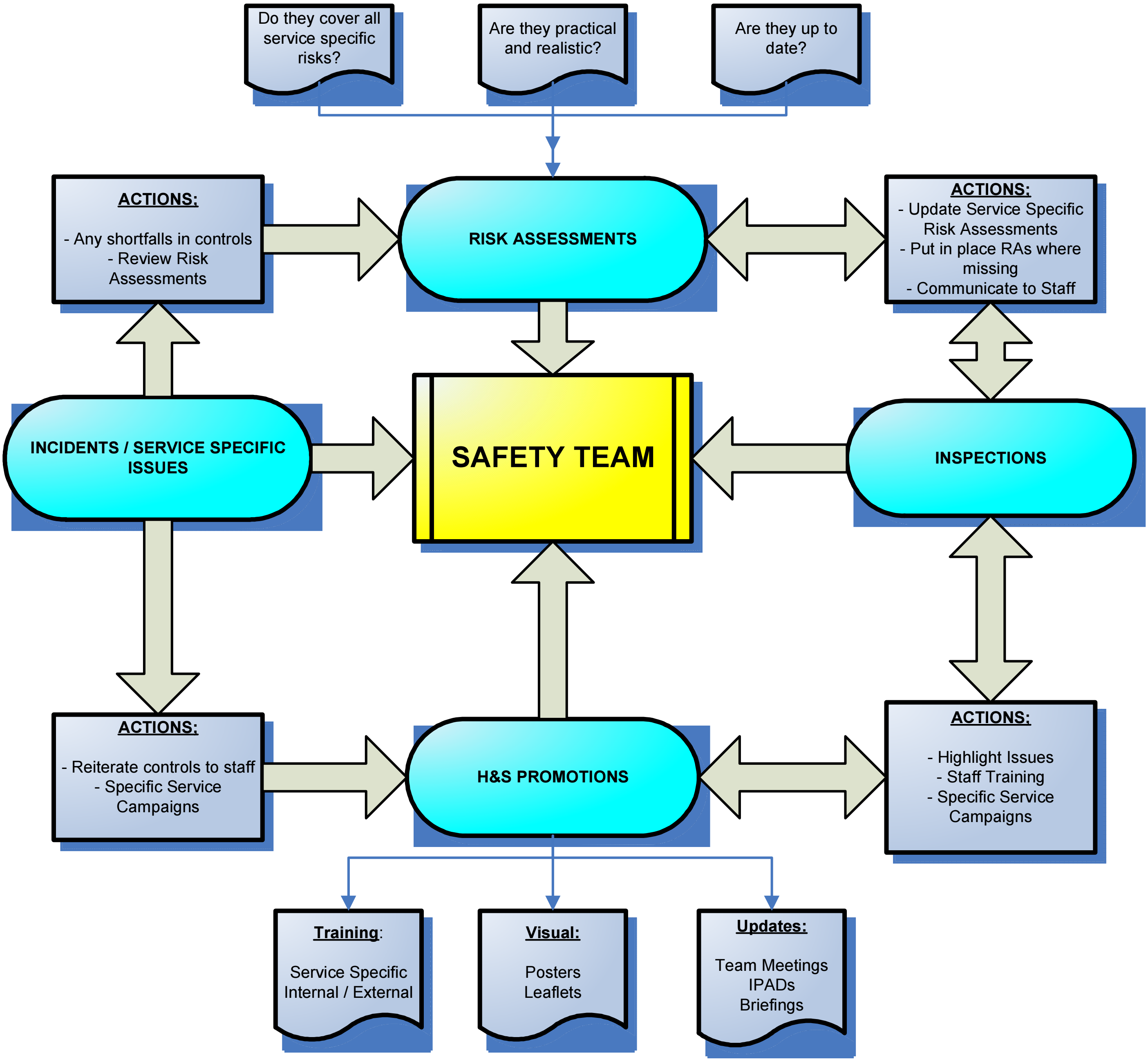
All issues to be resolved asclose to the front-line as possible.

Managers are responsible for ensuring that the system is meeting its requirements.

Where managers make a decision without the agreement of staff representatives, the objections to the decision must be recorded on theRisk Assessment - and this must be referred up to the next level

All actions to be recorded (for audit).

