

# Governance, Audit, Risk Management and Standards Committee Agenda

**Date:** Tuesday 8 September 2020

**Time:** 6.30 pm

**Venue:** Virtual Meeting - Online

## Membership (Quorum 3)

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**Chair:** Councillor David Perry

**Labour Councillors:** Ghazanfar Ali  
Peymana Assad  
Kairul Kareema Marikar

**Conservative Councillors:** Philip Benjamin  
Amir Moshenson  
Kanti Rabadia

**Labour Reserve Members:**

1. Maxine Henson
2. Niraj Dattani
3. Antonio Weiss
4. Chloe Smith

**Conservative Reserve Members:**

1. Pritesh Patel
2. John Hinkley
3. Chris Mote

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

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# **Useful Information**

## **Meeting details**

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The recording will be made available on the Council website following the meeting.

**Agenda publication date: Friday 28 August 2020**

# 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. Appointment of Vice-Chair

To consider the appointment of a Vice-Chair for the Municipal Year 2020/21.

## 3. 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.

## 4. Minutes (Pages 5 - 12)

That the minutes of the meeting held on 21 January 2020 be taken as read and signed as a correct record.

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

**[The deadline for receipt of public questions is 3.00 pm, 3 September 2020. Questions should be sent to [publicquestions@harrow.gov.uk](mailto: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).

**9. Annual Governance Statement 2019/20 (Pages 13 - 84)**

Report of the Director of Finance and Assurance.

**10. Draft Statement of Accounts 2019-20 (Pages 85 - 268)**

Report of the Director of Finance and Assurance.

**11. INFORMATION REPORT - Internal Audit and Corporate Anti-Fraud Year-End Reports 2019/20 (Pages 269 - 298)**

Report of the Director of Finance and Assurance.

**12. Annual Health and Safety Report (To Follow)**

Report of the Corporate Director of Community.

**13. Any Other Urgent Business**

Which cannot otherwise be dealt with.

## **Agenda - Part II - Nil**

**\* Data Protection Act Notice**

The Council will audio record item 4 (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**

## **21 JANUARY 2020**

**Chair:** \* Councillor David Perry

**Councillors:** \* Ghazanfar Ali \* Kairul Kareema Marikar  
\* Peymana Assad \* Amir Moshenson  
\* Philip Benjamin \* Kanti Rabadia

\* Denotes Member present

### **82. Attendance by Reserve Members**

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

### **83. Change of Membership**

**RESOLVED:** That the appointment of Councillor Kairul Kareema Marikar as a Member of the Committee and Councillor Maxine Henson as a Reserve be noted.

### **84. Declarations of Interest**

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

### **85. Minutes**

**RESOLVED:** That the minutes of the meeting held on 16 September 2020, be taken as read and signed as a correct record.

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

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

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

**RESOLVED:** To note that there were no references from Council and other Committees or Panels.

**RESOLVED ITEMS**

**88. INFORMATION REPORT - External Audit report on Grants and Returns Certifications 2018-19**

The Committee received the annual report on grants and returns 2018/19 which included a summary of the outcome of returns with regard to the Teachers' Pension Return, the Pooling of Housing Capital Receipts return, and the Housing benefits Grant claim.

Gary McLeod of Mazars, the Council's Auditors, introduced the report and informed the Committee that a qualification letter had been issued in respect of the Housing Benefit subsidy grant claim as audit testing had identified some minor errors of which there was not expected to be any effect on the subsidy granted. The Teachers' Pensions Return had been updated to reflect the Council's amendments arising from two minor errors. The work with regard to the pooling of Housing Capital Receipts was ongoing with completion by the submission deadline of 7 February 2020.

In response to questions regarding the Housing Benefit Subsidy, the Committee was informed of the sample processing, which was through random testing as set by the DWP. It was noted that the errors were fed back to the Council for inclusion in an action plan and mitigation. The Auditors had to report all finding from the sample as materiality for errors was zero. The External Auditors thanked the Housing Benefits Team for the good work that they had done in preparation for the audit which helped the audit to be undertaken efficiently.

**RESOLVED:** That the Audit report on Grant and Returns Certifications 2018/19 be noted.

**89. INFORMATION REPORT - External Audit Plans 2019-20**

The Committee received a report on the External Audit Plans for 2019/20. The report summarised how the external audit of the Council's accounts and Pension Funds for 2019/20 would be conducted and the key aspects of the audit plan.

Lucy Nutley of Mazars, the Council's Auditors, introduced the report with reference to the audit approach, significant risks and areas of key judgement.

Both audits included identified risks and the testing approach to those risks. The Committee was informed that there would be an update on the need to prepare consolidated group accounts.

The Auditor drew particular attention to: the significant changes arising from the adoption of IFRS 16 (Leases); the Medium Term Financial Strategy had not been made public at the time the accounts were written; and a change in the materiality benchmark to reflect the second year of appointment as the Council's Auditors from 1% to 1.5%.

In response to queries from Members on the Audit Strategy Memorandum, the Committee was informed that:

- whilst the Council's budget was not specifically mentioned, it was considered through value for money work and financial monitoring;
- the regeneration spend was not expected to be a material risk in the current financial year. The Audit looked at the account spend and whether it had been correctly classified and was value for money;,,
- there was a judgement as to materiality of between 1-2% of gross revenue expenditure and the Audit had used 1.5%. There was specific materiality on items such as senior officer remuneration;
- the Audit was not driven by Internal Audit although assurance was taken from it. The Internal Audit plan was reviewed and care was taken not to duplicate work;
- with regard to budgets in general terms, the Audit reviewed instances where the spend had not been anticipated. It did not consider spend where the budget had been foreseen, was appropriate and met the prudential indicators;
- with regard to commercial properties the Audit would be around the governance process, which considered assessments, and would look at values;
- the Director of Finance would be liaising with the Auditor regarding the new Code of Audit Practice due to be adopted in January 2020 in order to provide the required resources and ensure compliance.

Members asked a number of questions with regard to the group audit approach on the Council's trading companies. The Auditor responded that detailed work would be undertaken on related party transactions. The Director of Finance referred to the trading company accounts which were reported quarterly to Cabinet and advised that the business plans would be reported to the June or July Cabinet meeting. A Member acknowledged that details were registered at Companies House as separate legal entities but requested, as these were abbreviated information, full financial statements with full disclosure. The Chair agreed that the Member submit a request for the information to the Director of Finance and Director of Legal and

Governance Services. Following their advice as to whether it was necessary to bring the information to GARMS he would review the way forward which would be circulated to Members of the Committee.

With regard to questions on the Pension Fund Audit Strategy Memorandum, it was noted that interim work would commence subsequent to receipt of the final report from the actuary. Additional work around the triannual evaluation would take place as part of the standard audit report. The Director of Finance referred to a report submitted to the Pension Fund Committee and stated that if the fund improved it was a good result for the Authority.

**RESOLVED:** That the report be noted.

**90. Treasury Management Strategy Statement and Annual Investment Strategy: Mid-year Review 2019/20**

The Committee received a report which set out the mid-year review of Treasury Management activities for 2019/20. It was noted that the report had been considered by Cabinet which had referred it to the Committee for review.

The Director of Finance introduced the report drawing particular attention to table 1 – Investments and Borrowings. It was noted that the officer focus was on the monitoring of the capital programme to ensure accuracy and that borrowing only took place if it had to.

It was noted that, due to the unexpected 1% increase in the cost of new PWLB borrowing, the Council was seeking other sources of affordable funding to be able to deliver the Capital Programme within current budget provision. Since the increase in PWLB rates, only £20m debt, with another lender who was cheaper than PWLB, had taken place. The Council had saved £1.5m as a result of securing borrowing at a lower rate. In response to a question, it was advised that, prior to the recent increase, the PWLB borrowing had been at fixed rates and the new rates for 25 year borrowing were about 3%.

In response to questions from the Committee, it was noted that:

- in regard to table 2 – investment balances, £10m September 2019 had been temporary borrowing from other Local Authorities;
- the 2020/21 financial year included an approximate £25m rolling programme for capital expenditure and £50-60m for the housing capital programme;
- as of 30 September 2019, the total borrowing had been £402,261,000. Subsequent to the preparation of the report there had been a further £20m debt and no further debt was anticipated in the current financial year;
- Lifetime repayments were aligned to an asset and long term borrowing was generally cheaper;



- the penalty for early repayment was equivalent to the interest that the provider would lose. The Authority had repaid some debt which had matured, no penalties had been paid;
- the Director of Finance undertook to supply the Member with information regarding the expected yield and repayment terms in respect of the West London Waste Authority loan which sat in creditors on the balance sheet;
- there was no specific cap on local authority debt and the officers were mindful of affordability considerations.

The Director of Finance undertook to:

- to confirm the figures in table 3 regarding LOBO interest reset dates, and
- to confirm the West London Waste Authority loan figure and whether it included repayments.

**RESOLVED:** That the report be noted.

#### **91. INFORMATION REPORT - Removal of Risk Based Verification in the administration of Housing Benefit and Council Tax Support**

Consideration was given to a report which set out the proposal to remove Risk Based Verification from the administration of Housing Benefit and Council Tax Support. The Committee was asked to comment on the proposal to cease the verification with effect from 1 April 2020.

The Housing Benefits Service Manager introduced the report stating that Risk Based Verification had been used in Harrow since 2015. The Committee was advised that the reasons for the change were the introduction of Universal credit, access to real time earnings and private pension data, the subsidy risk, and the introduction of the new Council Tax Support scheme.

In response to questions, the Committee noted that:

- home visits were made for those with a high level of vulnerability who were unable to provide information online. The numbers were in single figures in a year;
- claimants had a month to supply the required information, with a further month if there had been no response. The paperwork required depended on the type of claim and always required original ID. Additional support was available for those identified as vulnerable;
- the HMRC earnings and pensions verification interacted with universal credit;
- a live feed for State pension data was being implemented;

- a claim remained active as long as there was an entitlement.

A Member suggested that monitoring should take place after removal of the tool with an update to the Committee.

**RESOLVED:** That the report be noted.

## **92. Health and Safety Delegations**

The Chair advised the Committee that the report had been deferred to the next meeting of the Committee.

## **93. Internal Audit and Corporate Anti-Fraud Mid-Year Report and Quarter 3 Update**

The Committee received a report which set out progress against the 2019/20 Internal Audit and Corporate Anti-Fraud Plan. The Head of Internal Audit and Corporate Anti-Fraud introduced the mid year report plus Quarter 3 update for Internal Audit and the Corporate Anti-Fraud Manager introduced the report for Corporate Anti-Fraud.

In response to a question on the progression of key items and the assurance results of individual assignments, it was noted that there had not been any red rated assurance reports to date but all such reports would be submitted to the Committee.

In response to questions, the Committee was informed that:

- 5 social housing tenancies had been recovered;
- there was a 100% check on Right to Buy applications once the Council confirmed a right to buy;
- Blue Badge fraud had been risk assessed and had not been included in the plan;
- the 8 internal fraud and corruption referrals were mainly fraud. The Team looked at best practice, aimed to be as proactive as possible, had discussions with colleagues in London, and looked at new techniques;
- the Corporate Anti-Fraud team comprised five staff including the Manager. It was recognised that potentially more could be achieved with increased resources. It was acknowledged by the Chair that this question was regularly raised by the Committee and that it was a matter for officers to explore.

**RESOLVED:** That the report be noted.

#### 94. 2020/21 Internal Audit Planning Process

Members considered a report which set out the 2020/21 Internal Audit annual planning process to help the Committee to understand and contribute to the development of the Internal Audit Plan.

The Head of Internal Audit and Corporate Anti-Fraud introduced the report outlining the process and the elements that were included in the plan each year. She invited the suggestion of items for consideration for the Plan and agreed to contact members of the Committee and Reserves accordingly. It was noted that any suggestions for the plan would be risk assessed prior to inclusion in the Plan.

A Member asked about the draft Borough Plan that would be submitted to Cabinet in February and the Head of Internal Audit and Corporate Anti-Fraud confirmed that the corporate priorities outlined in the plan would be taken into account as part of the audit planning process.

**RESOLVED:** That the report be noted.

#### 95. 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:

<u>Item</u>	<u>Title</u>	<u>Reason</u>
18.	Appendix A to Harrow RDV Policy	Information under paragraph 3 (contains information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime).
19.	Information Report – Quarter 3 2019/20 Corporate Risk Register	Information under paragraph 3 (contains information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime).
20.	Red Assurance Internal Audit Reports	Information under paragraph 3 (contains information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime).

#### 96. Harrow RDV policy

See minute 91.

**97. INFORMATION REPORT - Quarter 3 2019/20 Corporate Risk Register**

The Committee considered a confidential report which set out the Council's 2019/20 Corporate Risk Register for Quarter 3 of the financial year to assist the Committee in monitoring progress on risk management in accordance with the Terms of Reference.

The Head of Internal Audit and Corporate Anti-Fraud introduced the report drawing attention to the changes made to the register to date since the previous quarter. She advised that the corporate risk register was agreed by CSB in November 2019.

In response to a question the Committee was advised that the risk to the Borough's services being adversely affected by a No Deal Brexit felt more positive due to the change in national circumstances as it was considered more likely that there would be a deal.

**RESOLVED:** That the report be noted.

**98. INFORMATION REPORT - Red Assurance Internal Audit reports**

The Committee received a confidential report of the Director of Finance which presented a final red assurance report undertaken by Internal Audit as part of the 2018/19 Internal Audit Plan and the follow-ups of two red assurance reports previously presented to the Committee. The reports were presented to help fulfil the Committee's purpose to provide assurance to the members of the adequacy of the Council's governance, risk management and control framework.

The Head of Internal Audit and Corporate Anti-Fraud introduced the reports. Officers from the areas concerned responded to questions and provided assurance that appropriate action was being taken to improve control and mitigate risk.

**RESOLVED:** That the report be noted.

(Note: The meeting, having commenced at 7.30 pm, closed at 9.45 pm).

(Signed) COUNCILLOR DAVID PERRY  
Chair



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

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<b>Date of Meeting:</b>	8 September 2020
<b>Subject:</b>	Annual Governance Statement 2019/20
<b>Responsible Officer:</b>	Dawn Calvert, Director of Finance and Assurance
<b>Exempt:</b>	No
<b>Wards affected:</b>	All
<b>Enclosures:</b>	Appendix 1 – 2 <sup>nd</sup> Draft Annual Governance Statement 2018/19 Appendix 2 – 2018/19 Evidence Table

## **Section 1 – Summary and Recommendations**

This report sets out the 2<sup>nd</sup> Draft Annual Governance Statement (AGS) for 2019/20.

**Recommendations:**

The GARMS Committee is requested to:

- To review the Annual Governance Statement 2019/20 in line with the Committee's terms of reference, to consider whether the AGS properly reflects the risk environment and supporting assurances and legal and financial advice, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control; suggest any appropriate changes and recommend it for approval by the Leader and Chief Executive.

## 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 section 3 of 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 Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 requires *'an authority to conduct a review at least once in a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts (England)'*.
- 2.4 Regulation 6(1)(b) of the Accounts and Audit Regulations 2015, requires that *"for a local authority in England, the statement is an Annual Governance Statement"*.
- 2.5 The CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* was updated in 2016 and this Framework applies to annual governance statements prepared for the financial year 2016/17 onwards. The overall aim of the Framework *'is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities'*.
- 2.6 In England the Accounts and Audit Regulations 2015 stipulate that the Annual Governance Statement must be *"prepared in accordance with proper practices in relation to accounts"* and must be *"approved in advance of the relevant authority approving the statement of accounts. Therefore a local authority in England shall provide this statement in accordance with Delivering Good Governance in Local Government: Framework (2016) and this section of the Code"*.
- 2.7 The preparation and publication of an Annual Governance Statement in accordance with *Delivering Good Governance in Local Government: Framework (2016)* would fulfil the statutory requirements across the United Kingdom for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control and to include a statement reporting on the review with its Statement of Accounts.

- 2.8 The Annual Governance Statement explains how the Council has complied with the framework and meets the requirements of regulation 6 of the Accounts and Audit Regulations 2015 in relation to the publication of a statement of internal control (Annual Governance Statement).

### **Annual Governance Statement**

- 2.9 Each year the Council undertakes a robust review of its governance arrangements to meet the requirements of the Framework and this year the annual review process consisted of an evidenced based self-assessment undertaken by members of the Corporate Governance Working Group co-ordinated and reviewed by Internal Audit (Appendix 2), a management assurance exercise completed by each Directorate, and a review of the governance of shared service and partnership arrangements.
- 2.10 Internal Audit co-ordinates and reviews the evidence/assurance provided as part of the process and this is used as a basis for the preparation of the AGS.
- 2.11 The 2019/20 Annual Governance Statement includes two new significant areas: the Chartered Institute of Public Finance (CIPFA) issued a briefing note requiring Council's to include details of the impact of the Covid 19 pandemic on governance within their 2019/20 statements and the Committee on Standards in Public Life published its report on local government ethical standards stating that it is best practice to report on separate bodies they have set up or which they own as part of their annual governance statement, and give a full picture of their relationship with those bodies.
- 2.12 The Annual Governance Statement (Appendix 1) is prepared on behalf of the Leader of the Council and the Chief Executive who reviewed the 1<sup>st</sup> draft AGS that was included in the 2019/20 draft accounts published on 06/06/19 and included on the agenda of this meeting. Due to the disruption caused by Covid 19 not all assurances were obtained/analysed in time to be included in the 1<sup>st</sup> draft and hence this 2<sup>nd</sup> draft AGS has been prepared and will be signed off by the Leader and the Chief Executive and included with the annual accounts to meet the statutory requirement of Regulation 6 of the Accounts and Audit Regulations 2015 which requires authorities to "conduct a review at least once in a year of the effectiveness of its system of internal control"
- 2.13 A number of changes (shown in red) have been made since the 1<sup>st</sup> draft AGS was included in the draft accounts and the committees' attention is specifically drawn to Financial Impact paragraph of the Covid-19 Impact on Governance section; the final paragraph of section 3.5; section 3.6; the third paragraph of 3.8; section 3.11; the middle section of section 3.14; the Head of Internal Audit's overall opinion contained in section 4 and the significant governance gap identified in section 6.1, all of which have been updated since the 1<sup>st</sup> draft.

## Legal Implications

As covered in the main body of the report.

## Financial Implications

There are no financial implications to this report.

## Risk Management Implications

Preparation of the AGS describing the annual review of governance mitigates the risk of the Council not complying with Regulation 6 of the Accounts and Audit Regulations 2015.

## Equalities implications / Public Sector Equality Duty

N/A

## Council Priorities

The annual review of governance reviews arrangements in place to ensure that the intended positive outcomes for residents as outlined by the Council's priorities are achieved.

1. **Improving the environment and addressing climate change**
2. **Tackling poverty and inequality**
3. **Building homes and infrastructure**
4. **Addressing health and social care inequality**
5. **Thriving economy**

## Section 3 - Statutory Officer Clearance

Name: Dawn Calvert



Chief Financial Officer

Date: 25/08/20

Name: Hugh Peart



Monitoring Officer

Date: 24/08/20



Name: Charlie Stewart



Corporate Director -  
Resources

Date: 24/08/20

**Ward Councillors notified:**

**NO**

## **Section 4 - Contact Details and Background Papers**

**Contact:** Susan Dixon, Head of Internal Audit & Corporate Anti-Fraud 02084241420

**Background Papers:** None

If appropriate, does the report include the following considerations? N/A

1.	Consultation	YES / NO
2.	Priorities	YES / NO

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## **1. Introduction**

Members and staff working for Harrow Council strive to achieve the Council's vision, priorities, values and outcomes as outlined in the Harrow Ambition Plan.

Arrangements are in place to ensure that the intended positive outcomes for residents are achieved. To ensure good governance these arrangements are agreed and documented and together form the authority's governance structure.

## **2. Responsibility**

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

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

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

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

The governance structure, details of the annual review of governance including management assurance and partnership self-assessments that feed into the review and the Annual Governance Statement can be found on the Council's website at <https://www.harrow.gov.uk/council/governance>

This currently shows the 2018/19 statement and will be updated with the 2019/20 statement once it has been agreed.

**Covid-19 Impact on Governance**

As a result of the COVID 19 (Coronavirus) crisis, the Government instituted 'lockdown' on Monday 23 March 2020. All Member level meetings including Cabinet were either postponed or cancelled and the Civic Centre was closed to all staff, with the exception of those delivering priority services. The Council implemented its emergency planning arrangements which included daily key Member briefings, a gold, silver and bronze command structure, and telephone briefings to staff.

**Decision Making**

Due to the COVID 19 crisis and the instructions and directions of the Government, it was not possible for Members to meet and take decisions between 23 March 2020 and 21 May 2020 due to the 'lockdown' and the requirement to maintain social distancing. Officers therefore took a number of operational decisions to comply with the Government's instructions and directions that Members were asked to ratify at the first Cabinet meeting since the lockdown on 21 May 2020.

Given the nature of the crisis, decisions needed to be made as a matter of urgency with risks being assessed on a daily basis by Chief Officers meeting via a gold, silver and bronze command structure with daily key Member briefings, weekly Cabinet briefings and a range of additional briefings with other Members.

Whilst it was not possible to follow the Council's agreed decision making process the risk that decisions made by Chief Offices during this time would not be supported has been mitigated by these briefings to Members and by the Cabinet report to ratify these decisions.

**Risk Management**

Three risks relating to COVID 19 were included on the Quarter 4 Corporate Risk Register, covering the impact of the pandemic on the delivery of core services, a risk relating to the delivery of services to vulnerable people specifically susceptible to the virus and a risk that encompassed the financial impact on the Council, all of which were red rated.

Risks were assessed on a daily basis by Chief Officers meeting via a gold, silver and bronze command structure.

The on-going risks to the provision of services, to the financial impact on the Council as well as the risks associated with the recovery of Council operations post pandemic will be included in the Quarter 1/2 Corporate Risk Register.

**Capacity & Capability**

As the crisis developed, Harrow moved to ensure the resilience of its priority services to support vulnerable residents and to look after its staff. This response was influenced by concern about the impact of staff absences, the limitations of Harrow's IT system to allow staff to work remotely and its lean organisational capacity.

Managing the crisis, establishing the new services required by Government and ensuring priority service resilience absorbed considerable organisational capacity.

Accordingly, non-priority activities or projects were halted or postponed and a 'Talent Hub' established to facilitate the voluntary redeployment of staff into priority areas. This strategy was successful and priority services were maintained.

Residents and Members were advised that responses to service queries and complaints might be delayed.

### **Financial Impact**

The Covid-19 emergency is having a significant financial impact on the Council's financial position both for 2020/21 and the subsequent financial years. Given the size and scale of the potential impact on the Council's finances this will remain a key focus for the organisation going forward as without adequate short and medium term financial support from the Government the impact on the Council's ability to deliver services in an ongoing way will be severely compromised. Prior to the Covid-19 crisis the Council was already facing substantial financial challenges as a result of ongoing annual reductions in funding received from Central Government as well as additional spending pressures caused by the increase in the cost of living and an increased demand for services in Adult Social care as a result of having an ageing population. The Council responded to these pre-Covid-19 challenges by identifying efficiencies and looking at ways to innovate service delivery in accordance with a savings programme agreed by Full Council in February 2020 for the Financial Years 2020-21 to 2022-23. Over this period, further savings of £12.2m have been included in the Medium-Term Financial Strategy (MTFS). Even with these savings already identified, the Council faces budget gaps of £11.4m in 2021/22 and £11.2m in 2022/23.

Qtr1 reporting does indicate that in the current financial year, as a result of receiving emergency funding, the co-payment mechanism and robust control of the in year budget, that the Council can manage a balanced budget position. However, there are continued grave concerns about the legacy impact of Covid-19 over the MTFS. Council Officers and Members are linked into numerous lobbying forums to ensure the Government fully understands the financial impact of the emergency on Harrow Council, not only in the current year but over the three years of the MTFS as current events will carry legacy issues into future years. These concerns are heightened by the lack of clarity on Council funding and the continuation of schemes, such as emergency funding and co-payment mechanism, to support the legacy issues.

Full Council approved the Medium Term Financial Strategy (2020/21 to 2022/23) in February 2020. The financial impact of the COVID 19 emergency is being worked through in detail alongside the published MTFS. As government announcements on the funding of local government are now not anticipated until very late in the calendar year, the work being undertaken around financial sustainability is intended to be presented to October Cabinet, in advance of the draft budget and MTFS being presented to Cabinet in December 2020.

### **Impact on the production of the Annual Governance Statement**

Whilst the review of governance is an ongoing process there is an annual process that requires assurances from officers across the Council which usually takes place in April and May each year. This year's process was disrupted due to the Covid 19 crisis as staff working in priority areas were unable during April to contribute to the process, other staff were also seconded to priority areas or dealing with new priorities, the limitations of the IT system to allow staff to work remotely and Council's overall lean organisational capacity. The process was begun in May and although the majority of the assurances **were** received it **was** still not been possible to obtain assurance on some elements of the Council's governance structure in place during 2019/20 or to complete the analysis of the assurances and as a consequence a **1<sup>st</sup> draft AGS was produced to include in the Draft Statement of Accounts. This 2<sup>nd</sup> draft of the AGS has been produced now all the assurances have been obtained.**

### **3. Effectiveness of Key Elements of the Governance Framework**

Each year the Council undertakes a review of its governance arrangements to ensure the delivery of good governance in accordance with the requirements of the Accounts and Audit Regulations 2015 and in accordance with *Delivering Good Governance in Local Government: Framework 2016* published by the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (Solace).

The 2019/20 annual review of governance comprised a review of governance arrangements in place against the core and sub-principles of good governance contained in the *CIPFA Framework*, Management Assurance provided by each Directorate on the operation of key elements of governance during 2019/20 and a review of a selection of joint working arrangements, undertaken during 2019/20. This was achieved via a self-assessment process co-ordinated and independently reviewed by the Council's Internal Audit Service. The effectiveness of key elements during 2019/20 is covered below:

#### **3.1 Behaviour of Members and Staff**

Codes of Conduct that define standards of behaviour for Members and staff have been developed and are included in the Council's Constitution. Mechanisms are in place to deal with Member and staff transgressions from these codes and policies are also in place for dealing with whistleblowing and conflicts of interest. Training on the Code of Conduct for Members took place after the local elections in May 2018 and was attended by 68% of Members, further training took place in January 2019 when a further 10% attended.

The Council values were developed through workshops with staff and Members and endorsed by Cabinet and Council in February 2016. They were launched and communicated to all staff in March 2016 and have been incorporated into the staff induction programme as well as the performance appraisal process and the staff are measured against these values annually **although the annual appraisal process usually undertaken in April/May has been delayed due to the Covid-19 crisis.**

### **3.2 Compliance with Laws and Regulations**

Responsibility to comply with relevant laws and regulations and internal policies and procedures rests with the Council's managers some of whom have specific statutory obligations e.g. the Head of Paid Service, Director of Children's Services, Director of Adult Social Services, the Chief Finance Officer (Section 151 Officer), the Monitoring Officer and the Director of Public Health which are outlined in Article 12 of the Council's constitution. The Statutory Monitoring Officer functions to report on likely contravention of any enactment or rule of law and the Chief Finance Officer is responsible for identifying any proposal, decision or course of action that will involve incurring unlawful expenditure. No significant contraventions of law or course of action that would involve incurring unlawful expenditure occurred in 2019/20.

From 25<sup>th</sup> May 2018 the main provisions of the Data Protection Act 2018 (DPA) came into force to implement the EU General Data Protection Regulation (GDPR). This is an evolution of the data protection law rather than a revolution as many of the GDPR's concepts and principles are the same as under the DPA. However, there are new elements and significant enhancements of individual rights that must be taken into account. In compliance with the requirements of the legislation a Data Protection Officer was appointed in August 2018 who during 2019/20 continued to embed the rights of data subjects and the requirements for the Council as a data controller. **The Data Protection officer reports to the Senior Information Risk Officer, currently the Corporate Director of Resources, who reports to CSB.**

In addition mandatory online training for all staff on information governance, cyber security and the new Data Protection legislation has been developed and was introduced across the Council in October 2018. The completion rates for this training at the end of 2019/20 were slightly higher than for 2018/19 however still disappointing at 65%. **Now that the workload to respond to Covid-19 is stabilising** consideration will be given to how the uptake of this training can be addressed. Members also received this training via a mix of face to face with the DPO and online training, 83% of all members have now had training within the last 12 months a significant improvement on the 2018/19 completion rate of 29%.

The Freedom of Information Act (FOI) is a key piece of legislation that the Council is required to comply with and during the first 3 quarters of 2019/20 94% of FOI requests were dealt with within the 20 day timescale (Q4 data is not currently available).

In January 2019 the Committee on Standards in Public Life published its report on local government ethical standards and this was presented to the GARMS Committee in July 2019. The report looks at the current framework governing the behaviour of local government councillors and executives in England and makes a number of recommendations to promote and maintain the standards expected by the public. The report recommends a number of changes to legislation that may come into force in due course and makes some best practice recommendations for local authorities to consider as a benchmark of good ethical practice which they expect all local authorities can and should implement. The Committee resolved that steps be taken to introduce all the best practice recommendations set out in the Committee on Standards in Public Life report subject to, in relation to best practice recommendation 14, officers providing guidance on an appropriate mechanism for accountability of the separate bodies established by the Council and intends to review the implementation of these in 2020. **Best practice 14 states that:** Councils should report on separate bodies they have set up or which they own as part of their annual governance statement, and give a full picture of their relationship with those bodies. Separate bodies created by local authorities should abide by the Nolan principle of openness, and publish their board agendas and minutes and annual reports in an accessible place.

Paragraph 3.20 below outlines the separate bodies set up by the Council and their relationship with the Council however the annual review of governance has highlighted that not all of these bodies are yet publishing their board agenda, minutes and annual reports.

### 3.3 Acting in the Public Interest

The annual review of governance 2019/20 confirmed that the Council can demonstrate a commitment to openness and acting in the public interest. This is achieved via the implementation of a governance structure which includes codes of conduct, a corporate appraisal process, a Standards Committee, registers of interests, gifts and hospitality, a whistleblowing policy, a corporate complaints process, a Corporate Anti-fraud & Corruption Strategy, Financial Regulations and Contract Procedure Rules and a Scrutiny Function. The Council's Financial Regulations were refreshed during 2018/19, agreed by Council and included in the constitution in February 2019. Staff was made aware of the refreshed regulations in the May 2019 staff newsletter and a training scheme is currently in development.

The Constitution was updated in July 2019 in respect of the following:

- Changes required to put in place a disciplinary procedure for statutory chief officers
- Inserting terms of reference for the Corporate Strategic Board and the Building a Better Harrow Board
- Principles of Decision Making
- Code of Conduct for Members
- Officer Employment Procedure rules
- Chief Officers Employment Panel



### 3.4 Communication and Consultation

Whilst a Communication Strategy/Plan was again not in place for 2019/20, the Council’s Communications Team worked with all parts of the Council and a wide range of partner organisations and external stakeholders on media relations, marketing, campaigns, consultations, events, publications and social media in order to assist the Council in improving its relationship with its public. This includes keeping residents informed of Council activities, engaging them in dialogue around service delivery and soliciting their views to drive change.



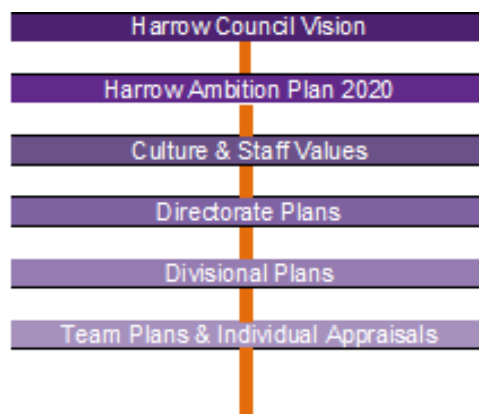
across the Council and the refreshed version is available on the Council’s external website. This diagram, included in the plan, illustrates the ‘golden thread’ between the Council’s vision and the Council’s plans.

The majority of the Council’s Divisions had service plans in place for 2019/20 linked to the Corporate Priorities contained in the Harrow Ambition Plan and the corporate annual appraisal process requires all individual objectives to be aligned to the Harrow Ambition plan and its strategic aims.

### 3.5 The Council’s Vision

The Council’s vision, and intended outcomes for residents have been developed and are contained within the Harrow Ambition Plan 2020 which was refreshed for 2019/20 with no significant changes. In February 2020 the Council adopted its Borough Plan, and a new Council Delivery Plan will succeed the Harrow Ambition Plan for 2020/21 onwards.

The original plan was communicated widely



### 3.6 Putting the Vision into Practice

The original Harrow Ambition Plan 2020, 2019 refresh, contains courses of action to be taken by the Council to implement the vision during 2019/20. Usually an annual update on progress against the plan is reported to Cabinet and Council however due to the Covid-19 Pandemic the Policy Team, who undertake the review, were re-deployed to the Community Hub and thus there was no capacity to undertake the

review. A report on the new Council Delivery Plan is due to be presented to Cabinet in November 2020 and will cover progress during 2019/20 against the Harrow Ambition Plan.

### 3.7 Decision-making

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

### 3.8 Measuring Performance and External Assurance

Throughout 2019/20 the Council's strategic performance has been tracked through a quarterly cycle of:

- Performance Briefings
- CSB performance discussions
- Joint Cabinet/CSB discussions
- Strategic Performance Report to Cabinet

Capital and revenue financial performance was also reported quarterly to the Corporate Strategic Board, Cabinet and all Members with Treasury Management reported to Cabinet three times during the year.

The 2019/20 Management Assurance exercise confirmed that key performance indicators were in place for all Divisions within the Community, People and Resources Directorates and that these were reported in the quarterly Strategic Performance reports to CSB and Cabinet throughout 2019/20.

Her Majesty's Passport Office, General Register Office – Compliance & Performance Unit issued two reports during 2019/20, a Stock and Security Assurance Assessment of the Council's Registrars Service in May 2019 that concluded that overall Harrow Council maintains 'High' security in relation to the security arrangements around the receipt, storage and use of the secure certificate stock (marriage, birth and death certificates) and an Annual Report 2018/19 issued in June 2019 that concluded that 'It is pleasing to note the very high level of service achieved by the local authority during the past year'.

The Law Society issued a report in February 2020 entitled Lexcel - Excellence in Legal Practice Management and Client Care that concluded that HB Public Law are to be commended in that 19 areas of good practice were identified during the assessment. These evidence either a diligent approach to complying with the requirements or identify areas in which the minimum Lexcel requirement has been

exceeded and are also to be commended as no non-compliances were identified during the assessment.

In Adults Service a Harrow Peer Review – Commissioning for Better Outcomes was undertaken during 2019/20. This was a light touch review of the micro commissioning practices and wider intentions of the Directorate. Overall the practice and commitment was judged to be well embedded and evidenced. There was encouragement that Harrow's draft plans for change were on the correct track to further improve the commissioning processes.

Two reports from Ofsted were received during 2019/20 one on The Firs short Breaks Unit giving an outstanding assurance rating and the other on the Inspection of Local Authority Children Services giving a GOOD in all graded areas. Two further reviews were carried out in the Children and Young People Division during the year one from Ofsted and Care Quality Commission on SEND **identifying 36 strengths and 18 areas for development** and the other carried out by the London Innovation and Improvement Alliance on Adolescent Safeguarding Peer Review **copy outstanding**.

### 3.9 External Audit

During 2019/20 the authority provided timely support, information and responses to the Council's external auditors, Mazars, and properly considered their audit findings in relation to the 2018/19 accounts completed in May 2019. An unqualified opinion was given on the 2018/19 accounts and no recommendations were made by the auditors in relation to these accounts.

### 3.10 Roles and Responsibilities

The roles and responsibilities of Members, the most senior managers and statutory officers have been defined and documented in the constitution. After the local elections in May 2018 the new Leader of the Council made a number of changes to the roles and responsibilities of the Portfolio Holders and these were updated and included in the Constitution in May 2018. The roles and responsibilities of other managers and staff are defined and documented in Role Profiles attached to each post.

### 3.11 Financial Management

The Council's financial management arrangements during 2019/20 conformed with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015)*. **During 2019/20 the Council delivered its services within the approved budget of £167.1m, contained the pressures arising from the challenging financial environment and managed the risks around demand pressures. This resulted in a balanced outturn position after contributing just under £6.1m into reserves, which after allowing for £3.2m which has been carried forward to be spent in 2020/21, leaves the remainder of £2.9m earmarked to help fund the**

2020/21 budget and to fund capacity needed to implement future savings and organisational transformation.

### 3.12 Monitoring Officer Function

The Statutory Monitoring Officer functions to report on likely contravention of any enactment or rule of law. The duties of the Monitoring Officer are outlined in Article 12 of the Council's constitution and are undertaken by the Council's Director of Legal and Governance Services. Effective arrangements were in place during 2019/20 to discharge these duties and no reports were made on any contraventions.

### 3.13 Head of Paid Service Function

The requirements of the Head of Paid Service function are also outlined in Article 12 of the Council's constitution and effective arrangements were in place for the discharge of these duties by the Chief Executive throughout 2019/20.

### 3.14 Development Needs

Following the local government elections in May 2018, new Members received a Members Induction pack and a welcome evening was arranged for all elected Members on 8 May, to cover Council values, conduct and Member interests plus a Members Marketplace was held on the 15 May to explain key Council services together with a programme of Member training in May/June 2018.

During 2019/20 member training was also conducted on how to use social media, homelessness and rough sleeping and EU settled status.

The Council runs Corporate Induction sessions to ensure all new members of staff, including Agency staff, are inducted in a timely manner. HR policy has been changed to ensure that new members of staff should not pass probation unless they have attended induction.

For 2019/20 there were 7 Induction sessions held and 107 staff attended.

The Corporate Induction covers:

- Welcome from Leader and Chief Executive (their expectations from staff)
- Vision and priorities
- Values and Behaviours for both Staff and Managers
- Organisation structure
- Equalities and Diversity
- Completion of Mandatory training (for staff who do not have IT access)

The organisational Development agenda has been an area of focus during 2019/20 with work to build line manager capabilities a priority. Work to develop effective metrics and measures for the new in-house Human Resources and Organisational Development service and to develop a People Strategy is also underway.

### **3.15 Managing Risks**

The framework for identifying and managing risks was updated during 2016/17 and consists of a series of Directorate risk registers that feed into an overarching Corporate Register that clearly identifies the owner of each risk. The Corporate Risk Register was reviewed and updated four times during 2019/20 for Q1, Q2, Q3 and Q4 with updates undertaken within each quarter. Q1, Q2 and Q3 updates were presented to the Corporate Strategic Board (CSB) for review and challenge and Q2 and Q3 updates were presented to the Governance, Audit, Risk Management & Standards (GARMS) Committee to assist the Committee in monitoring progress on risk management in accordance with their Terms of Reference. The reporting of the Q4 Corporate Risk Register to both CSB and the GARMS Committee was disrupted due to the COVID-19 crisis.

### **3.16 Counter Fraud and Anti-corruption Arrangements**

The Council has a Corporate Anti-Fraud Strategy 2016-19 outlining its approach to tackling fraud that is reviewed annually. However no changes were made to the strategy in 2019/20. The refreshed Local Government Fighting Fraud & Corruption Locally Strategy (FFCL) was published online on 26<sup>th</sup> March 2020 and during 2020-21 the authorities' own strategy will be reviewed and updated to reflect any changes and best practice that the new FFCL Strategy recommends. The Council's Corporate Anti-Fraud Team undertook a self-assessment against the *Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)*, during 2019/20, that reviewed progress against the five main principles within the code to improve the Council's arrangements. The result was a compliance level of 78%, unchanged from 2018/19, indicating that the authority has reached a 'good level' of performance against the code. Further work is currently being undertaken to determine the barriers preventing further improvement.

### **3.17 Scrutiny**

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

- Health
- Community
- People
- Resources

The function is driven by the need to hold the Council and our partners to account for their performance and the establishment of the performance and finance sub-committee as the driver of scrutiny is a key component in ensuring that the function is focused on the issues of the greatest importance to the Council. The lead

Members ensure that expertise to tackle particular areas of service delivery is maintained.

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

During 2019/20 O&S met 9 times, P&F 2 times (with one meeting cancelled in March 2020 due to the Covid-19 crisis) and H&SC 4 times.

### **3.18 Internal Audit**

A new Statement on the Role of the Head of Internal Audit was issued by CIPFA in 2019. It states that ‘ *The head of internal audit (HIA) occupies a critical position in any organisation, helping it to achieve its objectives by evaluating the effectiveness of governance, risk management and internal control arrangements and playing a key role in promoting good corporate governance. The aim of this Statement is to set out the role of the HIA in public service organisations and to help ensure organisations engage with and support the role effectively.*’ The Statement contains 5 principles with organisational and HIA responsibilities attached to each one.

Overall throughout 2019/20 these principles were complied with however a small number of the organisational responsibilities need to be clarified and strengthened. The Internal Audit Service is also required to comply with the Public Sector Internal Audit Standards and to be reviewed externally against these standards every five years and internally regularly. An external peer review in June 2017 confirmed that the service ‘generally complies’ with the Public Sector Internal Audit Standards and the 2019 internal review against these standards confirmed this assessment.

### **3.19 Audit Committee**

The duties of the audit committee are undertaken by the Governance, Audit, Risk Management & Standards Committee and an Internal Audit review undertaken during 2018/19 has established it generally operates in-line with the core functions of an audit committee as identified in *Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2017)*. Two key actions coming out of the review was the update the Committee’s Terms of Reference which were approved by Council and included in the constitution in February 2019 and the introduction of an Annual Report describing the work of the Committee throughout the year and demonstrating that the Committee has undertaken its role effectively, the first of which, for 2018/19 was presented to Council in January 2020.

**3.20 Joint Working/Council Trading Companies**

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

Throughout 2019/20 the Council’s trading structure consisted of five separate legal entities as shown in the table below:

<b>Harrow Council trading Structure</b>		
<b>Name</b>	<b>Legal Structure</b>	<b>Date Started Trading</b>
Concilium Group Limited (Holding Company)	UK Limited Company	November 2015
Concilium Business Services Limited	UK Limited Company	November 2015
Sancroft Community Care Limited	UK Limited Company	January 2018
Concilium Assets LLP	Limited Liability Partnership	January 2019
HB Public Law Limited	UK Limited Company	April 2015

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

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

Concilium Business Services Ltd (CBS - previously trading as Smart Lettings) is a wholly owned subsidiary of Concilium Group Ltd. with the principal aim of providing private lettings, property management, property administration and a tenant referencing service. Until February 2019 its principal source of revenue came from the property management of 100 homes, managed on behalf of Harrow Council. During 2019/20 CBS Ltd has undergone a strategic change of direction and as a result, CBS Ltd. is now only responsible for the legal ownership of 6 homes. CBS Ltd. shall retain 5% of the income collected from these tenants, distributing the remaining 95% back to the council.

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

Concilium Assets LLP (The LLP) is a Limited Liability Partnership owned 95% by Harrow and 5% by Concilium Group Ltd. and was set up to enable direct private rental sector (PRS) property investment activities. 53 PRS units on Gayton Road

were transferred to the LLP in July 2019 on a 10-year lease for rent to the private market.