Need to develop standard templates and procedures to ensure that we all work to a common format


Do they cover all service specific risks?
Are they practical and realistic?
Are they up to date?
ACTIONS:
- Any shortfalls in controls
- Review Risk Assessments
RISK ASSESSMENTS
ACTIONS:
- Update Service Specific Risk Assessments
- Put in place RAs where missing
- Communicate to Staff
INCIDENTS / SERVICE SPECIFIC ISSUES
SAFETY TEAM
INSPECTIONS
ACTIONS:
- Reiterate controls to staff
- Specific Service Campaigns
H&S PROMOTIONS
ACTIONS:
- Highlight Issues
- Staff Training
- Specific Service Campaigns
Training:
Service Specific
Internal / External
Visual:
Posters
Leaflets
Updates:
Team Meetings
IPADs
Briefings

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REPORT FOR: **GOVERNANCE, AUDIT, RISK MANAGEMENT AND STANDARDS COMMITTEE**

Date of Meeting:	22 July 2015
Subject:	**INFORMATION REPORT** Corporate Anti-Fraud Team Year End Report 2014-15
Responsible Officer:	Tom Whiting – Corporate Director of Resources
Exempt:	No
Wards affected:	All wards
Enclosures:	Appendix 1

Section 1 – Summary

This report sets out the performance of the Corporate Anti-Fraud Team against its Fraud Service Plan objectives for 2014-15.

FOR INFORMATION

Harrow COUNCIL
LONDON

Section 2 – Report

Background

2.1 This is an information report and details the performance outcomes for the Corporate Anti-Fraud Team against the Service Plan 2014-15.

2.2 It was a year of change for the Corporate Anti-Fraud Team. On 1st October 2014-15 the team transferred its benefit fraud work to the Department for Works & Pensions as part of the Welfare Reforms and whilst three FTE's also transferred, only two FTE posts were deleted off the structure. The transfer of live work and employees was a challenge and the relatively short notice period meant that much of the 1st part of the year was devoted to this transfer.

2.3 Of the thirteen objectives in the CAFT Service Plan 2014-15, two were exceeded, six were met and five were not met. See Appendix 1 for full financial supporting details and commentary surrounding the objectives.

2.4 Of particular note was the financial income target (objective 10) which was more than doubled and some positive work with housing needs in identifying a number of housing applications that were removed off the Council's housing waiting list (objective 13), thus preventing any potential fraud occurring before it entered the housing system.

2.5 In terms of the objectives that were not met, three feature on the Fraud Service Plan for 2015-16 in tenancy fraud, direct payments and general fraud awareness so will continue to remain a high priority. The objective involving Proceeds of Crime Act 2002 income and Insurance fraud have been removed and will be considered once again for the plan in 2016-17.

2.6 It should be noted that at the time of writing, some high level management information relating to fraud referral numbers and numbers of investigations carried out was not available as the reporting tool used to extract data from the case management system was off line following migration to the Citrix environment. This will be reported at a later date when the system is operating once again.

Financial Implications

The financial implications have been shown where appropriate in the report

Risk Management Implications

None

Equalities implications

None

Council Priorities

The performance of the Corporate Anti-Fraud Team contributes to all of the corporate priorities by preventing, detecting and investigating fraud affecting the authority.

Section 3 - Statutory Officer Clearance

Name: Dawn Calvert	X	on behalf of the Chief Financial Officer
Date: 06 July 2015		

Ward Councillors notified:	**NO**

Section 4 - Contact Details and Background Papers

Contact: Justin Phillips, Corporate Anti-Fraud Manager

Background Papers: None

If appropriate, does the report include the following considerations?

1.	Consultation	YES / NO
2.	Priorities	YES / NO

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Appendix 1

Corporate Anti-Fraud Team Service Plan 2014-15 Outcomes and associated Case Studies

	Project Number, Name & Description	**Expected Outcome**	**Actual Outcome** (exceeded, met, not met)	**Number of cases** (if relevant)	**Value of fraud identified/fraud loss/fraud prevention** (if relevant)	**Commentary**
1.	Deliver Housing/Council Tax Benefit sanctions	16 sanctions (work transferred to the DWP on 01/10/14)	Exceeded	22 cases	£480,685.94 (actual loss)	Some results occurred after 01/10/15 due to the long lead in time for prosecution work. A number of cases are still yet to appear at court
2.	Housing Tenancy Fraud	Identification of 15 housing tenancies subject to misuse and targeted for possession action	Not met	6 tenancies recovered 1 fraudulent succession intercepted 3 cases with legal awaiting proceedings 1 case with Housing Association solicitors awaiting proceedings	£504,000 (loss prevention amount generated by freeing up council tenancies and removing families earlier than normal from B&B/Temp accommodation)	Whilst this objective was not met, there are a number of ongoing investigations at an advanced stage where sound evidence has been gathered indicating tenancy misuse and the team is working closely with housing resident services and legal to ensure properties are recovered either voluntarily or through court action.

3.	Housing Tenancy Data match	Undertake a housing tenancy data match with Experian to identify instances of housing fraud/misuse.	Met	929 matches received in total Very high 14 High 177 Medium 436 Low 302 300 matches sifted to date	£108,000 (2 tenancies recovered to date and included as part of No. 2 objective above)	All very high and high matches have been processed resulting in 2 properties being recovered through fraud to date. Currently medium risk matches are being sifted with a view to completing these and a 10% sample of the low risk matches by the end of September 2015. To date 300 matches have been processed.
4.	Pan London Housing Fraud Hub	Harrow data (CTRS, Housing & Waiting list) input into pan London fraud hub for initial datamatch and more general interrogation to aid prevention of housing assessment fraud – subject to IT security	Met	0	£0 (to date)	There are currently 18 hub members in London. The authority became a member at the end of March 2015. The hub involves a monthly upload of Council Tax Support claims, Housing tenancy data and Housing Waiting List data into a secure repository and access granted to these depts. to support front line service delivery. If an individual/family approaching the authority for assistance is searched on the hub and has a live relationship with another hub member, this will allow the authority to challenge and potentially prevent any losses at the gateway to the service or to

						intercept sooner rather than later. During 2015/16 there will be a focus to embed use of the hub within services so that its use is integrated into core processes.
5.	Blue badge proactive fraud drives	Identification of blue badge misuse and associated follow up sanctions	Met	4 operations delivered resulting in the identification of 19 instances of blue badge misuse.	No widely available formula to measure the cost of badge misuse but TFL estimate that it could be in the region of £5,000-£10,000 per annum in terms of lost parking revenue per badge. Taking the conservative £5,000 loss fraud value of 19 cases could be £95,000 fraud loss.	The team ran 4 operations successfully during the year and will continue to do so in 2015-16
6.	Fraud risk review of Direct Payment cases	Identification of direct payment fraud/financial irregularity through a sample review of	Not met	N/A	£0	This objective suffered for 2 main reasons. Firstly, through the disruption caused by the transfer of work and staff to SFIS as the officer dealing with the project

		high risks cases				was TUPE'D across to the DWP. Secondly, whilst the project was handed to another officer in October 2014 to pick up, they were unable to gain any traction as accessing the necessary sample information proved difficult. Direct payment monitoring information is not held on electronic systems and is stored clerically so locating the data is time consuming for the service area to retrieve. The matter has been escalated through management channels and remains a high risk to the authority and so is on the Fraud Service Plan for 2015-16.
7.	Fraud risk review of Insurance cases	Identification of Insurance fraud/financial irregularity through a sample review of high risk cases	Not met	N/A	£0	This objective as reported in the mid year report was discontinued due to a lack of capacity on the team. The officer with responsibility for this area transferred to the DWP and their post was deleted as part of the CAFT reorganisation. Whilst no proactive sampling of Insurance cases was possible, the Insurance Teams themselves have a robust process in place to deal with fraud and corruption risks which was