The formation of HB Public Law Ltd. was formally approved by Cabinet on 13<sup>th</sup> November 2014 (began trading in 2015) and is set up as a council owned company which has been granted an Alternative Business Structure (ABS) licence from the Solicitor's Regulatory Authority. This was in order to be able to carry out legal work which the Legal shared service, as a local authority, is prevented from undertaking by professional conduct rules. There was however minimal work going through the ABS in 2019/20, hence there were no board meetings, policies etc. and therefore the decision was taken to wind it up as the volumes of work did not justify the additional costs that running the ABS entailed. It will formally cease to exist in the next few weeks once it has been processed by Companies House.

The Council also runs a shared legal services (HBPL) for which it is the lead authority.

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

On 30<sup>th</sup> September 2018 Buckinghamshire County Council (BCC) gave one year's notice, in compliance with the Inter Authority Agreements, of its intention to exit both the Human Resources & Development (for which they were the lead authority) and the Legal Services shared service. The reason given by BCC for the notice was to enable them to concentrate on preparation for the upcoming Unitary announcement. Consequently the HR service transferred back in-house from October 2019.

### **3.21 Health & Safety**

Following on from the peer review of Health & Safety Management undertaken during 2016/17 a Corporate Health & Safety Strategy was developed for 2017/18 with the stated purpose to implement the findings of the peer review to ensure that the aims, objectives and outcomes are met. The strategy, approved by the GARMS Committee in July 2018, contains an action plan setting out how, when and by whom this will be achieved.

The Corporate Health & Safety Board was re-established in December 2017 chaired by the Corporate Director of Community and comprising of the Director of Finance, Divisional Directors, representatives from UNISON and GMB trades union, and Corporate Human Resources. The Board has met monthly throughout 2019/20.



An annual H&S report was presented to the Corporate Health & Safety Board at the end of May 2019, CSB in June 2019 and to the GARMS Committee meeting in July 2019 at which the Corporate Health & Safety Strategy 2019-2022, including an action plan, and the Corporate Health & Safety Policy 2019-2020 were approved. Mid-year progress against the H&S Strategy action plan and the H&S risk action plan reported to CSB in October 2019 showed good progress against both had been made in the first half of the year.

#### 4. Level of Assurance

The analysis of assurances from the annual review of governance 2019/20 indicates that a reasonable level of governance is in place across the Council and that, other than the significant gap identified in paragraph 6, arrangements continue to be fit for purpose in accordance with the governance framework.

The Head of Internal Audit's overall opinion on the adequacy and effectiveness of the organisation's framework of governance, risk management and control based on the annual review of governance and the assurance work of Internal Audit throughout 2019/20 is: **Good with improvements required in a few areas:** The outputs from the programme of work completed by Internal Audit, based on the agreed risk-based Internal Audit Plan, demonstrate that the Council's framework of governance, risk management and control is generally good with 94% of reports issued being amber, green/amber or green assurance. One red assurance report has been issued identifying significant weakness and/or non-compliance in the framework which could potentially put the achievement of objectives in this area at risk and one significant governance gap was identified as part of the annual review of governance process. However overall, the direction of assurance travel over the past three years is positive with fewer red/amber and red assurance reports issued each year. Improvements have been recommended in areas where weaknesses were identified of which 98% have been agreed by management.

#### 5. Previous Significant Governance Issues

##### 5.1 Health & Safety

A significant governance gap was identified in the 2016/17, 2017/18 and the 2018/19 statement in relation to the Corporate Health & Safety arrangements.

A new policy and three year strategy incorporating a new Corporate H&S Plan for 2019/20 with clear performance measures and a clearer understanding of the tasks to be undertaken and the timescale in which they will be undertaken was submitted and approved by the GARMS Committee in July 2019 along with the annual report for 2018/19 .

The good progress reported against both the H&S Strategy action plan and the H&S risk action plan reduced the Corporate Risk of 'Failure to fulfil the Council's Health & Safety duties leading to a harmful event for an individual/individuals for which the Council is responsible leading to litigation' from a red risk in Q1 and Q2 to an amber

risk in Q3 and Q4 of 2019/20. As a consequence Health & Safety is no longer considered a significant governance issue.

### **6. Significant Governance Issue 2019/20**

#### **6.1 Depot Redevelopment Project**

A new governance gap has been identified during 2019/20 in relation to the Depot Redevelopment Project as a significant overspend has been projected along with the identification of several breaches of the Council's Financial Regulations and Contract Procedure Rules. Poor governance contributed to the overspend and the delay in reporting it corporately. Initial action has been taken by management and Finance to identify the extent of the overspend and it has been established that this can be contained within the approved Capital Programme funding. A report on the full extent of the governance issues, recommendations to improve the governance weaknesses and agreed management action will be presented to the GARMS Committee meeting in October 2020.

### **7. Conclusion**

Updates on the implementation of the agreed actions to address the significant governance gap identified in paragraph 6 above will be provided to the Governance, Audit, Risk Management and Standards Committee throughout 2020/21 until fully implemented and will be formally reported upon as part of the next annual review of governance.

### **8. Declaration**

The Leader and the Chief Executive are signing the Annual Governance Statement on behalf of the authority having gained assurance from the annual review of the authority's governance arrangements supported by evidence provided by management including the Chief Finance Officer and the Monitoring Officer, from the Management Assurance Statements provided by Corporate Directors and independent assurance provided by the Head of Internal Audit, and a number of external assurance bodies as detailed in paragraph 3.8.

Graham Henson  
Leader  
Date:

Sean Harriss  
Chief Executive  
Date:

# ANNUAL GOVERNANCE REVIEW V2

## 2019/20 Evidence Table

**Incorporating contributions from the following areas of the Council:**

Legal  
Strategy and Partnerships  
Finance  
Human Resources  
Internal Audit  
Corporate Anti-Fraud  
Information Governance  
Procurement  
Complaints  
Community Directorate  
People Directorate  
Resources Directorate

## Core principles and sub-principles of good governance

## APPENDIX 2

**Core Principle:** Acting in the public interest requires a commitment to and effective arrangements for:

**1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.** (2007 Framework Core Principle 3: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.)

Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

	Sub-principles	Examples of systems, processes, and documentation demonstrating compliance in 2019/20	Evidence GS = contained in Governance Structure	Gap	Evidence Provider +Date
	<b>Behaving with integrity</b>				
36 1.1	Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation	<p>Codes of conduct for staff and members are in place Council values launched in March 2016 have been incorporated into the staff induction programme.</p> <p>The refreshed appraisal framework includes an assessment of individual demonstration of the values. The Council values endorsed by Cabinet 2016 are integrated into the Corporate Plan. A review of the Council's recruitment processes has been completed and a more values based approach was introduced February 2018.</p> <p>A Staff Reward and Recognition scheme initially in relation to the work undertaken by staff during the COVID 19 pandemic has been launched in 2020/21.</p>	<p>Code of Conduct (GS)</p> <p>Corporate Plan (GS)</p>		HR-TC 08/06/20

## Core principles and sub-principles of good governance

## APPENDIX 2

	Sub-principles	Examples of systems, processes, and documentation demonstrating compliance in 2019/20	Evidence GS = contained in Governance Structure	Gap	Evidence Provider +Date
1.2	Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles)	<p>Code of conduct for Members in place as well as a Code of conduct for Employees.</p> <p>On election Members are given induction training and there is an annual training programme devised by the Membership Development Panel.</p> <p>Following the local government election in May 18, a welcome evening was held for all elected members on 8 May to cover Council values, conduct and member interests plus a Members marketplace was held on 15<sup>th</sup> May to explain key council services and there was a programme of Member mandatory training in May/June 2018.</p> <p>All Members have been provided with an induction pack post- election in May 2018. Current workshops with Members to establish behaviours aligned with the Doing it Together values and the Nolan principles. Leadership behaviours have also been included.</p> <p>Staff are briefed on the Code of Conduct in their informal induction sessions with their line manager.</p> <p>The Staff employee Code of Conduct is accessible to all staff on the <a href="#">Hub</a>. The link is now sent along with the relevant employee handbook to all new starters.</p>	<p>Code of conduct for Members (GS)</p> <p>Code of conduct for Employees (GS)</p> <p>Induction Checklist (GS)</p>		<p>Legal-CE 03/06/20</p> <p>HR-TC 08/06/20</p>

## Core principles and sub-principles of good governance

## APPENDIX 2

	Sub-principles	Examples of systems, processes, and documentation demonstrating compliance in 2019/20	Evidence GS = contained in Governance Structure	Gap	Evidence Provider +Date
1.3	<p>Leading by example and using the above standard operating principles or values as a framework for decision making and other actions</p>	<p>The Governance Audit and Risk Management Committee was amalgamated with the Standards Committee on 12 June 2014. Terms of reference for the Committee are contained in the constitution. Dates of meetings can be found on the Council website. Declarations of interests made at meetings.</p> <p>Members' code of conduct requires that members have regard to advice given by Monitoring Officer and Chief Finance Officer and that they must not act in a manner which causes the Council to act unlawfully.</p> <p>Templates for committee and cabinet decisions include sections on options, financial implications, risk management and legal implications.</p> <p>Example of minutes where interests were declared can be found on the Council website.</p> <p>A minor gap was identified in 2017/18 regarding the risk management section of Cabinet reports. It was agreed that when reviewing reports in their name Corporate Directors would ensure that all potential key risks relating to the proposals in the reports had been identified along with the current controls in place, underway or planned to mitigate the risks within the risk management section of the report in accordance with corporate guidance. It was agreed that a sign-off process would be introduced and evidence on the committee reports for Corporate Directors to sit alongside the statutory officer sign-offs. A new template has been produced and will be used from April 2019. Additional guidance on Corporate Director sign-off to be included from July 2019.</p>	<p>Terms of Reference (GS)</p> <p>Minuted declarations of interests</p> <p>Members code of conduct (GS)</p> <p>Template for committee and cabinet decisions (GS)</p>	<p>Minor Gap 17/18 IA review identified that risk management section of Cabinet reports not robust, this continued to be a gap during 2018/19 however new Corporate Director sign-off process introduced in April 2019 with specific responsibility for ensuring risk section robust will close this gap for 2019/20. 2019/20 Gap closed</p>	<p>Legal -CE 03/06/20</p>

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	Sub-principles	Examples of systems, processes, and documentation demonstrating compliance in 2019/20	Evidence GS = contained in Governance Structure	Gap	Evidence Provider +Date
1.4	<p>Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively</p>	<p>Members' code of conduct requires members to declare interests and if it is a Disclosable Pecuniary Interest as defined in legislation to withdraw from the room and not to participate any further in any discussion or vote. Members are required to declare their interests on a register of interests and these are published on the Council's website. Example of minutes where interests were declared can be found on the Council website.</p> <p>The Gifts and Hospitality Protocol provides guidance to members on acceptance of gifts and hospitality and when and how these must be declared. A register of members' gifts and hospitality is kept up to date.</p> <p>Employee code of conduct sets out rules on the acceptance of gifts and hospitality. Registers are kept in each department.</p> <p>Whistleblowing policy is available to staff on the intranet and available to the public on the governance pages of the website.</p> <p>2019/20 Management Assurance exercise has confirmed that register of interests and gifts&amp; hospitality maintained and updated by each Directorate.</p> <p>The Council has a two stage Complaints process with the aim to get things right first time and to resolve the issue as quickly as possible. The Council will investigate all complaints and when a mistake has been made or the Council has caused the problem has been caused we will apologise and rectify the situation. The Council works closely with the Local Government Ombudsman to ensure that complaints are handled in a confidential manner and reviewed objectively.</p> <p>The Corporate Anti-Fraud and Corruption Strategy 2016-19 was reviewed during 2019-20 but no changes were made due to an expected update to the Local Government Fighting Fraud &amp; Corruption Locally Strategy (FFCL) in 2019-20. The refreshed FFCL Strategy was published online on 26<sup>th</sup> March 2020 and therefore during 2020-21 the authorities' own strategy will be reviewed and updated to reflect any changes and best practice the new FFCL Strategy recommends.</p> <p>The Council's Corporate Anti-Fraud Team undertook a self-assessment against the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014) during 2019/20 that reviewed progress against the five main principles within the code to improve the Council's arrangements. The result was a compliance level of 78%, unchanged from 2018/19 indicating that the authority has maintained a 'good level' of performance against the code. Further actions have been built into the 2019/20 Corporate Anti-Fraud plan to improve fraud risk resilience and progress against the actions contained within the Fraud Strategy will be reported to the GARMS Committee in September 2020.</p>	<p>Members code of conduct (GS)</p> <p>Gifts and Hospitality Protocol (GS)</p> <p>Employee code of conduct (GS)</p> <p>Whistleblowing policy (GS)</p> <p>Corporate complaints policy (GS)</p> <p>Corporate Anti-Fraud and Corruption Strategy 2016-19 (GS)</p>		<p>Legal-CE 03/06/20</p> <p>IA – SD 24/08/20</p> <p>CS&amp;BS- JM 20/05/20</p> <p>CAFT -JP 05/06/20</p>

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	Sub-principles	Examples of systems, processes, and documentation demonstrating compliance in 2019/20	Evidence GS = contained in Governance Structure	Gap	Evidence Provider +Date
	<b>Demonstrating strong commitment to ethical values</b>				
40	1.5 Seeking to establish, monitor and maintain the organisation's ethical standards and performance	<p>Financial regulations Contract procedure rules Constitution The scrutiny function comprises an overview and scrutiny committee, a performance and finance sub- committee, and lead scrutiny councillors for:</p> <ul style="list-style-type: none"> <li>• Public Health and Wellbeing</li> <li>• Community and Regeneration</li> <li>• Children and Families</li> <li>• Adult Services</li> <li>• Corporate Resources</li> </ul> <p>The function is driven by the need to hold the council and our partners to account for their performance and the establishment of the performance and finance sub- committee as the driver of scrutiny is a key component in ensuring that the function is focused on the issues of the greatest importance to the council. The lead members ensure that expertise to tackle particular areas of service delivery is maintained.</p> <p>The structure is subject to regular review and is supported by meetings of the scrutiny leadership group, comprising the leads and the chairs and vice chairs of the committees, which considers agenda and review programmes, provides strategic direction for the function and overall co-ordination between the leads and committees.</p>	<p>Financial Regulations (GS)</p> <p>Contract Procedure Rules (GS)</p> <p>Constitution (GS)</p>		Legal-CE 03/06/20
	1.6 Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation	<p>Employee code of conduct includes rules about general standards of conduct, personal interests, corruption and political neutrality. This is enforced via the Council's disciplinary policy.</p> <p>A whistleblowing procedure is available on the intranet.</p> <p>On election Members are given induction training and there is an annual training programme devised by the Membership Development Panel.</p> <p>Following the local government election in May 18, a welcome evening was held for all elected members on 8 May and there was a programme of Member mandatory training in May/June 2018.</p>	<p>Employee Code of Conduct (GS)</p> <p>Councils Disciplinary Procedure (GS)</p> <p>Whistleblowing Procedure (GS)</p> <p>Member mandatory training</p>		Legal-CE 03/06/20



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	Sub-principles	Examples of systems, processes, and documentation demonstrating compliance in 2019/20	Evidence GS = contained in Governance Structure	Gap	Evidence Provider +Date
1.7	Developing and maintaining robust policies and procedures which place emphasis on <u>best practice and legislation</u>	<p>All our policies incorporate <u>legislation and employment law</u> best practice. Specifically Paragraph 1.4 of the Induction checklist under Knowledge and Understanding staff are asked to become aware of the range of Employment policies including Code of Conduct, Whistle Blowing Policy, Corporate Governance, Financial Regulations and Standards, Health &amp; Safety Polices, Equal Opportunities Policy etc. There is also the workforce equalities report that goes to the Employees' Consultative Forum each year.</p> <p>An annual report is produced covering equalities for the whole borough and not just the workforce. The last report was produced by the Policy Team for 2018/19 (see attached (1.7.5) below) in April 2019 and went to the Consultative Forum in the autumn of 2019. The annual Equalities in Employment report was produced for HR in January 2020. The approach and timescale for production of these is currently under review having been suspended due to Covid19 issues and a revised approach and timeline to produce a more integrated report will be published by September 2020 for development of the 2020/21 and beyond reports.</p> <p>The Corporate learning and development programme includes events and activities supporting and promoting the Council's Equality Objectives. Copies of the evaluation sheets for these events are available to review. For the new Corporate Programme for 2020/22 our approach is to embed Diversity and Inclusion and the Council's values into the design of the learning solutions</p> <p>Recruitment and selection training has been rolled out to Panel members to provide confidence in using indicators of values and behaviour in the shortlisting and selection process. This training included confidence to identify unconscious bias.</p> <p>There is also a mandatory E learning module on an Introduction to Equalities and Diversity on the Council's e-learning portal 'POD'. Compliance is monitored quarterly and reported as KPI. Staff are required to refresh their training every two years. A reminder is sent from the Learning POD. An Equalities session is also included in the Corporate Induction.</p> <p>A commercial &amp; Procurement Strategy is in place. A commercial &amp; Procurement Strategy is in place. This will be reviewed in 2021 to incorporate any changes to the procurement strategy resulting from any new post Brexit procurement regulations implemented in the UK. Secondly to also realign the strategy to the Councils ambition plans, regeneration strategy and climate change strategy.</p>	<p>Induction checklist (GS)</p> <p>Equalities vision</p> <p>Workforce equalities report</p> <p>Policy Team annual report</p> <p>Equalities in Employment report</p> <p>Equalities and Diversity mandatory e-learning</p> <p>Corporate Induction Equalities Session</p> <p>Commercial &amp; Procurement Strategy (GS)</p>		<p>HR – TC 08/06/20</p> <p>SP–MR+ MG 8/6/20</p> <p>HR – TC 08/06/20</p> <p>Proc –NM 26/05/20</p>

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	Sub-principles	Examples of systems, processes, and documentation demonstrating compliance in 2019/20	Evidence GS = contained in Governance Structure	Gap	Evidence Provider +Date
1.8	Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation	<p>The principles of integrity, compliance and ethical standards which were originally established in the now disbanded Harrow Strategic Partnership are taken forward through 3 principal partnership bodies.</p> <p><b>Health and Wellbeing Board</b> – Terms of Reference</p> <p><b>Safer Harrow</b> – see ToR</p> <p><b>Harrow Community Partnership</b> – Terms of Reference and Memorandum of Understanding</p> <p>Commercial partnerships, shared services and external funding are covered by contracts/Inter Authority Agreements and service level agreements that detail standards required.</p>	<p>Health &amp; Wellbeing Terms of Reference (GS)</p> <p>Safer Harrow Terms of Reference (GS)</p> <p>Harrow Community Partnership – ToR and MoU</p>		<p>SP – MG/RG 18/08/20</p> <p>IA -SD 21/08/20</p>
<b>Respecting the rule of law</b>					
42 1.9	Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations	<p>Constitution is kept up to date and compliant with the law. Reports recommending a decision to committees/cabinet/Council are cleared by a lawyer. Policies and practices are kept up to date and follow legal requirements. The Monitoring Officer attends the Corporate Board, Cabinet and Council.</p> <p>Changes made to the constitution in July 2019 in respect of the following:</p> <ul style="list-style-type: none"> <li>- Changes required to put in place a disciplinary procedure for statutory chief officers</li> <li>- Inserting terms of reference for the Corporate Strategic Board and the Building a Better Harrow Board</li> <li>- Principles of Decision Making</li> <li>- Code of Conduct for Members</li> <li>- Officer Employment Procedure rules</li> <li>- Chief Officers Employment Panel</li> </ul>	Constitution (GS)		Legal–CE 03/06/20

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	Sub-principles	Examples of systems, processes, and documentation demonstrating compliance in 2019/20	Evidence GS = contained in Governance Structure	Gap	Evidence Provider +Date
43	1.10 Creating the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements	<p>Support from Legal Services and Democratic Services who advise members and officers about any relevant legislative or regulatory requirements.</p> <p>Reports recommending a decision to committees/cabinet/Council are cleared by a lawyer.</p> <p>Any specific legislative requirements are set out in the terms of reference for the particular body e.g. Council must approve the appointment of a Head of Paid Service (Chief Executive).</p> <p>Contract procedure rules Financial regulations Delegations to officers are set out in part 3B of the constitution.</p> <p>The Monitoring Officer attends the Corporate Board, Cabinet and Council.</p> <p>CIPFA's <i>Statement on the Role of the Chief Financial Officer in Local Government</i> (CIPFA, 2016) was complied with during 2019/20.</p>	<p>Contract Procedure Rules (GS)</p> <p>Financial Regulations (GS)</p> <p>Delegations to officers (GS)</p> <p>CIPFA Statement of the Role of the CFO in Local Government (GS)</p>		<p>Legal–CE 03/06/20</p> <p>Finance – Sdan 28/05/20</p>
	1.11 Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders	<p>Legal support is provided for all major Council projects.</p> <p>The Monitoring Officer is a lawyer and attends the Corporate Board.</p> <p>Cabinet decision reports require legal clearance and decision report templates require legal comments which form the record of legal advice.</p>	Decision report template (GS)		Legal–CE 03/06/20

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	Sub-principles	Examples of systems, processes, and documentation demonstrating compliance in 2019/20	Evidence GS = contained in Governance Structure	Gap	Evidence Provider +Date
1.12	Dealing with breaches of legal and regulatory provisions effectively	<p>Reports recommending a decision to committees/cabinet/Council are cleared by a lawyer and the report template contains a section for legal comments.</p> <p>Members' code of conduct requires that members have regard to advice given by Monitoring Officer and Chief Finance Officer and that they must not act in a manner which causes the Council to act unlawfully.</p> <p>Whistleblowing procedure Complaints policy Disciplinary procedure</p>	<p>Decision report template (GS)</p> <p>Members Code of Conduct (GS)</p> <p>Whistleblowing Procedure (GS)</p> <p>Complaints Policy (GS)</p> <p>Disciplinary Procedure (GS)</p>		Legal-CE 03/06/20
1.13	Ensuring corruption and misuse of power are dealt with effectively	<p>The Corporate Anti-Fraud and Corruption Strategy 2016-19 was reviewed during 2019-20 but no changes were made due to an expected update to the Local Government Fighting Fraud &amp; Corruption Locally Strategy (FFCL) in 2019-20. The refreshed FFCL Strategy was published online on 26<sup>th</sup> March 2020 and therefore during 2020-21 the authorities' own strategy will be reviewed and updated to reflect any changes and best practice the new FFCL Strategy recommends.</p> <p>The Council's Corporate Anti-Fraud Team undertook a self-assessment against the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014) during 2019/20 that reviewed progress against the five main principles within the code to improve the Council's arrangements. The result was a compliance level of 78%, unchanged from 2018/19 indicating that the authority has maintained a 'good level' of performance against the code. Further actions have been built into the 2019/20 Corporate Anti-Fraud plan to improve fraud risk resilience and progress against the actions contained within the Fraud Strategy will be reported to the GARMS Committee in September 2020.</p>	<p>Corporate Anti-Fraud and Corruption Strategy (GS)</p> <p>Self Assessment against Code of Practice</p>		CAFT -JP 05/06/20

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**Core Principle:** Acting in the public interest requires a commitment to and effective arrangements for:

**2. Ensuring openness and comprehensive stakeholder engagement** . (2007 Framework Core Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability.)