						established by Internal Audit in their review in 2014/125 which included fraud risks. The report was a green assurance report
8.	Proceeds of Crime Act 2002 (POCA)	Identify and pursue 4 suitable cases to recover criminal proceeds	Not met	N/A	£0	No cases were identified for POCA action and as all historical POCA cases undertaken by the CAFT have been generated by housing/council tax benefit fraud work, it was unrealistic to continue with the objective with this work being transferred. All fraud proven cases will always be considered for POCA action should tangible assets be identified during the investigation
9.	NFI 14/15 data submissions	Data subject privacy notices reviewed, data extracted and uploaded securely to Audit Commission as per specification and to deadline	Met	N/A	N/A	All data sets required as part of the exercise were extracted from the various systems and uploaded securely by the October 2014 deadline. Matched records were returned to the authority in January 2015 and the CAFT continues to support service areas in processing these matches. Any fraud cases identified are referred to the CAFT through usual channels.

10.	Income opportunities/generation	Identification of income through administrative penalties, caution fines and HB overpayment recovery through fraud work	Exceeded	29 cases	£45,329.98 income generated	Income generated and recovered through administrative penalties and contributions paid by suspects towards investigation costs. It should be noted that the vast majority of income generated through administrative penalties (£40,688.98) did not come back into the CAFT budget, but was diverted towards the Revenues and Benefits budget as these penalties are raised as a result of a housing benefit overpayment.
11.	Deliver an anti-fraud awareness campaign	Deliver an anti-fraud week campaign and co-ordinate communications prior, during and after the week	Not met	N/A	N/A	The awareness campaign did not take place due to a combination of lack of capacity and the larger piece of work currently under consideration following publication of the CIPFA Code of Practice on Managing the Risk of Fraud & Corruption. Awareness of fraud and corruption is an element of Code and it was decided to pick up this element up as part a co-ordinated larger piece of work in 2015-16.
12.	Pilot Identity Authentication Solutions in Housing Services	Identification of compromised documentation at	Met	235 scans taken	£0	CAFT arranged for Housing Services to trial a piece of Identity Documentation Verification

		gateway preventing fraud entering the housing system				software for a 3 month period between June – August 2014 whereby individuals applying to the authority had their ID documents scanned using the smart software. In total 235 scans were taken of a variety of ID documents and all were verified as authentic. No documents were found to be compromised. This provides some assurance that the authorities' housing stock is not being targeted by organised criminals using forged and counterfeit identity documentation
13.	Fraud risk review of housing waiting list	Identification of fraudulent housing applications / interception of cases before perm allocation of tenancy	Met	16 applicants removed	£1,133,800 ((loss prevention amount generated by removing individuals/families from the housing register that may have been allocated a property had the fraud checks not been undertaken)	All applicants banded in A & A* on the housing register were subject to fraud checks and this resulted in the removal of 16 applicants that may have been successful in bidding for a property.

14. **Other areas of reactive fraud risk investigations with positive outcomes achieved**

A) Employment with the Council

Two employees identified as committing fraud against the authority were subject to disciplinary proceedings and dismissed.

Employee one was identified through the National Fraud Initiative (NFI) as having no right to work in the UK. The Home Office confirmed he had no right to work in the UK and that he was reporting to their office as an overstayer on a weekly basis. He was arrested by UK Border officials on suspicion of possession of a counterfeit British passport to obtain employment with the authority and was removed from employment. He was subsequently prosecuted for this offence by he Border Force and was sentenced to 5 months imprisonment suspended for 12 months in August 2014. The cost of the fraud is valued at almost £60,000 (his salary whilst working at the authority).

Employee two was identified through reactive reconnaissance of blue badge use on the Civic Centre site and surrounding roads. The agency employee who was employed in the Public Health Service, was suspected of displaying a badge belonging to a family member in a pay and display bay on a surrounding road to the Civic Centre whilst the badgeholder was not present. Given this potential offence and the risk posed to the authority as an employee potentially abusing the scheme, CAFT officers challenged the employee and they provided an account that was deemed to be unreliable. This information was provided to the line manager who decided to terminate the employees work with the authority. The value of this fraud was is somewhat difficult to quantify as it is not known how many times they used the badge to park and evade parking charges. In addition to this, the case has been approved for prosecution and is currently awaiting a summons to be issued for the offence.

B) School admissions

Two rising 5 school applications were referred to the CAFT during 2014-15 as suspicions were raised that information provided on the applications were incorrect, mainly surrounding the declared addresses.

Applicant one applied to the authority for their child as part of the cyclical admissions programme on the basis that they were residing at address A. Anonymous information was received indicating that the applicant was in fact residing at address B which would impact the awarding of the school place of choice. Following some enquiries undertaken with third party organisations, they all confirmed that the applicant had registered everything at address A such as utilities, bank information and GP information. Further anonymous information was received stating the same facts so an early morning synchronized visit to both properties was undertaken which revealed that applicant was not in fact residing at address A as they had stated. The occupant of address A was a close relative and had no idea the applicant had changed all their documentation to support the application. The occupants of address B were the applicant's parents and they continued to support the applicant in stating they were living at address A. A recommendation was made to school admissions to deny the application from address A and accept it from address B which was duly carried out

Applicant two applied to the authority for their child in year on the basis that they were residing at address A. A tenancy agreement was provided amongst other supporting documentation for address A. It is suspected that the applicant does not reside at address A. This case is still live under investigation and the outcome will be reported later in the year if complete.

Other case studies

C) Housing application

Mrs F applied to Harrow for Housing on the basis that she was a single parent with 3 dependants and was awarded an A banding on the Housing Register. During sample checking of Band A applications, the Investigation Officer found a link to an address in Hertfordshire where he confirmed that the applicant had a tenancy in a Housing Association property with her partner and children for a number of years. The applicant had continued to bid for properties in Harrow after they had been awarded the tenancy in Herts and may have been allocated another tenancy had the check not been undertaken. In addition to this, the officer also traced the partner to an address in another London Borough where they had their own housing application and live bidding process This information was passed to London Council and they have subsequently removed the individual from their register. Had both individuals been successful in their applications, they may now have been in possession of 3 social tenancies and probably renting out 2 for profit. This matter was deemed to be so serious that a prosecution has been authorised and the matter is currently with Legal Services for issue of summons. Harrow is seeking to prosecute on behalf of the other London Council for that element of the attempted fraud.

D) Housing succession

Mrs G applied verbally to succeed to the 3 bedroom Council tenancy of her late mother who had passed away some months previous. She was provided with the necessary forms to complete in order that her application be validated and considered accordingly. She continued to pressure the housing department to grant the succession but returned no completed forms. Eventually when the forms were provided they contained the name of another individual (her brother's details) as opposed to Mrs G's. Both Mrs G's and her brothers credentials were verified through 3rd party sources where it was discovered that both held tenancies elsewhere and did not appear to reside with their late mother prior to her passing. Mrs G holds a social tenancy at another London Borough. Both individuals were invited to attend formal interview but neither attended. The application to succeed to the tenancy was rejected thus preventing a 3 bedroom property failing into the wrong hands. Both individuals continue to be investigated and a decision on further action will be made in due course.

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REPORT FOR: GOVERNANCE, AUDIT, RISK MANAGEMENT AND STANDARDS COMMITTEE

Date of Meeting:	22ND July 2015
Subject:	Corporate Anti-Fraud Team General update and Service Plan 2015-16
Responsible Officer:	Tom Whiting – Corporate Director of Resources
Exempt:	No
Wards affected:	All wards
Enclosures:	Appendix 1- Service Plan

Section 1 – Summary

This report provides a general progress update on the CIPFA Code of Managing the Risk of Fraud & Corruption self assessment and action plan development work and also covers the CAFT Fraud Service Plan 2015-16.

Recommendations:
The Committee is requested to:

a) Consider and comment on the CIPFA Code progress work
b) Consider and approve the CAFT Fraud Service Plan 2015-16

Harrow COUNCIL LONDON

Section 2 – Report

Managing The Risk of Fraud & Corruption Information update

2.0 In October 2014 CIPFA published its code on Managing the Risk of Fraud & Corruption. It further published its guidance underpinning the code of practice in December 2014 and they are also due to publish a self assessment toolkit imminently providing organisations with greater detail about the compliance requirements for each of the five principles contained within the code.