Local government is run for the public good, organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

	Sub-principles	Examples of systems, processes, and documentation demonstrating compliance in 2019/20	Evidence GS = contained in Governance Structure	Gap	Evidence Provider +Date
	<b>Openness</b>				
45	2.1 Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness	<p>The local authority website is a main channel for communication and includes information on Freedom of Information and a publication scheme (disclosure log)  <a href="http://www.harrow.gov.uk/site/custom_scripts/php/FOI/FOISearch.php">http://www.harrow.gov.uk/site/custom_scripts/php/FOI/FOISearch.php</a></p> <p>Harrow's Ambition Plan (Corporate Plan) demonstrates the organisation's commitment to openness. It is refreshed each year with a review of achievements and plans for what will be delivered.</p> <p>The original Harrow Ambition Plan 2020, 2019 refresh, contains courses of action to be taken by the Council to implement the vision during 2019/20. Usually an annual update on progress against the plan is reported to Cabinet and Council however due to the Covid-19 Pandemic the Policy Team, who undertake the review, were re-deployed to the Community Hub and thus there was no capacity to undertake the review. A report on the new Council Delivery Plan is due to be presented to Cabinet in November 2020 and will cover progress during 2019/20 against the Harrow Ambition Plan.</p> <p>In February 2020 the Council adopted its Borough Plan, which will succeed the Harrow Ambition Plan for 2020/21 onwards.</p> <p>Openness is also maintained through regular publication of 'Harrow People' a free magazine for all residents published quarterly, which covers the local community issues alongside information on Council services</p> <p>Council tax information including a booklet explaining the make up is made available via the web and a letter from the leader of the council explaining the changes to costs and details of just some of the services that CT pays for goes to all CT payers annually alongside their bill.</p>	<p>Harrow Council Website</p> <p>Harrow's Ambition Plan, Borough Plan (GS)</p> <p>Harrow People</p>		SP-RG + HM +MR 03/06/20

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	Sub-principles	Examples of systems, processes, and documentation demonstrating compliance in 2019/20	Evidence GS = contained in Governance Structure	Gap	Evidence Provider +Date	
	2.2	<p>Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided</p>	<p>Templates for committee and cabinet decisions include sections on options, financial implications, risk management and legal implications. Minutes record the reasons for a decision.</p> <p>Reports are published on the website and meetings are held in public unless there is a good reason for not doing so under the legislative rules and these are specified. The practice is that important discussions take place in public even if confidential papers are circulated to members.</p> <p>Access to Information rules are in the constitution.</p>	<p>Cabinet Decision template (GS)</p> <p>Access to Information Rules (GS)</p>		<p>Legal-CE 03/06/20</p>
46	2.3	<p>Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear</p>	<p>Templates for committee and cabinet decisions include sections on options, financial implications, risk management, equalities and legal implications (GS) that record professional advice. Minutes record the reasons for a decision.</p> <p>Agendas are published in accordance with the statutory requirements.</p> <p>A calendar of dates is produced for officers to ensure that reports are submitted, published and distributed in accordance with the statutory timescales.</p> <p>Decision making protocols included in Constitution – these were reviewed and updated in 2019/20 as agreed as part of the Regeneration action plan.</p>	<p>Cabinet Decision template (GS)</p> <p>Agendas of meetings (on Council website)</p> <p>Calendar of dates (GS)</p> <p>Decision making protocols (in Constitution – GS)</p>	<p>Minor Gap 17/18 &amp; 18/19 as per 1.3 2019/20 Gap</p>	<p>Legal- CE 03/06/20</p>

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	Sub-principles	Examples of systems, processes, and documentation demonstrating compliance in 2019/20	Evidence GS = contained in Governance Structure	Gap	Evidence Provider +Date
2.4	Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action	<p>A range of formal and informal consultations with a wide range of stakeholders informs Harrow's plans, priorities and targets. Harrow's current consultations can be found listed on the website.</p> <p>A full list of Harrow's current (and previous) consultations can be found on the website at . <a href="https://consult.harrow.gov.uk/consult.ti/system/listConsultations?type=all">https://consult.harrow.gov.uk/consult.ti/system/listConsultations?type=all</a></p> <p>The Consultation Portal is used for consultations and surveys of service users and residents. In addition, an annual Residents Survey is carried out independently by telephone to track residents' views on the Council and key local issues.</p>	Consultation Portal (Council website)		SP –MR + HM 03/06/20
<b>Engaging comprehensively with institutional stakeholders<sup>1</sup></b>					
47 2.5	Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably	Whilst a Communication Strategy/Plan was not in place for 2019/20, the Council's Communications Team worked with all parts of the Council and a wide range of partner organisations and external stakeholders on media relations, marketing, campaigns, consultations, events, publications and social media in order to assist the Council in improving its relationship with its public. This includes keeping residents informed of Council activities, engaging them in dialogue around service delivery and soliciting their views to drive change.		Minor Gap 17/18 & 18/19 as no agreed communications plan in place from when team came back in-house April 18. This gap continues for 2019/20.	SP –HM + MR 03/06/20

<sup>1</sup> Institutional stakeholders are the other organisations that local government needs to work with to improve services and outcomes (such as commercial partners and suppliers as well as other public or third sector organisations) or organisations to which they are accountable.

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	Sub-principles	Examples of systems, processes, and documentation demonstrating compliance in 2019/20	Evidence GS = contained in Governance Structure	Gap	Evidence Provider +Date
2.6	Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively	<p>Voluntary Action Harrow maintains a list of voluntary sector partners. The Harrow Community Partnership acts as an umbrella organisation for all formal and informal partnerships with the voluntary and community sector.</p> <p>Community Engagement Team has stakeholders' lists – e.g. park users, community champions.</p> <p>Other lists of stakeholders and user groups are maintained in other services around the Council e.g. Children Looked After representatives, Adult Social Care service users groups.</p> <p>Partners are meeting at a very senior level, with our managerial and political leadership. The partnership is something that was being developed around the borough plan and therefore not at the stage of developing these wider responses around outcomes and achievements. Much more will become evident over time as discussions continue around working together, co-location and other proposals which were being discussed with individual partners prior to covid. These will be informing the borough plan's further development and the implementation plans that will be a part of this as they are produced in the coming months.</p>	Stakeholders list		SPC –MR + RG 03/06/20
48 2.7	Ensuring that partnerships are based on: <ul style="list-style-type: none"> <li>• Trust;</li> <li>• a shared commitment to change;</li> <li>• a culture that promotes and accepts challenge among partners; and that the added value of partnership working is explicit</li> </ul>	<p>The framework of effective working with partners and stakeholders is established in the values and priorities of the Harrow Ambition Plan (Borough Plan for 2020/21 onwards).</p> <p>Establishment of shared commitment, trust and a culture of openness and challenge is exemplified in the terms of reference and constitution of the principal partnership bodies, Safer Harrow, the Health and Wellbeing Board and Harrow Community Partnership</p> <p>Partnership arrangements reviewed in 2019/20 (assisted self-assessment) for HBPL, Concilium Business Services, Smart Lettings, and Sancroft) demonstrated that these partnerships are based on trust a shared commitment to change; a culture that promotes and accepts challenge among partners; and that the added value of partnership working is explicit.</p>	<p>Harrow Ambition Plan (GS)</p> <p>Partnership arrangement self-assessment</p>	Minor Gap 2019/20 governance arrangements for Concilium Assets LLP to be assessed.	<p>SP –RG +MR 03/06/20</p> <p>IA – SD 24/08/20</p>



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	Sub-principles	Examples of systems, processes, and documentation demonstrating compliance in 2019/20	Evidence GS = contained in Governance Structure	Gap	Evidence Provider +Date
	<b>Engaging with individual citizens and service users effectively</b>				
49	2.8	<p>Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes</p>	<p>Consultation Standards were adopted by Cabinet in July 2015 – see item 23 p803-816. See file Consultation Standards 2015 or link below.</p> <p>This sets out the way in which the Council will consult with residents and local organisations and business to ensure the right contributions to decision making.</p> <p>A record of public consultations both currently open and closed is held on the Consultation Portal</p> <p><a href="https://consult.harrow.gov.uk/consult.ti/system/listConsultations?type=O">https://consult.harrow.gov.uk/consult.ti/system/listConsultations?type=O</a></p>	<p>Consultation Standards (GS)</p> <p>Consultation portal (Council website)</p>	<p>SP –MR + HM</p> <p>03/06/20</p>
	2.9	<p>Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement</p>	<p>Weekly Portfolio Holder meetings with Communications Team, Leader and Corporate Directors plus meetings on individual campaigns with key officers to monitor progress against the key campaigns and other major work e.g. Harrow People, etc.</p>		<p>SP –MR + HM</p> <p>03/06/20</p>

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	Sub-principles	Examples of systems, processes, and documentation demonstrating compliance in 2019/20	Evidence GS = contained in Governance Structure	Gap	Evidence Provider +Date
2.10	Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs	<p>Communications Strategy see 2.5/2.9</p> <p>Harrow's Joint Strategic Needs Assessment aims to provide analysis of a wide range of analysis of health and wellbeing of the local population and can be found via this link <a href="https://www.harrow.gov.uk/health-leisure/joint-strategic-needs-assessment?documentId=12490&amp;categoryId=210266">https://www.harrow.gov.uk/health-leisure/joint-strategic-needs-assessment?documentId=12490&amp;categoryId=210266</a></p> <p>Related documents</p> <ul style="list-style-type: none"> <li>• Harrow Vitality Profiles</li> <li>• <a href="https://www.harrow.gov.uk/council/vitality-profiles?documentId=12986&amp;categoryId=210283">https://www.harrow.gov.uk/council/vitality-profiles?documentId=12986&amp;categoryId=210283</a></li> <li>• Child Poverty Strategy</li> <li>• Economic Impacts Dashboard</li> <li>• School Place Planning / Demography Report</li> </ul> <p>A strategic assessment of crime and anti social behaviour is produced for the Safer Harrow Partnership which analyses key local issues. This informs the annual Community Safety and Violence, Vulnerability and Exploitation Strategy.</p> <p>A Reputation Tracker survey was reintroduced in 19/20 to test impacts of campaigns after a year's break in 2018/19 due to cost.</p> <p>Value modes are used to evidence how campaigns are constructed and delivered.</p> <p>Origins population analysis and 'Cohesion Atlas' has been delivered across Harrow, Barnet and Brent in 2019/20 under the CMF funded 'Engaging Eastern European Communities programme'.</p>	<p>Communications Strategy</p> <p>Harrow's Joint Strategic Needs Assessment</p> <p>Harrow Vitality Profiles</p> <p>Child Poverty Strategy</p> <p>Economic Impacts Dashboard</p> <p>School Place Planning / Demography Report</p> <p>Community Safety and Violence, Vulnerability and Exploitation Strategy</p> <p>Reputation Tracker</p>	<p>Minor Gap 18/19 – No reputation tracker in used (due to cost) however it has been recognised as a gap and is being re-introduced for 2019/20-2019/20</p> <p>Gap closed</p>	<p>SP-MR + HM</p> <p>03/06/20</p>
2.11	Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account	<p>Consultation protocols adopted in 2015 see 2.8.</p>	<p>Consultation Protocols</p>		<p>SP –MR</p> <p>03/06/20</p>

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	Sub-principles	Examples of systems, processes, and documentation demonstrating compliance in 2019/20	Evidence GS = contained in Governance Structure	Gap	Evidence Provider +Date
2.12	Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity	<p>Consultations carried out with residents and stakeholders during 2019/20 are listed in the Consultation Portal – included annual budget, murals in three town centres, town centre improvements, CPZs, Council Tax Support scheme  <a href="https://consult.harrow.gov.uk/consult.ti/system/listConsultations?type=all">https://consult.harrow.gov.uk/consult.ti/system/listConsultations?type=all</a></p> <p>Services run user groups e.g. adult social care user groups, young people’s forums to get a wide range of views and ensure that voices of less active are heard.</p>	Consultation Portal		SP –MR + HM 03/06/20
2.13	Taking account of the impact of decisions on future generations of tax payers and service users	<p>Examples of taking account of future impact of decisions can be found in Cabinet Papers. For example</p> <p>Cabinet 11 Apr 2019:</p> <ul style="list-style-type: none"> <li>Homes for Harrow: Grange Farm Regeneration</li> </ul> <p>Cabinet 10 Oct 2019</p> <ul style="list-style-type: none"> <li>Council Preparations for Brexit</li> </ul> <p>Cabinet 13 Feb 2020:</p> <ul style="list-style-type: none"> <li>Adult Social Care Charging Policy Review</li> </ul> <p>Harrow’s Joint Strategic Needs Assessment looks at long term trends and impacts and informs planning around health and social care  <a href="https://www.harrow.gov.uk/health-leisure/joint-strategic-needs-assessment?documentId=12490&amp;categoryId=210266">https://www.harrow.gov.uk/health-leisure/joint-strategic-needs-assessment?documentId=12490&amp;categoryId=210266</a></p>	<p>Example Cabinet papers</p> <p>Harrow’s Joint Strategic Needs Assessment</p>		SP –MR 03/06/20

## Core principles and sub-principles of good governance

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**Core Principle:** Acting in the public interest requires a commitment to and effective arrangements for:

**3. Defining outcomes in terms of sustainable economic, social, and environmental benefits** (2007 Framework Core Principle 1: Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.)

The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the organisation's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.

	Sub-principles	Examples of systems, processes, and documentation demonstrating compliance in 2019/20	Evidence GS = contained in Governance Structure	Gap	Evidence Provider +Date
	<b>Defining Outcomes</b>				
52	3.1 Having a clear vision, which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation's overall strategy, planning and other decisions	<p>Harrow's vision is laid out in the Ambition Plan and is refreshed on an annual basis (succeeded in 2020/21 by the Borough Plan).</p> <p>The Harrow Ambition Plan forms the basis for all corporate and service planning.</p> <p>Management Assurance exercise confirmed that service plan in place for each division within Community. All service plans reviewed link to Corporate Priorities. In Resources service plans in place for Strategic Commissioning Division &amp; Customer Services &amp; Business Transformation Division, Procurement Section, Internal Audit, Corporate Anti-Fraud and Revenues. In the People Directorate, Children and Young People Services have service plans in place for each service and Adults have a 'comprehensive programme plan' in place.</p>	<p>Harrow Ambition Plan (GS)</p> <p>Service Plans</p> <p>Inter-Authority Agreement for HR</p>	<p>Minor Gap: 2017/18 &amp; 2018/19 &amp; 2019/20 The Finance &amp; Legal Divisions do not have up to date Service Plans</p>	<p>SP – DH/MR M Randall 3/6/20</p> <p>IA – SD 24/08/20</p>

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	Sub-principles	Examples of systems, processes, and documentation demonstrating compliance in 2019/20	Evidence GS = contained in Governance Structure	Gap	Evidence Provider +Date
3.2	Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer	<p>Service plans are developed for each Division which reflect the priorities and values in the HAP and detailed impact assessments are carried out for any major changes in service provision, particularly important for those driven by reduction in budget</p> <p>See also</p> <ul style="list-style-type: none"> <li>• Consultation Standards &amp; Consultation portal – links at 2.8</li> </ul> <p>Management Assurance exercise confirmed that service plan in place for each division within Community. All service plans reviewed link to Corporate Priorities. In Resources service plans in place for Strategic Commissioning Division &amp; Customer Services &amp; Business Transformation Division, Procurement Section, Internal Audit, Corporate Anti-Fraud and Revenues. In the People Directorate, Children and Young People Services have service plans in place for each service and Adults have a 'comprehensive programme plan' in place.</p>	<p>Service Plans</p> <p>Consultation Portal</p> <p>Inter-Authority Agreement for HR</p>	2019/20 Minor Gap as at 3.1	<p>SP–DH/MR</p> <p>IA – SD 24/08/20</p>
3.3	Delivering defined outcomes on a sustainable basis within the resources that will be available	<p>Progress is tracked through the quarterly cycle:</p> <ul style="list-style-type: none"> <li>• Performance Briefings</li> <li>• CSB performance discussions</li> <li>• Joint Cabinet/CSB discussions</li> <li>• Strategic Performance Report to Cabinet</li> </ul> <p>This looks at progress against the Harrow Ambition Plan. Note that, in the last quarter of 2019/20, amended, emergency reporting arrangements were put in place in consequence of the Covid-19 emergency. The Annual Statement of Accounts provides a summary of achievements for each year.</p>	Annual Statement of Accounts (GS)		SP –MR 03/06/20

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	Sub-principles	Examples of systems, processes, and documentation demonstrating compliance in 2019/20	Evidence GS = contained in Governance Structure	Gap	Evidence Provider +Date
3.4	Identifying and managing risks to the achievement of outcomes	<p>Weekly/monthly/quarterly &amp; annual performance information tracker process &amp; outcome indicators in place identifying trends or deficits and acting upon them. Evidence example: Quarterly Children’s Safeguarding Reports</p> <p>A risk register is maintained for each major service area and is reported quarterly to the Directorate Management Team.</p> <p>The Corporate Risk Management Strategy was last reviewed and updated in 2016/17 and was due to be re-reviewed in 2019/20 – although this process was started it has yet to be completed. The Corporate Risk Register is maintained and updated regularly.</p>	<p>Performance Tracker</p> <p>Quarterly Children’s Safeguarding Reports</p> <p>Risk Registers</p> <p>Corporate Risk Management Strategy 2016/17 (GS)</p> <p>Corporate Risk Register</p>	<p>Minor Gap 2019/20 – review of the Corporate Risk Management Strategy overdue</p>	<p>SP –MR 03/06/20</p> <p>IA – SD 21/08/20</p>
3.5	Managing service users’ expectations effectively with regard to determining priorities and making the best use of the resources available	<p>The Harrow Ambition Plan and the related Corporate Scorecard which is reported in the Strategic Performance Report, referenced above, provide a clear set of priorities.</p> <p>See Strategic Performance Report Q2 2019/20 (Cabinet Jan 2020) for example of reporting progress against HAP priorities and Corporate Scorecard.</p> <p>Service plans match the available resources with an aim to provide value for money wherever possible, most often in the environment of reducing resources.</p>	<p>Harrow Ambition Plan (GS)</p> <p>Corporate Scorecard (GS)</p> <p>Strategic Performance Report</p>		<p>SP –MR 03/06/20</p>
<b>Sustainable economic, social and environmental benefits</b>					

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	Sub-principles	Examples of systems, processes, and documentation demonstrating compliance in 2019/20	Evidence GS = contained in Governance Structure	Gap	Evidence Provider +Date	
	3.6	<p>Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision</p>	<p>2019/20 – 2020/21 draft agreed by December 2018 Cabinet and final agreed at February 2019 Cabinet. Three year Capital Programme reviewed and updated annually. 2020/21 – 2022/23 draft agreed by January 2020 Cabinet and final agreed at February 2020 Cabinet. The work takes place during 2019 on the production of the Capital Programme for the following year.</p> <p>In 2018/19 under the Prudential Code there was a new requirement for a more detailed capital strategy as part of the Treasury Management (TM) strategy and this was first put to cabinet in February 2019 and is an annual requirement. The Capital Strategy was updated during 2019 and was included in the Treasury Management Strategy report and for 2020/21 went to cabinet in February 2020.</p>	<p>Capital Programme (GS)</p> <p>Prudential Code</p> <p>Treasury Management Strategy</p>		<p>Finance – Sdan 29/05/20</p>
55	3.7	<p>Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints</p>	<p>Templates for committee and cabinet decisions include sections on options, financial implications, risk management, equalities and legal implications. Minutes record the reasons for a decision.</p> <p>Article 13 of the constitution sets out the principles of decision-making.</p> <p>Cabinet reports required to have Finance clearance and comment.</p>	<p>Cabinet Decisions Template (GS)</p> <p>Article 13 in Constitution (GS)</p>		<p>Legal–CE 03/06/20</p>
	3.8	<p>Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs</p>	<p>Templates for committee and cabinet decisions include sections on options, financial implications, risk management, equalities and legal implications. Minutes record the reasons for a decision.</p> <p>Article 13 of the constitution sets out the principles of decision-making..</p> <p>All key decisions are recorded in Committee Documents which are made public, available via link below: <a href="http://www.harrow.gov.uk/www2/ieDocHome.aspx?bcr=1">http://www.harrow.gov.uk/www2/ieDocHome.aspx?bcr=1</a></p> <p>See Consultation Standards adopted in 2015 <a href="https://www.harrow.gov.uk/council/consultation-standards">https://www.harrow.gov.uk/council/consultation-standards</a></p>	<p>Cabinet Decisions Template (GS)</p> <p>Article 13 in Constitution (GS)</p> <p>Consultation Standards</p> <p>Committee Documents</p>	<p>Minor gap 2017/18 &amp; 2018/19 as per 1.3 2019/20 Gap closed</p>	<p>Legal–CE 03/06/20</p>

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	Sub-principles	Examples of systems, processes, and documentation demonstrating compliance in 2019/20	Evidence GS = contained in Governance Structure	Gap	Evidence Provider +Date
3.9	Ensuring fair access to services	<p>Service provision is measured in key areas – social care, housing, education, youth offending – to compare provision and outcomes for different groups – by age, ethnicity and other protected characteristics.</p> <p>See equality and diversity section of Harrow Website  <a href="https://www.harrow.gov.uk/council/Equality-diversity?documentId=12871&amp;categoryId=210283">https://www.harrow.gov.uk/council/Equality-diversity?documentId=12871&amp;categoryId=210283</a></p> <p>The annual equalities report provides a narrative of the services and projects being delivered by the Council which not only support our Corporate Priorities but address inequality, advance equality and foster good relations.</p> <p>Equality Impact Assessments are required to be carried out on any major service change to ensure any disproportionate impact is understood and mitigated where possible.</p> <p>There is a mandatory e-learning module on an Introduction to Equalities and Diversity on the Council's Learning Hub. The performance measure covers e-learning and face-to-face training (of which the greater part is e-learning). At Q3 2019/20 the compliance data was: New starters (within 12 weeks of start) 67%. The Corporate Development Programme includes events and training supporting and promoting the Council's Equality Objectives, e.g. MH peer training, Mindful Manager.</p> <p>The Council has adopted an Equality in Procurement guide which includes the aspiration that "As a procurer of goods and services, we are committed to ensuring our commissioning processes are fair and equitable and that service providers delivering a service on our behalf share our commitment to equality and diversity."</p> <p>Complaints procedure                      The Council takes account of any recommendations arising from inspections by external bodies.                      Data is collected about characteristics of service users.</p>	<p>Harrow Council Website – Equality &amp; Diversity</p> <p>Equality &amp; Diversity mandatory e-learning and performance measure</p> <p>Corporate Development Programme</p> <p>Equality in Procurement Guide</p> <p>Complaints Procedure (GS)</p>		<p>SP- MR 12/08/20</p> <p>SP- RG/MR 03/06/20</p> <p>Legal -CE 03/06/20</p>



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**Core Principle:** Acting in the public interest requires a commitment to and effective arrangements for:

### 4. Determining the interventions necessary to optimise the achievement of the intended outcomes *(Not covered in the 2007 Framework)*

Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.