2.1 On 1st April 2015 a report was presented to the Committee recommending that the authority adopt the CIPFA code and that a suggested approach for the authority would be to undertake a self assessment against this code, which would in turn lead onto the development of an action plan to meet any gaps. The committee agreed to adopt the code.

2.2 The report also indicated that the self assessment would be undertaken in quarter 1 of 2015-16 and a recommended action plan be brought back to Committee on 22nd July 2015 for consideration.

2.3 In view of the fact that the CIPFA self assessment toolkit has yet to be published, a decision was taken by the Head of Internal Audit & Anti Fraud and the Corporate Anti Fraud Manager to delay undertaking the self assessment until its release by CIPFA. The main reason being that, if the interpretation of the self assessment against the code was incorrect, the self assessment may have had to be undertaken again.

Protecting the Public Purse self assessment

2.4 However, a self assessment was undertaken against the current best practice taken from *Protecting the Public Purse; a checklist for Councillors and others responsible for governance* to feed into the 2014/15 Annual Governance Statement. This checklist asks a series of 29 questions about the counter fraud & corruption controls an authority has in place. As the new CIPFA Code builds on previous guidance the outcomes of this will be fed into the Code's self-assessment and action plan.

2.5 In terms of the overall controls the authority has in place it measured as 57% of the expected controls operating which is a red/amber assurance report. Of the 29 controls, 6 (21%) were operating, 10 (36%) were substantially operating, 11 (39%) were partially operating, 1 (4%) was not operating and 1 control was not applicable.

2.6 The red/amber self assessment outcome is a reflection of how the organisation deals with its fraud and corruption risks corporately and not solely a reflection of the Corporate Anti-Fraud Team; it is however acknowledged that the team have a crucial role to play in facilitating awareness and change.

2.7 It is important to note that fraud and corruption risks are a corporate risk like any other risk and only through a thorough risk assessment process, can all risks can be captured, controls developed and owned by the particular service area.

2.8 There were a number of themes cutting across the current best practice and the new Code where progress can be made in the short term that could assist the authority provide greater assurance about how it manages its fraud and corruption risks.

2.9 Awareness of fraud and raising the profile of fraud and corruption within the organisation and in the community was a reoccurring theme and how policies such as money laundering and whistleblowing require greater profile amongst staff and the public, so that individuals know how and where to report concerns.

2.10 Another theme identified was a greater understanding of the organisations fraud risks is required as historically, prioritisation of fraud risks has been based on national reports and evidence of frauds uncovered locally, rather than a bespoke assessment of the entire organisation's fraud risks.

2.11 The final theme identified was a lack of engagement with schools and again raising awareness and supporting them in dealing with fraud and corruption risks. This will form a key piece of work moving forward in developing an action plan.

Next Steps

2.12 Once the CIPFA toolkit is published, a self assessment will be undertaken and the outcomes of the completed self assessment will be combined into an action plan that will be brought back to the committee

CAFT Fraud Service Plan 2015-16

2.13 The proposed CAFT Fraud Service Plan 2015-16 is attached at Appendix 1. The Committee is asked to consider, comment and approve subject to any proposed changes

Financial Implications

The financial implications have been shown where appropriate in the report

Risk Management Implications

None

Equalities implications

None

Council Priorities

The performance of the Corporate Anti-Fraud Team contributes to all of the corporate priorities by preventing, detecting and investigating fraud affecting the authority.

Section 3 - Statutory Officer Clearance

Name:…Dawn Calvert………	X	on behalf of the Chief Financial Officer
Date: …10 July 2015…..		
Name: ..Caroline Eccles…	X	on behalf of the Monitoring Officer
Date: …09 July 2015…..		

Ward Councillors notified:	**NO**

Section 4 - Contact Details and Background Papers

Contact: Justin Phillips, Corporate Anti-Fraud Manager

Background Papers: None

If appropriate, does the report include the following considerations?