	Sub-principles	Examples of systems, processes, and documentation demonstrating compliance in 2019/20	Evidence GS = contained in Governance Structure	Gap	Evidence Provider +Date	
	<b>Determining Interventions</b>					
57	4.1	<p>Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided</p>	<p>Templates for committee and cabinet decisions include sections on options, financial implications, risk management, equalities and legal implications.</p> <p>Article 13 of the constitution sets out the principles of decision-making</p>	<p>Cabinet Decision Template (GS)</p> <p>Article 13 of the Constitution (GS)</p>	<p>Minor Gap 17/18 &amp; 18/19 as per 1.3 2019/20 Gap closed</p>	<p>Legal- CE 03/06/20</p>
	4.2	<p>Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts</p>	<p>The work on the Final Revenue Budget 2020/21 and Medium term Financial Strategy 2020/21 – 2022/23 was reported to Cabinet in February 2020 but takes place during 2019. This report included a section on the stakeholder consultation undertaken. This is set out in section 2 of the report.</p> <p>Cabinet report covers details of the budget consultation.</p> <p>There was wide public consultation on the whole budget framework above (see budget report section for detail) and incl. the Final Revenue Budget 2020/21 and MTFS in the report 2020/21 – 2022/23.</p>	<p>Final Revenue Budget 2020/21 (GS)</p> <p>MTFS 2020/21 – 2022/23 (GS)</p> <p>Cabinet Report</p>		<p>Finance-SDan 29/05/20</p>

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	Sub-principles	Examples of systems, processes, and documentation demonstrating compliance in 2019/20	Evidence GS = contained in Governance Structure	Gap	Evidence Provider +Date
	<b>Planning Interventions</b>				
4.3	Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets	Key decision schedule. All Council committees have a calendar of dates for Legal/ Finance clearances of reports and report submission that must be adhered to.	Key decision schedule (GS)		Legal-CE 03/06/20
4.4	Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered	See 2.5 above  Harrow Ambition Plan + MTFS determine how to deliver. Communications team then support.	Harrow Ambition Plan  MTFS 2020/21 – 2022/23 (GS)		SP- MR 03/06/20
4.5	Considering and monitoring risks facing each partner when working collaboratively, including shared risks	See examples for partnership protocols and framework above at 1.8.  Shared Service reviews (assisted self-assessment) confirmed covered by Inter-Authority Agreements	Self Assessment Shared Services		SP- MR 03/06/20  IA-SD 24/08/20

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	Sub-principles	Examples of systems, processes, and documentation demonstrating compliance in 2019/20	Evidence GS = contained in Governance Structure	Gap	Evidence Provider +Date
4.6	Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances	<p>Council is agile and flexible in responding to the reality of huge funding cuts and minimising impact, plus in generating new income streams.</p> <p>Recent examples of flexibility in application of council resources in changing circumstances include:</p> <p>Innovative and preventative approaches to children’s services in response to growing demands and reduction in resources, redeploying staff and working with health and other partners e.g. Early Support, Keeping Families Together/Edge of Care.</p> <p>Transformation in adult social care – Early Intervention, prevention, improved pathways through care.</p> <p>It is possible to waive the contract procedure rules in some cases including emergency. The Constitution contains provisions for urgent decisions to be made where this cannot otherwise be done by the usual process.</p> <p>Under the scheme of delegation in the constitution the Chief Executive can take any decisions which are delegated to the corporate director.</p> <p>Arrangements to take on agency staff to deal with peaks or troughs in workload can be made through the Council’s contract with Pertemps.</p> <p>Have the adaptability to respond effectively to major business disruptive incidents that impacts the Councils services by:</p> <ul style="list-style-type: none"> <li>- convening of an Incident Management Team shaped to the scale of the incident, as detailed in the Corporate BC Plan</li> <li>- real time messaging alerts for incidents</li> </ul>	<p>Contract Procedure Rules (GS)</p> <p>Constitution (GS)</p> <p>Corporate and Individual Business Continuity plans</p>		<p>SP- MR</p> <p>Legal-CE 03/06/20</p> <p>EP&amp;BC – RW 18/08/20</p>

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	Sub-principles	Examples of systems, processes, and documentation demonstrating compliance in 2019/20	Evidence GS = contained in Governance Structure	Gap	Evidence Provider +Date
4.7	Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured	<p>Each service area contributes to a Directorate scorecard of key indicators which is produced quarterly and reported to the Directorate Management Team and bi-annually to Corporate Strategic Board. The most important indicators feed into the Corporate Scorecard.</p> <p>Detailed scorecards and related documents are available via Sharepoint or from Directorate performance officers.</p> <p>See Strategic Performance report for example of final quarterly report to Cabinet.</p> <p>Management Assurance exercise confirmed KPIs established for each Division within Community, People and Resources and reported quarterly.</p>	<p>Scorecard directorate &amp; corporate</p> <p>Strategic Performance Report</p> <p>Management Assurance</p>		<p>SP- MR 03/06/20</p> <p>IA-SD 24/08/20</p>
4.8	Ensuring capacity exists to generate the information required to review service quality regularly	As above – see Performance Briefing papers, CSB and Cabinet/CSB performance discussion papers and Strategic Performance Reports to Cabinet, which are produced quarterly.	Performance Briefing and related papers		SP- MR 03/06/20
4.9	Preparing budgets in accordance with objectives, strategies and the medium term financial plan	Feb 2020 Cabinet report above demonstrates the links between budgets set in-line with council objectives (see Background Section). See also link to MTFS in 4.2.	Cabinet report Feb 2020		Finance-SDan 29/05/20
4.10	Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy	<p>Corporate Plan and Medium Term Financial Plan as above in place.</p> <p>There is a corporate plan in place, the Harrow Ambition Plan, which is updated annually.</p> <p>Budget Guidance and protocols covered in Financial Regulations</p>	<p>Corporate Plan (GS)</p> <p>Medium Term Financial Plan (GS)</p> <p>Financial Regulations (GS)</p>		Finance-SDan 29/05/20
<b>Optimising achievement of intended outcomes</b>					

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	Sub-principles	Examples of systems, processes, and documentation demonstrating compliance in 2019/20	Evidence GS = contained in Governance Structure	Gap	Evidence Provider +Date
4.11	Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints	Member and Officer financial and budget away days for the 2020/21 budget held in October 2019 with separate away days for capital.  Medium term financial strategy links to the Corporate objectives that link to service objectives.  Member and senior management review of 2020/21 budget proposals (similar to commissioning panels)	Medium Terms Financial Strategy (GS)		Finance-SDan 29/05/20
4.12	Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term	Budget guidance and protocols contained in Financial Regulations  See 2020/21 budget report (February 2020)	Financial Regulations (GS)  Budget Report	—	Finance-SDan 29/05/20
4.13	Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage	Medium Term Financial Strategy (GS) in place and sets context – see Cabinet reports Jan 20 and Feb 20.	Financial Regulations (GS)  Cabinet reports Jan20/ Feb 20		Finance-SDan 29/05/20

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	Sub-principles	Examples of systems, processes, and documentation demonstrating compliance in 2019/20	Evidence GS = contained in Governance Structure	Gap	Evidence Provider +Date
4.14	Ensuring the achievement of 'social value' through service planning and commissioning	<p>The Procurement Strategy (GS) covers Sustainability – Delivering Local Economy, Social and Community Benefits. Additionally we have a Social Value Policy which is embedded into the procurement process to maximise the delivery of Social Value through our supply chain.</p> <p>Helping the Council achieve social value is part of the procurement vision. The monitoring of the delivery of Social Value offers from organisations that are awarded council contracts is undertaken by the ED team. A Internal Audit review undertaken as part of the 2019/20 IA Plan identified weaknesses in the adequacy of the corporate monitoring of Social Value.</p> <p>Management assurance exercise confirmed that social value is considered as part of service planning process and is monitored and reported upon in Community, People and Resources Directorates.</p>	<p>Procurement Strategy (GS)</p> <p>Management Assurance</p> <p>Social Value monitoring tracker 2019/20</p>	Minor gap 2019/20 in terms of adequacy of monitoring via the Social Value tracker	<p>Proc – NM</p> <p>IA - AA 18/08/20</p> <p>IA-SD 24/08/20</p>

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**Core Principle:** Acting in the public interest requires a commitment to and effective arrangements for:

**5. Developing the entity's capacity, including the capability of its leadership and the individuals within it** (2007 Framework core Principle 5: Developing the capacity and capability of members and officers to be effective and Core Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles.)

Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members. Leadership in local government is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

	Sub-principles	Examples of systems, processes, and documentation demonstrating compliance in 2019/20	Evidence GS = contained in Governance Structure	Gap	Evidence Provider +Date
	<b>Developing the entity's capacity</b>				
5.1	Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness	See quarterly process for accountability and governance <ul style="list-style-type: none"> <li>• Performance Briefings – available via Sharepoint</li> <li>• CSB and Cabinet/CSB performance discussions</li> <li>• Strategic Performance Report to Cabinet</li> </ul>	Performance Board papers  Strategic Performance Report		SP-MR 03/06/20
5.2	Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently	Benchmarking is a standard part of reporting on services and nearest neighbour and national comparators are provided as part of service performance reporting. The Council participates in the London Councils benchmarking service (LAPS).  2019/20 Management assurance exercise has confirmed that benchmarking and other options are used within Community, People and Resources to improve the use of resources.	Service scorecards. LAPS outputs.  Management Assurance		SP-MR 03/06/20  IA-SD 24/08/20

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	Sub-principles	Examples of systems, processes, and documentation demonstrating compliance in 2019/20	Evidence GS = contained in Governance Structure	Gap	Evidence Provider +Date
5.3	Recognising the benefits of partnerships and collaborative working where added value can be achieved	<p>For examples of collaborative working and effective partnership see details of Health and Wellbeing Board, Safer Harrow and Harrow Community Partnership at 1.8 above.</p> <p>Further examples are</p> <ul style="list-style-type: none"> <li>▪ Harrow Safeguarding Children's Board <a href="http://www.harrowlscb.co.uk/">http://www.harrowlscb.co.uk/</a></li> <li>▪ Harrow Youth Offending Board</li> </ul> <p>Full sets of agenda and papers available on request</p> <p>Shared Service assessments confirmed IIAs in place for shared services covering effective operation and agreed outcomes.</p>	<p>Health &amp; Wellbeing / Safer Harrow Terms of Reference/ Harrow Community Partnership – ToR and MoU</p> <p>Shared Service assessments</p>		<p>SP- MR 03/06/20</p> <p>SP – MG/RG 18/08/20</p> <p>IA-SD 24/08/20</p>
5.4	Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources	<p>Workforce data including turnover, use of agency staff, sickness absence etc is reviewed by Improvement Boards quarterly and improvement actions put in place where required. Improvement Boards were retitled "Performance Boards" at Q2 2018/19. Performance Boards were replaced by Performance Briefings at Q1 2019/20. All meetings held have been physical meetings, they were suspended after the Q2 cycle 2019/20 (Nov 2019) owing to the pandemic.</p> <p>The OD agenda has been an area of focus for the last 9 months – work to build line manager capabilities has been a priority. Work to develop effective metrics and measures for HR&amp;OD and to start to develop the people strategy are underway. A new 'vision' for how we want to work in the future has been developed by CSB and is being integrated into our plans. Due to the pandemic the timelines for consulting and engaging with key stakeholders have been delayed.</p> <p>Plans for the HR&amp;OD restructure includes strengthening data / analytics capacity for effective reporting and workforce planning.</p>	Performance Briefings	Minor Gap 17/18 & 18/19 & 2019/20 - Organisational Development Plan and Corporate Workforce Strategy still in development	<p>HR-TC 08/06/20</p> <p>HR- MR 12/08/20</p>
<b>Developing the capability of the entity's leadership and other individuals</b>					



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	Sub-principles	Examples of systems, processes, and documentation demonstrating compliance in 2019/20	Evidence GS = contained in Governance Structure	Gap	Evidence Provider +Date
5.5	Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained	<p>Member officer protocol</p> <p>Portfolio Holder roles are defined in the constitution</p> <p>Areas of responsibility of Chief Executive is set out in Article 12 of the Constitution</p> <p>Constitution sets out the role of the Chief Executive and the Leader</p> <p>Member/Officer roles and relationships are covered in the Member development training programme. Following the local government election in May 2018, a welcome evening was held for all elected members on 8 May together with a programme of Member mandatory training in May/June 2018.</p>	<p>Member officer protocol (GS)</p> <p>Portfolio Holder roles are defined in the constitution (GS)</p> <p>Areas of responsibility of Chief Executive is set out in Article 12 of the Constitution (GS)</p> <p>Constitution sets out the role of the Chief Executive and the Leader (GS)</p>		Legal-CE 03/06/20
5.6	Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body	<p>Constitution sets out functions reserved to full council or are for Cabinet and those which are delegated to committees or officers.</p> <p>Financial Regulations (updated in February 2019 following a review) and Contract Procedure Rules reviewed regularly.</p>	<p>Constitution (GS)</p> <p>Financial Regulations and Contract Procedure Rules (GS)</p>		Legal-CE 03/06/20

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	Sub-principles	Examples of systems, processes, and documentation demonstrating compliance in 2019/20	Evidence GS = contained in Governance Structure	Gap	Evidence Provider +Date
5.7	Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority	<p>Member officer protocol (GS)</p> <p>Areas of responsibility of Chief Executive is set out in Article 12 of the Constitution</p> <p>Constitution sets out the role of the Chief Executive and the Leader (GS)</p> <p>Regular one to one meetings are held between the Leader and the Chief Executive.</p>	Member officer protocol (GS)		Legal-CE 03/06/20

## Core principles and sub-principles of good governance

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	Sub-principles	Examples of systems, processes, and documentation demonstrating compliance in 2019/20	Evidence GS = contained in Governance Structure	Gap	Evidence Provider +Date
5.8	<p>Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:</p> <ul style="list-style-type: none"> <li>ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged</li> <li>ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis</li> <li>ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external</li> </ul>	<p>Regular training sessions are held for members.</p> <p>Following the local government election in May 2018, a welcome evening was held for all elected members on 8 May together with a programme of Member mandatory training in May/June 2018</p> <p>During 2019/20:            Member Training was conducted on 24/06/19 - How to use social media (24/06/19 4 attendees); Homelessness and Rough Sleeping (21/10/19 21 attendees) and EU Settled Status (04/03/20 21 attendees)</p> <p>Members received a mix of face to face and online training by the DPO, 83% of all members have now had training within the last 12 months (was initially 14% at start of the year)</p> <p>Senior manager capabilities are reviewed at appraisal and discussed during 1:1 with Line Manager and at annual Appraisal meetings with a further review at 6 months.</p> <p>All managers and staff are required to have a personal development plan related to their performance objectives and appraisal. The Council runs Corporate Induction sessions to ensure all new members of staff including Agency staff are inducted in a timely manner. HR policy has been changed to ensure that new members of staff should not pass probation unless they have attended induction.</p> <p>For 2019/20 there were 7 Induction sessions held and 107 staff attended.</p> <p>The Corporate Induction covers:</p> <ul style="list-style-type: none"> <li>Welcome from Leader and Chief Executive (their expectations from staff)</li> <li>Vision and priorities</li> <li>Values and Behaviours for both Staff and Managers</li> <li>Organisation structure</li> <li>Equalities and Diversity</li> <li>Completion of Mandatory training (for staff who do not have IT access)</li> </ul> <p>Directorates and Services provide role specific induction including relevant training.</p> <p>CSB are working with an external supplier on their development as a team</p>	<p>Member mandatory training</p> <p>Appraisals</p> <p>Corporate Induction</p> <p>Staff Induction Checklist</p> <p>Online training on training portal</p>		<p>Legal-CE 03/06/20</p> <p>IG – DD 02/06/20</p> <p>HR – TC 08/06/20</p>

## Core principles and sub-principles of good governance

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	Sub-principles	Examples of systems, processes, and documentation demonstrating compliance in 2019/20	Evidence GS = contained in Governance Structure	Gap	Evidence Provider +Date
5.9	Ensuring that there are structures in place to encourage public participation	<p>See details on consultation above at 2.8.</p> <p>A further example is the Residents Regeneration Panel which is in place to get views and inputs to the major regen programme in Harrow; also the Wealdstone Action Group and South Harrow Action Group.</p> <p>Specific residents groups are set up where there is value; examples are adult social care user groups, tenants and leaseholders groups, park user groups, Landlord's forum organised by Residential Licensing.</p>	<p>Consultation Portal</p> <p>Residents Regeneration Panel</p> <p>Resident Groups</p>		SP- MR 03/06/20
5.10	Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections	<p>Appraisals are carried out at all levels of the organisation including for members and managers and appraises are required to demonstrate alignment with organisational priorities and values <a href="https://harrowhub.harrow.gov.uk/info/200283/learning_and_development/1503/new_appraisal_system_20162017">https://harrowhub.harrow.gov.uk/info/200283/learning_and_development/1503/new_appraisal_system_20162017</a></p> <p>In quarter 2 of 2019/20 a Peer Review focusing on Adolescent Safeguarding identified a number of areas of strength for the Council, and a positive Ofsted report on Special Educational Needs and Disabilities provision confirmed the Council's achievement in the delivery of positive outcomes for service users despite stretched finances. In quarter 3 Ofsted awarded the Children and Families service a judgement of Good, highlighting positive outcomes for children, strong leadership and good partnerships. All reviews are used to drive service improvement and Peer Reviews especially involve a strong degree of self- assessment and peer input.</p>	<p>Appraisals</p> <p>External Reviews</p>		SP-MR 03/06/20

## Core principles and sub-principles of good governance

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	Sub-principles	Examples of systems, processes, and documentation demonstrating compliance in 2019/20	Evidence GS = contained in Governance Structure	Gap	Evidence Provider +Date
5.11	Holding staff to account through regular performance reviews which take account of training or development needs	<p>Staff are held to account over regular 1:1 with their Line Manager and annual performance review meeting followed by review (6 month). All managers and staff are required to have a personal development plan related to their performance objectives and appraisal.</p> <p>Completion of the Appraisals is monitored for compliance and reported as a KPI.</p> <p>There is a Corporate Development Programme which is reviewed and aligned to business priorities annually.</p> <p>For 2020 to 2022 the new corporate priorities will be reviewed to see if it is more practical and feasible for the corporate development programme to be aligned to them as business priorities.</p> <p>All managers and staff are required to have a personal development plan related to their performance objectives and appraisal.</p>	Corporate Development Programme		HR-TC 08/06/20
5.12	Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing	<p>A range of HR policies/services are in place to support the health and wellbeing of staff including:</p> <ul style="list-style-type: none"> <li>• Occupational Health Services - a new contract has been commissioned from June 2020 to the end of June 2021, which includes Health Surveillance Programmes for staff ;</li> <li>• Employee Assistance Programme - includes Career Support Portal (covering mental wellbeing) support and Critical Incident Support for individual staff, teams and managers.</li> <li>• For 2020/21 it is proposed to devise and roll out Mental Health wellbeing development initiatives and support covering: <ul style="list-style-type: none"> <li>○ Mental Health Awareness for Managers Workshops</li> <li>○ Mental Health Awareness E-Learning for staff</li> <li>○ Mental Health First Aiders in place – coordinated by Public Health</li> </ul> </li> </ul>	HR Policies and Services		HR-TC 08/06/20

## Core principles and sub-principles of good governance

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**Core Principle:** Acting in the public interest requires a commitment to and effective arrangements for:

**6. Managing risks and performance through robust internal control and strong public financial management** (2007 Framework Core Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.)

Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities.

A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability.

It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

	Sub-principles	Examples of systems, processes, documentation and other evidence demonstrating compliance in 2019/20	Evidence GS = contained in Governance Structure	Gap	Evidence Provider +Date
70	<b>Managing risk</b>				
6.1	Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making	Covered by the Risk Management Strategy and Policy + covered in Committee report template	Risk Management Strategy and Policy (GS)		IA-SD 21/08/20
6.2	Implementing robust and integrated risk management arrangements and ensuring that they are working effectively	A Risk Management Strategy and Policy is in place, (currently being reviewed and updated) that outlines the robust and integrated risk management arrangement required. The Corporate Risk Register was reviewed and updated quarterly throughout 2019/20 and Directorate risk registers are reviewed and updated regularly.	Risk Management Strategy and Policy (GS)  Quarterly Corporate risk Management reports to CSB/GARMS		IA-SD 21/08/20

## Core principles and sub-principles of good governance

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	Sub-principles	Examples of systems, processes, documentation and other evidence demonstrating compliance in 2019/20	Evidence GS = contained in Governance Structure	Gap	Evidence Provider +Date
6.3	Ensuring that responsibilities for managing individual risks are clearly allocated	Responsibility for managing individual risks are clearly allocated and recorded in agreed format for risk registers.	Corporate/Directorate risk registers.		IA-SD 21/08/21
<b>Managing performance</b>					
6.4	Monitoring service delivery effectively including planning, specification, execution and independent post implementation review	<p>Timetable and guidance for quarterly performance in place</p> <p>Outputs:</p> <ul style="list-style-type: none"> <li>• Performance Briefing reports</li> <li>• CSB and Cabinet/CSB performance discussion</li> <li>• Strategic Performance Report to Cabinet</li> </ul> <p>Note section 3.3 regarding temporary change in reporting arrangements (Q4)</p> <p>Key decision schedule in place</p>	<p>Timetable on Harrow Hub</p> <p>Performance Briefing papers are held on the relevant SharePoint site (by Directorate).</p> <p>CSB papers on SharePoint</p> <p>Strategic Performance Reports to Cabinet on Council website</p> <p>Key decision Schedule (GS)</p>		<p>SP- MR 03/06/20 &amp; 12/08/20</p> <p>Legal-CE 03/06/20</p>

## Core principles and sub-principles of good governance

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	Sub-principles	Examples of systems, processes, documentation and other evidence demonstrating compliance in 2019/20	Evidence GS = contained in Governance Structure	Gap	Evidence Provider +Date
6.5	Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook	<p>There is guidance on the implications of decisions for committees that includes environmental implications on the Hub. Templates for committee and cabinet decisions include sections on options, financial implications, risk management, equalities and legal implications.</p> <p>Article 13 of the constitution sets out the principles of decision-making.</p> <p>All agenda and minutes of Committee meetings are published on the Council's website.</p>	<p>Templates for committee and cabinet decisions (GS)</p> <p>Article 13 of the constitution (GS)</p> <p>Committee agenda and minutes on Council website</p> <p>Committee reports – implications guidance</p>	<p>Minor Gap 17/18 &amp; 18/19 as per 1.3 2019/20 Gap closed Minor gap 209/20 templates not specifically covering social and environmental position.</p>	<p>Legal – CE 120/8/20</p>



## Core principles and sub-principles of good governance

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	Sub-principles	Examples of systems, processes, documentation and other evidence demonstrating compliance in 2019/20	Evidence GS = contained in Governance Structure	Gap	Evidence Provider +Date	
73	6.6	<p>Ensuring an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible</p>	<p>The scrutiny function comprises an overview and scrutiny committee, a performance and finance sub- committee, a health and social care sub-committee , and lead scrutiny councillors for:</p> <ul style="list-style-type: none"> <li>• Health</li> <li>• Community</li> <li>• People</li> <li>• Resources</li> </ul> <p>The function is driven by the need to hold the council and our partners to account for their performance and the establishment of the performance and finance sub-committee as the driver of scrutiny is a key component in ensuring that the function is focused on the issues of the greatest importance to the council. The lead members ensure that expertise to tackle particular areas of service delivery is maintained.</p> <p>The structure is subject to regular review and is supported by meetings of the scrutiny leadership group, comprising the leads and the chairs and vice chairs of the committees, which considers agenda and review programmes, provides strategic direction for the function and overall co-ordination between the leads and committees.</p>	<p>Scrutiny ToR (GS)</p> <p>Details of Harrow's scrutiny function can be found on the Council's website</p>		<p>Legal-CE 03/06/20</p>
	6.7	<p>Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement</p>	<p>Timetable and guidance for quarterly performance in place.</p> <p>Outputs:</p> <ul style="list-style-type: none"> <li>• Performance Briefing reports</li> <li>• CSB and Cabinet/CSB performance discussion</li> <li>• Strategic Performance Report to Cabinet</li> </ul> <p>Note section 3.3 regarding temporary change in reporting arrangements (Q4)</p>	<p>Timetable and guidance for quarterly performance on Harrow Hub</p> <p>See evidence for 6.4</p>		<p>SP- MR 03/06/20 &amp; 12/08/20</p>

## Core principles and sub-principles of good governance

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	Sub-principles	Examples of systems, processes, documentation and other evidence demonstrating compliance in 2019/20	Evidence GS = contained in Governance Structure	Gap	Evidence Provider +Date
6.8	Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (eg financial statements)	Financial Regulations and Contract Procedure rules in place.  Budget monitoring undertaken monthly for revenue and quarterly for capital – reported to CSB monthly and Cabinet at least quarterly (P2, Q1,Q2, Q3, outturn).	Financial Regulations (GS) Contract Procedure Rules (GS)  CSB reports on SharePoint  Cabinet reports on Council's website		Finance-SDan 29/05/20
<b>Robust internal Control</b>					
6.9	Aligning the risk management strategy and policies on internal control with achieving objectives	Risk Management Strategy in place, Corporate Risk Register, Internal Audit Plan and reports aligned to Corporate and service objectives.	RM Strategy (GS)  Corporate Risk Register reports to CSB + GARMS  Internal Audit Plan report to GARMS (GS)		IA-SD 21/08/20
6.10	Evaluating and monitoring risk management and internal control on a regular basis	Risk Management strategy/policy in place and currently being reviewed and updated.		2018/19 & 2019/20 Minor Gap – Risk Management Strategy be formally approved once updated	IA-SD 21/08/20
6.11	Ensuring effective counter fraud and anti-corruption arrangements are in place	Compliance with Code monitored and action plan in place – 2019-20 self-assessment Green Assurance – 78% compliance (see 1.13)	2019/20 Self-Assessment		CAFT-JP 05/06/20

## Core principles and sub-principles of good governance

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	Sub-principles	Examples of systems, processes, documentation and other evidence demonstrating compliance in 2019/20	Evidence GS = contained in Governance Structure	Gap	Evidence Provider +Date
6.12	Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor	An effective IA service was resourced and maintained during 2019/20 – independently reviewed every five years and self-assessed against PSIAS annually. HIA overall statement included in AGS.	Peer review 2017/18  2018/19 self-assessment		IA-SD 21/08/20
6.13	Ensuring an audit committee or equivalent group/ function, which is independent of the executive and accountable to the governing body: <ul style="list-style-type: none"> <li>provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment</li> <li>that its recommendations are listened to and acted upon</li> </ul>	Audit Committee in place, ToR in place (updated 2018/19 as a result of the Audit Committee Review)), cross party membership and training undertaken.  Internal Audit assisted self-assessment of the Audit Committee against CIPFA Guidance undertaken in 2018/19. An Amber/Green assurance was given to the performance of the Audit Committee (GARMS) against the good practice principles outlined in the CIPFA Guidance indicating that the committee is soundly based and has in place a knowledgeable membership. Overall, 71% of the good practice was found to be in place and operating or substantially operating effectively. As a result, an annual report was introduced in 2019/20 providing assurance to Council on the performance of the committee.	AC ToR in Constitution (GS)  AC Membership on Council's website  Final AC report presented to GARMS Committee April 2019		IA-SD 21/08/20
<b>Managing data</b>					

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	Sub-principles	Examples of systems, processes, documentation and other evidence demonstrating compliance in 2019/20	Evidence GS = contained in Governance Structure	Gap	Evidence Provider +Date
6.14	Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data	<p>The GDPR had its second anniversary in May 2020 work continues to embed the rights of data subjects and embed the requirements for the council as a data controller.</p> <p>In August 2018 a Data Protection Officer was appointed in compliance with the new legislation.</p> <p>A range of Information Management policies and procedures are in place including data protection. During 2019/20 the Acceptable Use Policy and Information Governance and Security Policy was refreshed to strengthen the council security posture and encompass the move by the workforce towards greater remote working and cloud based applications.</p> <p>The Information Governance Board is in place and has met regularly during the year. Representation for all departments is ensured.</p> <p>The Data Protection Officer achieved Certification as a Data Protection Officer and is now a C-DPO.</p> <p>GDPR compliance is an ongoing requirement and work continues with Information Asset Registers (record of processing activities), DPO has oversight of all contracts that involve the processing of data, and data protection impact assessments have been embedded within new projects.</p> <p>External Website updated with a new customer friendly view of privacy notices <a href="https://www.harrow.gov.uk/privacy">https://www.harrow.gov.uk/privacy</a></p> <p>Members received a mix of face to face and online training by the DPO, 83% of all members have now had training within the last 12 months (was initially 14% at start of the year)</p> <p>Mandatory online training for all staff on information governance, cyber security and the new Data Protection legislation was developed and introduced across the Council in October 2018. Work is still required to improve the quarterly percentage of staff having taken this training. At the end of Q4 only 65% of staff were currently certified. The use of meta-compliance will need to be considered again for staff who fail to comply with mandatory training.</p>	<p>Data Protection Officer Role Profile (GS)</p> <p>Information Governance policies (GS)</p> <p>Acceptable Use Policy (GS)</p> <p>Information Governance Board Terms of Reference (GS)</p> <p>Gap Analysis</p> <p>Notes of Members Briefing sessions</p> <p>Online training on training portal</p>		IG-DD 02/06/20

## Core principles and sub-principles of good governance

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	Sub-principles	Examples of systems, processes, documentation and other evidence demonstrating compliance in 2019/20	Evidence GS = contained in Governance Structure	Gap	Evidence Provider +Date
6.15	Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies	<p>Data sharing agreements are put in place according to need e.g. agreement with Met and other partners to share information to reduce gang activity.</p> <p>GDPR contracts entered into with DPO and Legal oversight</p> <p>An Information Asset register which includes details of privacy notices and data sharing is maintained by Corporate IT.</p> <p>Information Governance Training is mandatory for all staff.</p> <p>Guidance and further information is available via the link <a href="https://harrowhub.harrow.gov.uk/info/200145/">https://harrowhub.harrow.gov.uk/info/200145/</a></p>	<p>Data sharing agreements held by Directorates</p> <p>Information Asset register</p> <p>Mandatory Training</p> <p>Contract Templates</p>	Minor Gap 2019/20 lack of centralised record of signed data sharing agreements.	IG-DD 02/06/20
77 6.16	Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring	<p>A Data quality Policy is in place and kept under review.</p> <p>Ongoing data quality work includes:</p> <ul style="list-style-type: none"> <li>▪ 'Data days' in social care, youth offending, housing where practitioners bring records up to date and work through exception reports produced by analysts</li> <li>▪ Regular management information to service with information on missing data e.g. ethnicity, gender, school etc</li> <li>▪ Reconciliation of datasets to ensure completeness and high quality e.g. UPRN matching</li> </ul>	Data quality policy (GS)		SP- MR 03/06/20
<b>Strong public financial management</b>					
6.17	Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance	<p>Finance Business Partner model in operation.</p> <p>Finance input to all Cabinet decision reports.</p>	Cabinet reports (Council website)		Finance-SDan 29/05/20

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	Sub-principles	Examples of systems, processes, documentation and other evidence demonstrating compliance in 2019/20	Evidence GS = contained in Governance Structure	Gap	Evidence Provider +Date
6.18	Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls	<p>As above re budget monitoring</p> <p>Risks covered in Budget report to Cabinet</p> <p>Strategic Financial risks covered in Corporate Risk register reported to CSB and GARMS</p>	<p>Budget report to Cabinet</p> <p>Corporate Risk Register</p>		Finance-SDan 29/05/20

## Core principles and sub-principles of good governance

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**Core Principle:** Acting in the public interest requires a commitment to and effective arrangements for:

**7. Implementing good practices in transparency, reporting, and audit to deliver effective accountability** (*Not covered in the 2007 Framework.*)

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

	Sub-principles	Examples of systems, processes, documentation and other evidence demonstrating compliance in 2019/20	Evidence GS = contained in Governance Structure	Gap	
	<b>Implementing good practice in transparency</b>				
79	7.1 Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate	<p>Web content is submitted to the Digital Services team to ensure that our data principles are met, ensuring that all articles are written in plain English and are accessible against a number of recognised standards. In February the Council's website topped the SOCITM accessibility index and has remained in the top ten sites since.</p> <p>All changes to the website are reviewed and tracked to ensure accountability throughout the team.</p> <p>Templates and guidance for committee and cabinet decision reports include sections on options, financial implications, risk management, equalities and legal implications.</p> <p>All reports are published on the Council's website unless there is a need for confidentiality in line with legislation.</p> <p>Article 13 of the constitution sets out the principles of decision-making</p>	<p>Cabinet Decision report and committee report templates (GS)</p> <p>Article 13 of the Constitution (GS)</p>	<p>Minor Gap 17/18 &amp; 18/19 as per 1.3 2019/20 Gap closed</p>	<p>CS&amp;BS-JM 20/05/20</p> <p>Legal-CE 03/06/20</p>

## Core principles and sub-principles of good governance

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	Sub-principles	Examples of systems, processes, documentation and other evidence demonstrating compliance in 2019/20	Evidence GS = contained in Governance Structure	Gap	
7.2	Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand	Templates and guidance for committee and cabinet decision reports include sections on options, financial implications, risk management, equalities and legal implications.	Cabinet Decision report and committee report templates (GS)		Legal-CE 03/06/20
<b>Implementing good practices in reporting</b>					
08 7.3	Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way	<p>Progress is tracked through the quarterly cycle:</p> <ul style="list-style-type: none"> <li>• Performance Briefings</li> <li>• CSB and Cabinet/CSB performance discussions</li> <li>• Strategic Performance Reports to Cabinet</li> </ul> <p>As above</p> <p>This looks at progress against the Harrow Ambition Plan. An annual refresh of the HAP also tracks progress and is a public document.</p> <p>The Annual Financial Statements also provide a summary of achievements for each year.</p>	<p>Harrow Ambition Plan (GS)</p> <p>Annual Financial Statements</p>		<p>SP-MR 03/06/20</p> <p>Finance-SDan 29/05/20</p>
7.4	Ensuring members and senior management own the results reported	As 7.3 above – regular reporting goes to the Corporate Strategic Board (CSB – senior management), Portfolio Holders and the Leader of the Council via quarterly reporting cycle.	CSB Minutes		SP-MR 03/06/20



## Core principles and sub-principles of good governance

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	Sub-principles	Examples of systems, processes, documentation and other evidence demonstrating compliance in 2019/20	Evidence GS = contained in Governance Structure	Gap	
7.5	Ensuring robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement)	Evidence based annual review of governance undertaken that assesses the extent to which the principles contain in the Framework have been applied. The results are published in the AGS and an action plan developed where significant gaps identified.	Annual Review of Governance (Council website)		IA-SD 21/08/20
7.6	Ensuring that this Framework is applied to jointly managed or shared service organisations as appropriate	Shared Service/Partnership self-assessment undertaken to feed into the annual governance review and the AGS.	Shared Service Self Assessment		IA-SD 24/08/20
7.7	Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations	CIPFA best practice followed, checked by External Auditors, statutory timescales met. Statement a public document allowing for comparison with other similar organisations.	Financial Statement (Council website)		Finance-SDan 29/05/20
<b>Assurance and effective accountability</b>					
7.8	Ensuring that recommendations for corrective action made by external audit are acted upon	Recommendations implemented wherever possible and progress reported annually to GARMS and reviewed annually by External Auditor. Evidence report to GARMS.	External Audit Letter (GARMS reports on Council Website)		Finance-SDan 29/05/20

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	Sub-principles	Examples of systems, processes, documentation and other evidence demonstrating compliance in 2019/20	Evidence GS = contained in Governance Structure	Gap	
7.9	Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon	Effective IA service in place with direct access to members. Assurance on governance provided annually via IA Plan, annual governance review and HIA Opinion. Level of implementation of IA recommendations monitored and reported twice a year to GARMS Committee –target exceeded 2019/20. CIPFA Statement on Role of HIA complied with and compliance with PSIAS self assessed annually and independently every five years – 2017 (generally conforms). Agreed actions implemented.	Internal Audit Plan 2019/20 (GS)  Mid & Year End Reports (GARMS reports)  PSIAS Self Assessment		IA-SD 21/08/20
7.10	Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations	LGA peer review took place in 2016 and was used as an opportunity to drive learning and improvement  Annual self assessment is produced in Children's Services – in evidence folder. This is used as basis for peer scrutiny under Sector Led Improvement, plus the 'annual conversation' with Ofsted.  See 5.10 for Peer Review and inspections in 2019/20.  Review of scrutiny function carried out in 2017 – recommendations implemented.	LGA Peer review  Annual Self Assessment		SP-MR 03/6/20
7.11	Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement	Covered in Annual Governance Statement  Partnership/Shared Service reviews (assisted self- assessment) confirmed IIAs/contracts cover risks associated with delivering services and that risk register/risk reviews in place.	Annual Governance Statement  Shared Service Self Assessments		IA-SD 21/08/20
7.12	Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met	See examples of key partnerships with accountability structures at 1.8  Partnership/Shared Service reviews (assisted self- assessment) confirmed that IIAs/contracts clearly cover accountability.	Shared Service Self Assessments		IA-SD 21/08/20

## Core principles and sub-principles of good governance

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### Committee on Standards in Public Life review of Local Government Ethical Standards – New 2019/20

2019/20 New Requirements	Examples of systems, processes, documentation and other evidence demonstrating compliance in 2019/20	Evidence	Gap	Evidence Provider +Date
<b>Best practice 14: (i)</b> Councils should report on separate bodies they have set up or which they own as part of their annual governance statement and give a full picture of their relationship with those bodies.	Details of the Council's separate bodies have been included in the AGS	2019/20 AGS		IA-SD 21/08/20
<b>Best practice 14: (ii)</b> Separate bodies created by local authorities should abide by the Nolan principle of openness and publish their board agendas and minutes and annual reports in an accessible place.	Enhanced self-assessments completed for Legal shared service, Concilium Business Services and Sancroft – assessment of Concillium Assets LLP outstanding + not all these bodies are yet publishing their board agenda, minutes and annual reports.	DC E-mail plus report to GARMS	Minor Gap 2019/20- Bodies to publish board agendas minutes and annual reports	IA – SD 21/08/20

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**REPORT FOR: Governance, Audit, Risk Management and Standards Committee**

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**Date of Meeting:** 8 September 2020

**Subject:** Draft Statement of Accounts 2019-20

**Responsible Officer:** Dawn Calvert, Director of Finance and Assurance

**Exempt:** No

**Wards affected:** All

**Enclosures:** Draft Statement of Accounts 2019-20  
Draft Pension Fund Annual Report 2019-20

## **Section 1 – Summary and Recommendations**

This report sets out the draft Statement of Accounts 2019-20 and draft Pension Fund Annual Report 2019-20.

**Recommendations:**

The Committee is asked to consider and note the draft Statement of Accounts 2019-20 and draft Pension Fund Annual Report 2019-20.

## **Section 2 – Report**

### **Background**

1. The Accounts and Audit (England) Regulations 2015, require Local Authorities to prepare Statement of Accounts in accordance with proper practices. Since 2017-18 the draft Statement of Accounts must be published by 31<sup>st</sup> May with the audited version being published by 31<sup>st</sup> July each year. Due to the Coronavirus the legislative requirements have been relaxed for the 2019-20 financial year by the Accounts and Audit (Coronavirus) Amendments Regulations 2020 (SI 2020/404). The revised deadlines are 31<sup>st</sup> August 2020 for the draft accounts and 30<sup>th</sup> November 2020 for the audited accounts.
2. The 2015 Regulations require the audited accounts to be submitted to the ‘relevant body’ for approval. 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 is able to do this as the one off revised deadlines give the Committee the opportunity to review the draft Accounts in detail before being asked to approve the audited Statement of Accounts in October 2020.
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 2019-20;
  - b. All relevant International Financial Reporting Standards (IFRS).

### **Current Position**

4. The Council’s accounts for 2019-20 are now closed subject to any audit adjustments. The Authority met the one off relaxed statutory deadline of 31<sup>st</sup> August and published it’s draft accounts on 14<sup>th</sup> July 2020. In addition the comprehensive schedule of required working papers has been provided to the External Auditor ahead of the arranged audit start date of 15<sup>th</sup> July 2020.
5. Members are reminded that a GARMS Committee meeting is scheduled for the 22<sup>nd</sup> October 2020 to consider and approve the audited Statement of Accounts. The audited accounts presented at this meeting will incorporate any amendments agreed by the external auditor and the Council. The auditor will attend the meeting and present their External Audit Report for 2019-20. The accounts are due to be signed off by the external auditor by the revised statutory deadline of 30<sup>th</sup> November 2020.