1.	Consultation	YES / NO
2.	Priorities	YES / NO

CORPORATE ANTI-FRAUD TEAM

SERVICE PLAN 2015-16

	Project Number, Name & Description	Expected Outcome	Performance Measures/Milestones	Priority Action?	By Whom (Lead)	By When	Transformation Link	Risk/ Dependency	Workforce Implications	Service L&D Implications
1.	Council Tax Support (CTS) Fraud	The identification of 12 positive outcomes and/or £15,000 CTS fraud identified including awareness raised within the service area	3 positive outcomes or £3750 fraud identified per quarter		Justin Phillips	April 2016	No	Sufficient referrals	None	None
2.	Housing Tenancy Fraud	Identification of 12 positive outcomes of housing tenancy fraud (including RTB, succession and assignment applications) and where appropriate possession and/or criminal action sought	3 positive outcomes identified per quarter		McKinley Erysthee	April 2016	No	Sufficient referrals	None	None
	Experian Housing Tenancy fraud data match exercise	Completion of Experian Housing Tenancy data match	All matches sifted by September 2015 and high risk cases live under investigation		McKinley Erysthee	Sept 2015	No		None	None
4.	Pan London Housing Fraud Hub	Embed the Housing Fraud Hub within Housing Needs to support front line service delivery	Use of the hub integrated into housing needs procedures and instances of housing needs/application fraud identified		Justin Phillips	Aug 2015	No	IT support	None	None

5.	Explore & develop MOU's with local Registered Social Landlords	Agree MOU's with at least 3 RSL's to generate new work streams in relation to housing tenancy fraud	Set up regular meetings with Senior Managers at RSLs to discuss their arrangements in place to deal with housing tenancy fraud		McKinley Erysthee	April 2016	No	General appetite from RSLs to partnership working	None	None
6.	Blue badge fraud	Identification of 12 positive outcomes through responsive work and proactive fraud drives working with Met Police SNT's and in conjunction with the Council's Day of Action Programme in each quarter	Fraud drives delivered at least quarterly and reactive cases dealt with in a timely manner		Justin Phillips	April 2016	No		None	None
7.	Direct payment fraud	Identification of £50K of direct payment fraud/financial irregularity through a sample review of high risks cases including awareness raised within service area	Identification of appropriate cases and completion of review		Francoise Williams	April 2016	No	Co-operation of Personalisation Team in accessing appropriate cases	None	None
9.	School application fraud	Identification of school admission fraud/financial irregularity through a sample review of high risk cases provided by the admission team including awareness raised within service area	Completion of review and findings /recommendations reported to admissions		Justin Phillips	Sept 2015	No	Co-operation of education	None	None
10.	NFI 14/15 exercise	Supporting service areas in the timely processing of high risks matches to satisfactory conclusion	All high risk matches processed by service areas and appropriate cases referred for investigation		Justin Phillips	April 2016	No	Co-operation of both internal and external agencies	None	None

11.	**Income opportunities/ generation**	**£10K income generated through administrative penalties and recovery of investigation costs**	**Generation of income**		**Justin Phillips**	**April 2016**	**No**	**Availability of appropriate cases and subject to changes in the way this income is reflected for accounting purposes**	**None**	**None**
12.	**Deliver fraud awareness campaign**	**Deliver fraud awareness campaign and co-ordinate communications prior in conjunction with International Fraud Awareness Week 15/11/15 - 21/11/15**	**Raised fraud awareness internally and throughout borough**		**Justin Phillips**	**Nov 2015**	**No**		**None**	**None**
13.	**Fraud risk review of waiting list/temporary accommodation cases**	**Identification of fraudulent housing applications / interception of cases before permanent allocation of tenancy through sample review including raising awareness within service area**	**Completion of review**		**Chris Beynon**	**April 2016**	**No**	**Co-operation of housing assessment /needs**	**None**	**None**
14.	**Review and implement CIPFA Code of Practice on Managing the Risk of Fraud & Corruption**	• **Self assess against the Code performance statements** • **Develop action plan to meet the gaps identified** • **Implement action plan** • **Review progress**	**Self assessment complete Sept 15** **Action plan drafted and submitted to GARMSC Sept/Dec 15** **Action plan implementation commenced Jan 16** **Review progress Jan 16 onwards**		**Justin Phillips**	**April 2016**	**No**	**Co-operation internally from Service areas**	**None**	**None**

Note – Plan to be reviewed and subject to change once CIPFA self assessment work undertaken and action plan developed

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