6. The Public Inspection of the accounts took place from 15<sup>th</sup> July 2020 to 25<sup>th</sup> August 2020.

## Accounts Summary

7. The **Narrative Report** includes the performance of the Council and provides an outlook for the future which is summarised below:-
  - a. **Revenue:** the Council delivered its services within the approved budget of £167m. The General Fund balance has been kept at £10m. Earmarked reserves have decreased by £8.7m to £43.6m mainly due to use of the Budget Planning Reserve and accounting for the Dedicated Schools Grant reserve.
  - b. **Capital:** Actual spend was £90.6m. This was mainly funded from the use of borrowing (£66m) with the remaining £25m funded by grants, revenue contributions and capital receipts; and
  - c. **Outlook:** The Medium Term Financial Strategy 2020-21 to 2022-23 presented to Full Council earlier in the year identified the need to make savings of £22.6m over the coming three years. The Council continues to face additional demands and cost pressures on its services. In addition the Covid-19 pandemic is having a significant financial impact on the Council's financial position both for 2020-21 and future years.
8. The **Expenditure and Funding Analysis** compares the outturn shown in the Narration Report with true economic cost of providing services valued in accordance with proper accounting practices as shown in the Comprehensive Income and Expenditure Statement. The differences between the outturn and CIES are mainly capital items and IAS19 pension costs.
9. The **Comprehensive Income and Expenditure Account (CIES)** shows the true economic cost of providing Council services. The surplus reported for the year was £37.6m.
10. However, under the statutory regulations some CIES costs (e.g. depreciation, impairments, IAS 19 costs, etc.) are not taken into account when setting the Council Tax and Dwelling Rents as these are technical accounting adjustments. These are reversed in the **Movement in Reserves Statement** which summarises the Council's total usable and unusable reserves. The usable reserves balance has increased by £2.4m and the unusable reserves have increased by £35.2m due mainly to increases in the revaluation reserve (£35m) and Capital Adjustment Account (£23m) and a decrease in the Deferred Capital Receipts Reserve (-£23m).
11. The **Balance Sheet** sets out the financial position of the Council as at 31<sup>st</sup> March 2020. The overall increase in net assets of £37.6m is mainly due to the impact of rising property prices on the value of Council Dwellings and the Property Portfolio offset against an increase in long term borrowing. The short term borrowing balance decreased by £43m.

12. The **Cash Flow** statement shows how the Council generates and uses cash.
13. The **Housing Revenue Account (HRA)** shows the true economic cost of providing housing services. The surplus reported for the year is £6.4m.
14. The **Collection Fund** statement shows a net carry forward surplus of £3m made up of Council Tax £2.8m and Business Rates £0.2m. The surplus is paid out as additional precepts to the Council, Central Government and the Greater London Authority in future years.
15. The net assets of the **Pension Fund** at year end are £778m. This is a decrease of £73.6m against the previous year reflecting mainly the reduction in the market value of investments of £96m and an increase of £28m in cash held with investment managers.

### **Legal Implications**

16. The legal comments are included in the body of the report.

### **Financial Implications**

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

### **Risk Management Implications**

18. There are no risk implications

### **Equalities implications / Public Sector Equality Duty**

19. There are no equalities implications

### **Council Priorities**

20. 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: 27<sup>th</sup> August 2020

Name: Jessica Farmer  on behalf of the  
Monitoring Officer

Date: 26<sup>th</sup> August 2020

Name: Dawn Calvert  on behalf of the  
Corporate Director

Date: 27<sup>th</sup> August 2020

**Ward Councillors notified:** No

### Section 4 - Contact Details and Background Papers

**Contact:** Paul Gower, Interim Technical Accounting Manager, e-mail  
paul.gower@harrow.gov.uk

**Background Papers:** None

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# Statement of Accounts

2019 - 2020

SUBJECT TO AUDIT

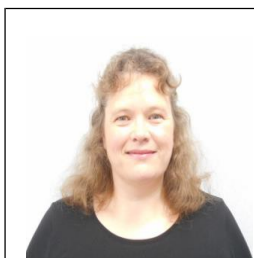


London Borough of Harrow  
Statement of Accounts  
2019 - 2020

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## 1. Narrative Report

### Message from the Director of Finance



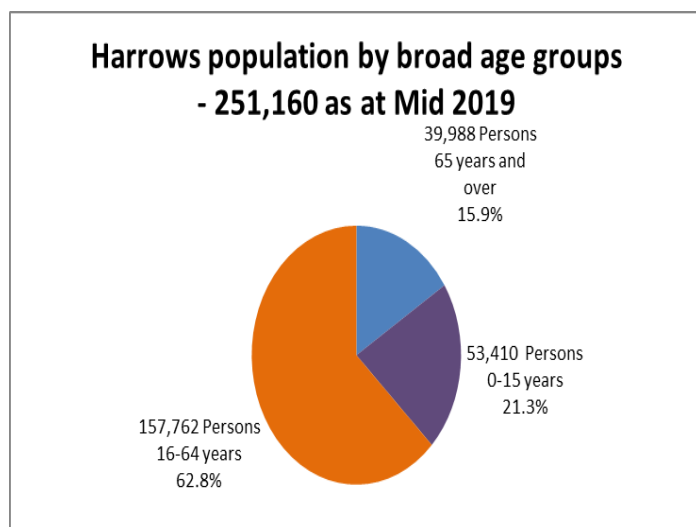
As the Council's statutory Chief Finance Officer, I have pleasure in writing the Narrative Report to Harrow Council's Statement of Accounts for 2019-20. The Narrative Report provides an analysis of Council performance during the year, an explanation of the financial results included in the Statement of Accounts and an overview of the future outlook beyond 2019-20.

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

This report includes the following sections:

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

### 1.1 An Introduction to Harrow



Harrow is one of the most diverse places in the country. It is the 12th largest London Borough in terms of geographical area with a population of approximately 251,160 as at 30th June 2019. Harrow covers an area of approximately 50 sq km (just under 20 square miles) and over a quarter of the borough consists of open space, much of which is designated green belt or Metropolitan Open Land. Harrow has a strong entrepreneurial tradition with over 15,215 businesses located in the borough. It is well connected to London and the rest of the UK via the M1, M25 and M40 motorways and easily accessible for Heathrow Airport.

## Key Facts about the Council

Harrow Council provides a range of services to the local community. Its vision and priorities are directed by the political leadership and implemented by the Corporate Strategic 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.

## Organisational Structure

The Corporate Strategic Board (CSB) comprises the Council's Senior Management Team. This team is made up of the Council's Corporate Directors and Statutory Officers. The structure of the Senior Management Team has not changed in 2019/20 and comprises:

Chief Executive

Corporate Director - Community and Regeneration

Corporate Director - People's

Corporate Director - Resources

Director of Finance

Director of Legal & Governance

Director of Adult Social Services

Director of Public Health

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 Council is structured as follows:

<p><b>Resources Directorate</b></p> <p>Revenues and Benefits</p> <p>Customer Services and IT</p> <p>Finance and Assurance</p> <p>Strategic Commissioning</p> <p>Procurement</p> <p>Human Resources</p> <p>Legal and Governance</p>	<p><b>People's Directorate</b></p> <p>Adult Social Care</p> <p>Public Health</p> <p>Commissioning and Schools</p> <p>Children and Young People's Services</p> <hr/> <p><b>Community</b></p> <p>Environment and Culture</p> <p>Commissioning and Commercial</p> <p>Housing</p> <p>Regeneration, Enterprise and Planning</p>
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## 1.2 Summary of the Financial Performance of the Council

### Revenue Budget

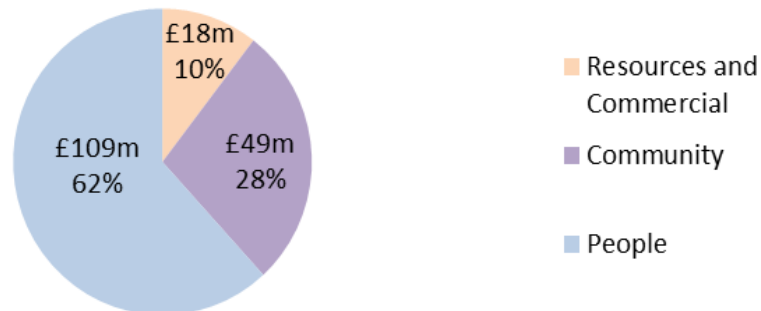
The outbreak of the Coronavirus has only had a minor impact upon the 2019/20 financial performance of the Council, with the main impact affecting 2020/21 and beyond as set out in section 1.3, the Financial outlook section.

During the year the Council delivered its services within the approved budget of £167.1m, contained the pressures arising from the challenging financial environment and managed the risks around demand pressures. This resulted in a balanced outturn position after contributing just under £6.1m into reserves, which after allowing for £3.2m which has been carried forward to be spent in 2020/21, leaves the remainder of £2.9m earmarked to help fund the 2020/21 budget and to fund capacity needed to implement future savings and organisational transformation.

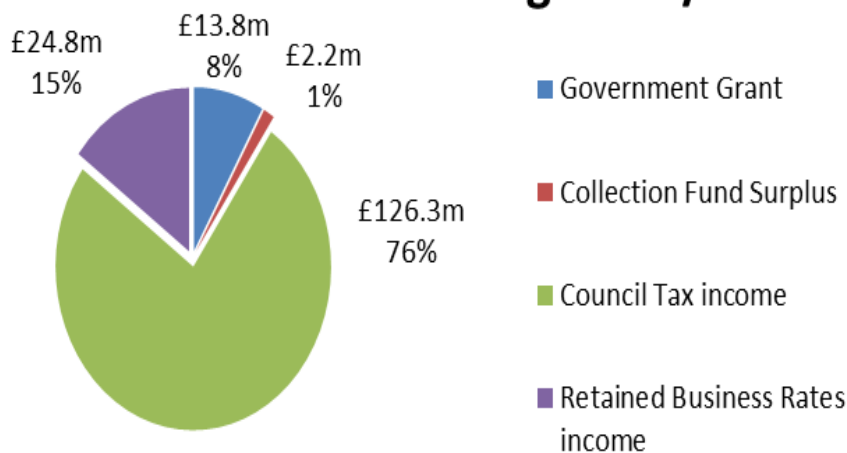
The Council has maintained its General Fund Balances at just over £10m in 2019-20. This maintains the Council's capacity to manage risks arising in future years from continuing demographic pressures, the economy, welfare reforms and further changes to Central Government funding. Earmarked Reserves have decreased from £52.3m to £43.6m in 2019-20 as set out in note 5.7. The final outturn position for the year compared to the revised budget is set out below:

	2019-20		
	Budget £000	Actuals £000	Variation £000
<b>Directorate costs</b>			
People - Adult Services and Public Health	66,026	66,356	330
People - Children and Families	41,906	42,469	563
Community	44,510	49,095	4,585
Resources and Commercial	18,779	18,389	(390)
<b>Total - Directorate</b>	<b>171,221</b>	<b>176,309</b>	<b>5,088</b>
<b>Other operating income</b>			
Contingencies, Corporate Items and Non-service grants	(8,960)	(15,051)	(6,091)
Capital Financing and Interest	7,921	2,781	(5,140)
<b>Net Expenditure</b>	<b>170,182</b>	<b>164,039</b>	<b>(6,143)</b>
<b>Use of Capital Receipts Flexibility</b>	<b>(3,100)</b>	<b>(3,100)</b>	<b>0</b>
<b>Net Expenditure</b>	<b>167,082</b>	<b>160,939</b>	<b>(6,143)</b>
<b>Transfer to Reserves:</b>			
<b>Unspent sums Carried Forward to 2020-21</b>	0	3,171	3,171
<b>Contribution to Reserves</b>	0	2,972	2,972
<b>Net Expenditure</b>	<b>167,082</b>	<b>167,082</b>	<b>0</b>
<b>Funded by :</b>			
Government Grant	(13,753)	(13,753)	0
Collection Fund Surplus	(2,200)	(2,200)	0
Council Tax income	(126,295)	(126,295)	0
Business Rates income	(24,834)	(24,834)	0
<b>Total</b>	<b>(167,082)</b>	<b>(167,082)</b>	<b>0</b>
<b>Surplus for the year</b>		0	
<b>General Fund balance at 31 March 2020</b>		<b>10,008</b>	

### Spend by Directorate 2019/20 - £176m



### £167.1m Revenue Funding 2019/20



#### Capital Programme 2019-20

During 2019-20 the Council invested £90.6m on developing or acquiring capital assets. This was mainly funded from £66m borrowing and the balance of £24.6m funded from external grants, section 106/CIL contributions, revenue contributions and capital receipts.

Major projects included in the capital programme were:

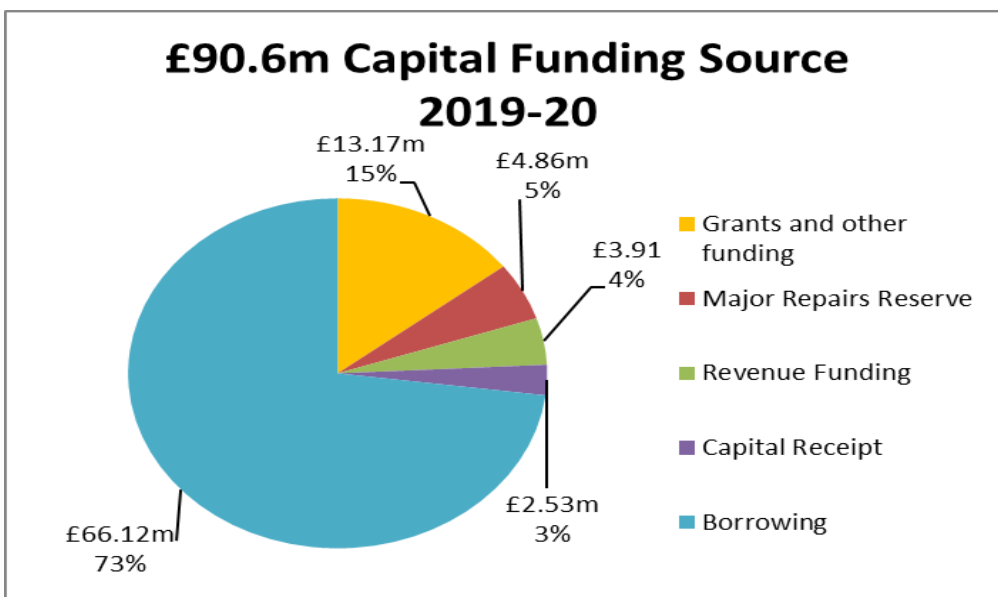
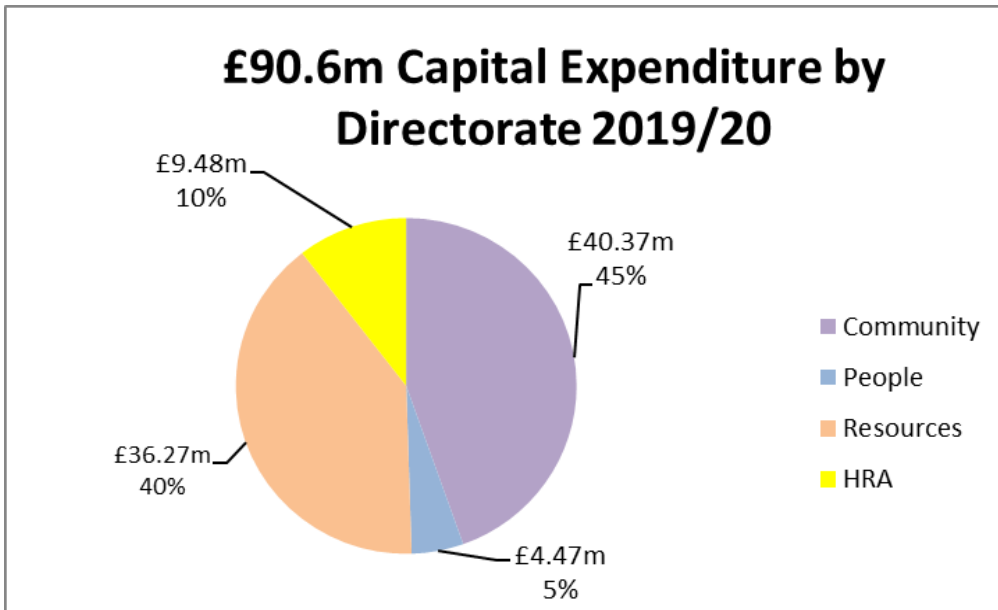
- Continued investment in new technology to improve Council Services;
- Acquisition of 1 Investment Property and an Office block in Central Harrow;
- Continuation of the Schools expansion programme including SEN provision;
- Highways improvement programme and Street Lighting Improvements;
- Continuation of the programme to redevelop the central depot;
- Redevelopment of Vernon Lodge and Atkins House;
- Improvements to parks and playgrounds;
- Upgrade of the CCTV Infrastructure;
- Purchase of new transport fleet;
- Provision of disabled facility grants to private sector tenants;
- Purchase of homes in Harrow for temporary accommodation;
- Improvements to the Council's housing stock;

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- Provision of new Council Homes

The following charts show how the £90.6m was spent by Directorate and also how the Capital Programme was funded:



### **Housing Revenue Account (HRA)**

Housing supply from all providers increased by some 1,226 homes across Harrow in 2019/20. This is the highest increase in any year over the past 30 years and includes, for the first time in decades, a net increase in Council housing stock as a result of new house building in accordance with the Mayor of London's Building Council Homes for Londoners' Programme. 73% of the Heart of Harrow's new 2,800 homes have been completed within five years of the 15-year target. Contractors were also appointed to deliver Phase 1 of the Grange Farm regeneration, comprising 68 homes for social rent and 21 for shared ownership.

### **Collection Fund**

The in-year Council tax collection rate for 2019-20 was 97.57% which compared favorably with the target of 97.25%. Business rate collection was 96.67% which was below the target of 97%. Collection of Business rates income is challenging due to the large number of small businesses in the borough. The overall position for the Collection Fund is a net surplus of £3.026m against an estimated surplus of £2.638m. This net variance of £0.388m was mainly as a result of slightly higher collection of council tax arrears.

### **Treasury Management**

The main focus for Treasury Management is to maintain the value of investments, to ensure cash balances are maintained in a way to support the capital programme and maintain an adequate level of working capital, to seek optimum returns within these parameters and to minimize borrowing costs. The investment portfolio achieved an average return of 0.49% reflecting the short duration of investments held during the year.

During 2019-20, there was a net increase in borrowing of £76m. A £12m loan was repaid on maturity. £32m of short-term borrowing taken in 2018-19 was repaid on maturity. There was new borrowing of £120m mostly through PWLB. Total Borrowing at year end was £422m and the average interest rate was 3.5%. The strategy to fund capital expenditure was to use cash balances in-year, in recognition of the unfavorable 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 decreased to £777.8m, almost entirely due to the decrease of £73.6m in the market value of investments. The Fund's investment performance for the year was -8.1%.

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 £407m at 31st March 2020. This is £1m more than the net liabilities of £406m twelve months earlier (see note 5.38.5).

The impact on council tax, however, is dependent on the actuarial valuation of the Pension Fund carried out every three years. The strategy 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 last valuation, carried out in March 2019, the fund was assessed as being 94% funded, corresponding to a shortfall of £52m. The Council's contribution rate for the financial year 2019-20 was 16%, plus a cash contribution of £7.3m, which brought the overall contribution rate to 24.87% for the year.

## **Harrow's 2019-20 Achievements**

The Council's key achievements for the year are set out below and follow the Council's priorities:

### **Build a Better Harrow**

Some 1,226 net housing completions were achieved in 2019/20 – the highest number of completions in any year over the past 30 years. 73% of the Heart of Harrow's new 2,800 homes completed within five years of the 15-year target. Contractors were appointed to deliver Phase 1 of the Grange Farm regeneration, comprising 68 homes for social rent and 21 for shared ownership.

Harrow is the lead commissioner for first Regional Adoption Agency in London and has been commended by the Minister for achieving this important new configuration to maximise permanent positive outcomes for children and young people.

Demand for our successful cultural services continues to grow. Bookings for classes and workshops at Harrow Arts Centre saw a 13% increase compared with Q1 2018-19. The pantomime at the Arts Centre (Aladdin) was the most successful to date, with excellent audience feedback. New library opening hours were introduced and there has been an increase in physical and online visits, compared to last year.

Works on the installation of a full-size 3G Artificial Grass Pitch at Bannister Sports Centre will start in summer 2020, supported by a £407k grant from by the Premier League and the FA Facilities Fund received in 2019/20.

Substantial improvements in waste collection, including the extension of food waste collections to flats, were confirmed by reduced complaints levels. The garden waste service for 2020 has been simplified. Improved performance was also noted in the areas of street cleanliness and compliant food establishments.

### **Supporting Those Most in Need**

A Peer Review focusing on Adolescent Safeguarding identified a number of areas of strength for the Council, and a positive Ofsted report was published on Special Educational Needs and Disabilities provision, which is an excellent achievement against a background of financial constraints and confirms the delivery of positive outcomes for service users of these complex services.

Despite the significant challenges in adult services as a result of rising costs and demand, there has been significant progress this year on the Transformation of Adult Services with continued progress made in the "Resilient Communities" programme which was initially launched in 2018/19.

The all-ages disability service was successfully launched; and the health visitors and the infant feeding coordinator gained a Unicef Baby Friendly award. Harrow welcomed its first two families under the Vulnerable Persons Resettlement Scheme.

### **Preserving Vital Public Services**

The Council secured £1.1m from the Department for Education, principally to cover the emergency works in the excellent response that the Council led when chalk mines were discovered under Pinner Wood School.

Ofsted awarded the Children and Families service a judgement of Good, highlighting positive outcomes for children, strong leadership and good partnerships. Attainment in 2019 in schools and Early Years settings at all Key Stages has improved or been sustained at a high level overall and recent school inspections under the new framework have led to positive outcomes

The Council also continues to collaborate with Transport for London to improve transport access across the borough, which will see positive impacts on resident journeys in the borough.

## **A Strong Local Economy for All**

A Business Skills Accelerator Programme was launched to support Harrow enterprises to grow and sustain their business through improving and developing their skills, knowledge and operations. Coupled with this, the Skills Escalator programme also started, to help residents earning less than the London Living Wage to increase their earnings through the provision of short accredited industry-recognised training courses. A record number of Harrow residents achieved a Skills for Life qualification in English and Maths with Adult Community Learning (Learn Harrow), with a 31% increase in achievements on last year.

## **Modernising Harrow Council**

The Council's new transformation programme "Modernising How We Work" was launched. The HR team returned to direct employment by Harrow Council from the shared service with Buckinghamshire County Council in October 2019, and the Legal Services arrangement with the same Council also ended.

Building Control secured plan checking services on five major residential projects and the filming service more than achieved its planned income for the year.

The new Council Tax Support scheme, following the introduction of Universal Credit, was successfully consulted upon and was approved by Council in January 2020.

The Council's new website launched in October 2019, offering a personalised approach to accessing Council services online, and a further programme of work is ongoing.

### **1.3 Outlook for the Future**

The Council, along with the rest of local government, is facing an unprecedented crisis following the outbreak of the global coronavirus pandemic that has impacted the lives of so many people in Harrow, the UK and worldwide and which resulted in the Country going into lockdown in March 2020.

The national and local response to the Covid-19 crisis has been unprecedented. For the Council this has involved action across many spheres of activity both with regard to our community leadership role and as provider of universal and specialist services.

The Council's response has been focused on ensuring that the core objectives of reducing the spread of the virus while protecting the most vulnerable members of our community have been achieved. In delivering this response much of this activity has been in partnership with other organisations including the NHS, Care providers, Local business and the voluntary and community sector.

The Covid-19 emergency is having a significant financial impact on the Council's financial position both for 2020/21 and the subsequent financial years. Given the size and scale of the potential impact on the Council's finances this will remain a key focus for the organisation going forward as without adequate short and medium term financial support from the Government the impact on the Council's ability to deliver services in an ongoing way will be severely compromised.

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

The Council responded to these pre-Covid-19 challenges by identifying efficiencies and looking at ways to innovate service delivery in accordance with a savings programme agreed by Full Council in February 2020 for the Financial Years 2020-21 to 2022-23. Over this period, further savings of £12.2m have been included in the Medium-Term Financial Strategy (MTFS). Even with these savings already identified, the Council faces budget gaps of £11.4m in 2021/22 and £11.2m in 2022/23. The financial impact of the Covid-19 emergency is being considered alongside the published MTFS and existing gaps totaling £22.6m.

In 2020-21 a Revenue budget of £174.8m was set along with a 3.99% increase in Council Tax which was approved by the Council in February 2020. The 3.99% increase reflected a 1.99% increase in respect of the traditional council tax increase and 2.0% for the Adult Social Care precept (ASC).

The General Fund Balance as at 31st March 2020 remains just above £10m (£10.008m) and the Earmarked Reserves are £43.6m at 31st March 2020, which compares with £52.3m at the 1st April 2019. As pressures on the Council's finances continue, it is anticipated that these reserves will need to be monitored closely to ensure that they are adequate and proportionate to the risks faced by Harrow.

All councils, not just Harrow, continue to find themselves in a very uncertain and volatile situation as a result of external events, beyond the Council's control, adversely impacting on funding and demand for Harrow services. Apart from the significant impact of Covid-19, the impact of Brexit also still remains uncertain.

There is no likelihood of any positive change expected in Central Government's funding levels to Local Government from either the fair funding or spending review which have now been delayed further beyond 2021/22. 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.

The 3 year budget (2020-21 to 2022-23) was set to address the financial challenges faced by the Council and to set out its plans for financial sustainability. This 3 year budget will be refreshed annually to ensure it accurately reflects the ongoing challenges faced.

#### 1.4 Explanation of the Financial Statements

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

- The Code of Practice on Local Authority Accounting in the United Kingdom 2019-20;
- All relevant International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

#### 1.5 The Statement of Accounts

- **Statement of Responsibilities for the Statement of Accounts** sets out the respective responsibilities of the Council and the Chief Finance Officer.
- **Comprehensive Income and Expenditure Statement (CIES)** shows the true economic cost of providing services in the year, valued in accordance with proper accounting practices. Differences between the true economic cost of providing services and the level of expenditure allowed by regulations to be funded by local taxation and dwelling rents are explained in the EFA.
- **Movement in Reserves Statement (MiRS)** shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. The Total Comprehensive Expenditure and (Income) line shows the true economic cost of providing the Council's services, more details of which are shown in the CIES.
- **Balance Sheet** shows the value of the assets and liabilities recognised by the Council as at 31<sup>st</sup> March 2020, 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

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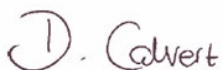
in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

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

### 1.6 Receipt of further Information and acknowledgements

If you would like to receive further information about these accounts, please do not hesitate to contact me at the Finance Division, Resources and Commercial Directorate, Harrow Council (Dawn.Calvert@harrow.gov.uk).

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



**Dawn Calvert CPFA**  
**Director of Finance**  
**14th July 2020**

## 2 Statement of Responsibilities

### The Council's Responsibilities

The Council is required to:

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

### The Director of Finance's Responsibilities

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

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

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

The Director of Finance has also:

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

Certification by the Director of Finance:

I certify that the Statement of Accounts as set out in this document presents a true and fair view of the financial position of the Council as at 31<sup>st</sup> March 2020 and its income and expenditure for the year ended 31<sup>st</sup> March 2020.



**Dawn Calvert CPFA**  
**Director of Finance**  
**14th July 2020**

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

These accounts will be considered and approved by the Governance, Audit, Risk Management and Standards Committee (GARMSC) at the meeting to be held in September 2020.

Signed on behalf of London Borough of Harrow Council.

**Chairman (GARMSC)**



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

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

TO BE INCLUDED ON COMPLETION OF AUDIT

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

*Chartered Accountants*

## 4 Presentation of Financial Statements

### 4.1 Comprehensive Income and Expenditure Statement

2018-19			2019-20			
Gross Expenditure	Gross Income	Net Expenditure/(Income)		Gross Expenditure	Gross Income	Net Expenditure/(Income)
£000	£000	£000	Notes	£000	£000	£000
103,799	(38,181)	65,618		106,782	(38,464)	68,318
218,301	(167,324)	50,977		203,483	(153,497)	49,986
93,019	(49,065)	43,954		96,252	(50,431)	45,821
184,473	(164,006)	20,467		176,601	(149,842)	26,759
25,892	(31,554)	(5,662)	6.1	25,949	(31,940)	(5,991)
<b>625,484</b>	<b>(450,130)</b>	<b>175,354</b>		<b>609,067</b>	<b>(424,174)</b>	<b>184,893</b>
42,398	0	42,398	5.8	13,243	(5,917)	7,326
31,458	(5,564)	25,894	5.9	38,252	(1,635)	36,617
0	(186,932)	(186,932)	5.10	0	(204,079)	(204,079)
		<b>56,714</b>				<b>24,757</b>
		14,720	5.23.1			(38,781)
		30,239	5.23.4			(23,607)
		<b>44,959</b>				<b>(62,388)</b>
		<b>101,673</b>				<b>(37,631)</b>

## 4.2 Movement in Reserves Statement (MiRS)

	General Fund Balance £000	Housing Revenue Account £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2018 brought forward</b>	(10,008)	(7,474)	(43,312)	(18,619)	(4,242)	(27,538)	(111,193)	(422,390)	(533,583)
<b>Movement in reserves during 2018-19</b>									
<b>Total Comprehensive Expenditure and (Income)</b> (Note 4.1)	52,428	4,286	0	0	0	0	56,714	44,959	101,673
Adjustments between accounting basis & funding basis under regulations (Note 5.6)	(75,177)	(4,460)	0	481	(1,471)	997	(79,630)	79,630	0
<b>Net (Increase)/Decrease</b>	(22,749)	(174)	0	481	(1,471)	997	(22,916)	124,589	101,673
Other movements	22,749	174	(22,923)	0	0	0	0	0	0
<b>(Increase)/Decrease in 2018-19</b>	0	0	(22,923)	481	(1,471)	997	(22,916)	124,589	101,673
<b>Balance at 31 March 2019 carried forward (Note 4.3)</b>	<b>(10,008)</b>	<b>(7,474)</b>	<b>(66,235)</b>	<b>(18,138)</b>	<b>(5,713)</b>	<b>(26,541)</b>	<b>(134,109)</b>	<b>(297,801)</b>	<b>(431,910)</b>
<b>Balance at 31 March 2019 brought forward (Note 4.3)</b>	(10,008)	(7,474)	(66,235)	(18,138)	(5,713)	(26,541)	(134,109)	(297,801)	(431,910)
<b>Movement in reserves during 2019-20</b>									
<b>Total Comprehensive Expenditure and (Income)</b> (Note 4.1)	31,187	(6,430)	0	0	0	0	24,757	(62,388)	(37,631)
Adjustments between accounting basis & funding basis under regulations (Note 5.6)	(22,012)	6,289	0	(567)	(2,028)	(8,847)	(27,165)	27,165	0
<b>Net (Increase)/Decrease</b>	9,175	(141)	0	(567)	(2,028)	(8,847)	(2,408)	(35,223)	(37,631)
Other movements	(9,175)	89	9,086	0	0	0	0	3	3
<b>(Increase)/Decrease in 2019-20</b>	0	(52)	9,086	(567)	(2,028)	(8,847)	(2,408)	(35,220)	(37,628)
<b>Balance at 31 March 2020 carried forward (Note 4.3)</b>	<b>(10,008)</b>	<b>(7,526)</b>	<b>(57,149)</b>	<b>(18,705)</b>	<b>(7,741)</b>	<b>(35,388)</b>	<b>(136,517)</b>	<b>(333,021)</b>	<b>(469,538)</b>

## 4.3 Balance Sheet

31-Mar-19 £000		Notes	31-Mar-20 £000
1,162,918	Property Plant and Equipment	5.11	1,230,673
34,728	Investment Property	5.13	72,927
39,075	Long Term Debtors	5.15	16,017
<u>1,236,721</u>	<b>Long Term Assets</b>		<u>1,319,617</u>
11,105	Short Term Investments	5.14	23,615
33,399	Short Term Debtors	5.16	37,659
12,652	Cash and Cash Equivalents	5.17	38,606
<u>57,156</u>	<b>Current Assets</b>		<u>99,880</u>
(47,564)	Short Term Borrowing	5.18	(4,765)
(74,298)	Short Term Creditors	5.19	(80,873)
(5,780)	Provisions	5.20	(4,393)
<u>(127,642)</u>	<b>Current Liabilities</b>		<u>(90,031)</u>
(6,052)	Provisions	5.20	(5,907)
(302,451)	Long Term Borrowing	5.14	(422,403)
(420,507)	Other Long Term Liabilities	5.21	(424,484)
(5,315)	Capital Grants Receipts in Advance	5.33.3	(7,134)
<u>(734,325)</u>	<b>Long Term Liabilities</b>		<u>(859,928)</u>
<u>431,910</u>	<b>Net Assets</b>		<u>469,538</u>
(134,109)	Usable Reserves	5.22	(136,517)
(297,801)	Unusable Reserves	5.23	(333,021)
<u>(431,910)</u>	<b>Total Reserves</b>		<u>(469,538)</u>

**4.4 Cash Flow Statement**

2018-19 £000		Notes	2019-20 £000
(56,714)	Net (deficit)/surplus on the provision of services	4.1	(24,757)
94,649	Adjustments to net deficit on the provision of services for non cash movements	5.24.1	71,645
(11,012)	Adjustments for items included in the net deficit on the provision of services that are investing and financing activities	5.24.1	(32,801)
<u>26,923</u>	Net cash flow from Operating Activities		<u>14,087</u>
(40,118)	Investing Activities	5.24.2	(67,398)
<u>20,707</u>	Financing Activities	5.24.3	<u>79,265</u>
<u>7,512</u>	Net increase/(decrease) in cash and cash equivalents		<u>25,954</u>
5,140	Cash and cash equivalents at the beginning of the reporting period	5.17	<u>12,652</u>
<u>12,652</u>	Cash and cash equivalents at the end of the reporting period	5.17	<u>38,606</u>

## 5 Notes to the Financial Statements

### 5.1 Accounting Policies

#### 5.1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2019-20 financial year and its position as at 31<sup>st</sup> March 2020. The Council is required to prepare an annual Statement of Accounts in accordance with the Accounts and Audit (England) Regulations 2015, which require preparation in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 supported by International Financial Reporting Standards (IFRS).

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

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

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

#### Going Concern

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

#### Primacy of Legislative Requirements

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

#### Accruals of Income and Expenditure

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

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

London Borough of Harrow Statement of Accounts 2019-20

### 5.1.2 Cash and Cash Equivalents

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

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

### 5.1.3 Material Items of Income and Expense

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

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

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

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

### 5.1.5 Charges to Revenue for Non-Current Assets

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

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

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

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

### 5.1.6 Accounting for Council Tax and NDR

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

Council Tax collected belongs proportionately to the Council and the Greater London Authority. NDR collected by the Council belongs to the Council (48%), to the Ministry of Housing, Communities and Local Government (25%) and to the Greater London Authority (27%).

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

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

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

### **5.1.7 Employee Benefits**

#### **Benefits Payable during Employment**

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

#### **Termination Benefits**

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

#### **Post-Employment Benefits**

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

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

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

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



## The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefit scheme.

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

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

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

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

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

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

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

London Borough of Harrow Statement of Accounts 2019-20

### **Discretionary Benefits**

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

#### **5.1.8 Events After the Reporting Period**

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

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

#### **5.1.9 Financial Instruments**

##### **Financial Liabilities**

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

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

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

##### **Financial Assets**

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

### **Financial Assets Measured at Amortised Cost**

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

### **Expected Credit Loss Model**

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

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

#### **5.1.10 Intangible Assets**

The Council does not hold material intangible assets.

#### **5.1.11 Government Grants, Contributions and Donated Assets**

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

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

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

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

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

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

### 5.1.12 Investment Property

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

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

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

### 5.1.13 Joint Operations

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

### 5.1.14 Leases

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

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

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

#### The Council as Lessee

##### Finance Leases

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

Lease payments are apportioned between:

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

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

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

### **Operating Leases**

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

### **The Council as Lessor**

#### **Finance Leases**

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

#### **Operating Leases**

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

#### **5.1.15 Overheads and Support Services**

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

#### **5.1.16 Heritage Assets**

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

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

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

### 5.1.17 Property, Plant and Equipment (PPE)

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

#### Recognition

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

#### Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

- Infrastructure assets and assets under construction – depreciated historical cost;
- Council dwellings – current value, determined using the basis of existing use value for social housing (Existing Use Value - Social Housing (EUV-SH));
- Surplus assets – current value, determined as fair value based on the amount at which the asset could be sold in an orderly transaction between market participants;
- All other property assets – current value, determined as the amount that would be paid for the asset in its existing use (Existing Use Value – EUV); and
- Assets that the local Council intends to hold in perpetuity and have no determinable useful life and may have restrictions in their disposal are classified as community assets, and in this instance are generally valued at a nominal £1.

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

The Council has a rolling programme that ensures all PPE included in the Balance Sheet at 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 as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the

carrying amount of the asset is written down against the relevant service segment line(s) in the Comprehensive Income and Expenditure Statement; and

- Amounts written down against the relevant service segments are transferred to the Capital Adjustment Account in the Movement in Reserves Statement so that there is no charge against Council Tax or the HRA.

### **Impairment**

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

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

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

### **Depreciation**

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

Depreciation is calculated on the following basis:

- Council dwellings – straight-line allocation over the useful life of the property as estimated by the valuer: generally 90 years, with the exception of material components: 15–20 years;
- Other buildings – straight-line allocation over the useful life of the property as estimated by the valuer: 20-80 years;
- Vehicles, plant, furniture and equipment: straight- line allocation 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	1.2% of building net book value	15 years
Double glazing	1.7% of building net book value	15 years
Flat roof	Ranges £2,750 to £6,300	20 years
Kitchen	£5,000	15 years
Bathroom	£3,000	15 years

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

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

## Disposals

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

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

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



### 5.1.18 Fair Value Measurement

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

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

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

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

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

### 5.1.19 Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

### **5.1.20 Provisions, Contingent Liabilities and Contingent Assets**

#### **Provisions**

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

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

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

#### **Contingent Liabilities**

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

#### **Contingent Assets**

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

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

### **5.1.21 Reserves**

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

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

### **5.1.22 Revenue Expenditure Funded from Capital under Statute**

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

### 5.1.23 Accounting for Schools

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

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

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

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

### 5.1.24 Value Added Tax (VAT)

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

### 5.1.25 Group Accounts

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

## 5.2 Critical Judgements in Applying Accounting Policies

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

### Funding

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

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

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	<p>Assets are depreciated over useful lives that are dependent on assumptions about the levels of repairs and maintenance that will be incurred in relation to individual assets. Adjustments to valuations and remaining useful economic lives have also been made on the basis of approved regeneration proposals.</p> <p>Assets valued at fair value are estimated based on quoted prices in active markets or other observable inputs for the type of asset being valued (fair value hierarchy levels 1 and 2).</p> <p>The outbreak of Covid-19 has impacted global financial markets. As at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Valuation - Global Standards. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the impact of Covid-19 on the economy. Values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid.</p> <p>The fair value of some of the Council's investment properties and surplus assets cannot be estimated based on quoted prices in active markets or other observable inputs such as similar assets in active markets. In these cases fair value is measured using the most recent valuations adjusted to current valuation by the use of indexation and impairment review (fair value hierarchy level 3).</p>	<p>If the useful lives of assets are reduced, depreciation expense increases and the carrying amounts of the assets fall.</p> <p>Any reduction in asset values will result in a reduction in the Council's overall net asset position.</p>
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.

Outstanding Debts	<p>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 for will be adequate.</p> <p>The economic impact of the Covid-19 pandemic has made the estimation of the level of provisions needed more difficult. There is greater uncertainty about the economic viability of debtors and hence their ability to settle their debts.</p>	<p>Provisions may not be adequate where there is a deterioration in collection rates caused by default i.e. debtors not being able to pay the amounts they owe the Council. These additional costs of default would have to be met from the Council's general fund.</p>
Business Rates	<p>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.</p>	<p>If the refunds payable are higher than the provision, the difference will reduce the balance on the Collection Fund and reduce the Council's share of business rates income in future years.</p>
Pensions Liability	<p>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.</p>	<p>The assumptions used are reviewed yearly in respect of the calculation of the net liability and triennially in respect of the Council's pension contribution rate. Changes in assumptions may increase the net liability and future pension costs.</p>

#### 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 2019-20 Code of Practice. They are not therefore reflected in the Statement of Accounts:

- IFRS 16 Leases (replaces IAS 17);
- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures;
- Annual Improvements to IFRS Standards 2015–2017 Cycle;
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

None of these changes are expected to have a material impact on the accounts.



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

	2019-20			
	Adjustments for Capital Purposes £000 (Note a)	Net Pension Adjustments £000 (Note b)	Other Differences £000 (Note c)	Total Adjustments £000 (Note d)
People - Adult Services and Public Health	(954)	1,677	1,239	1,962
People - Children and Families	(6,758)	6,868	7,407	7,517
Community	4,828	4,172	(12,274)	(3,274)
Resources and Commercial	8,476	1,867	7,202	17,545
Housing Revenue Account	(6,887)	646	302	(5,939)
Cost Of Services	(1,295)	15,230	3,876	17,811
Other income and expenditure	(4,844)	(9,907)	21,697	6,946
(Surplus)/Deficit and Comprehensive Income and Expenditure Statement Provision of Services				
(Surplus)/Deficit on Provision of Services	(6,139)	5,323	25,573	24,757

	2018-19			
	Adjustments for Capital Purposes £000 (Note a)	Net Pension Adjustments £000 (Note b)	Other Differences £000 (Note c)	Total Adjustments £000 (Note d)
People - Adult Services and Public Health	(1,429)	1,433	(2,073)	(2,069)
People - Children and Families	6,635	6,841	(3,470)	10,006
Community	4,105	3,642	(9,411)	(1,664)
Resources and Commercial	15,133	(1,830)	(7,477)	5,826
Housing Revenue Account	155	604	(6,421)	(5,662)
Cost Of Services	24,599	10,690	(28,852)	6,437
Other income and expenditure	22,719	9,369	18,189	50,277
(Surplus)/Deficit and Comprehensive Income and Expenditure Statement Provision of Services				
(Surplus)/Deficit on Provision of Services	47,318	20,059	(10,663)	56,714

Note a: Adjustments for Capital Purposes - this column includes capital grants, the minimum revenue provision, gains and losses on the sale of property, plant and equipment, movements on the balance of investment properties, depreciation, amortisation, impairments, revaluation and other gains and losses charged to services.

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

Note c: Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute.

Note d: The total difference is analysed by nature in the first two columns of note 5.6: Note to the Movement in Reserves Statement.

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

2019-20	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
<b>Adjustments to Revenue Resources:</b>						
Pension costs transferred to the Pensions Reserve	(24,492)	(646)	0	0	0	25,138
Depreciation	(27,861)	(7,659)	0	0	0	35,520
Impairment	7,274	111	0	0	0	(7,385)
Premiums and Discounts on Debt Restructure	403	45	0	0	0	(448)
Movements in market value of Investment Properties	(14,307)	0	0	0	0	14,307
Council Tax and NDR transfer to/from the Collection Fund Adjustment Account	(442)	0	0	0	0	442
Holiday pay transfer to/from the Accumulating Compensating Absences Adjustment Account	571	0	0	0	0	(571)
Revenue expenditure funded from capital	(3,268)	0	0	0	0	3,268
Non Current assets written out on disposal	(1,271)	(3,213)	0	0	0	4,484
<b>Total Adjustments to Revenue Resources</b>	<b>(63,393)</b>	<b>(11,362)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>74,755</b>
<b>Adjustments between Revenue and Capital Resources:</b>						
Minimum Revenue Provision	21,978	8	0	0	0	(21,986)
Capital expenditure funded from revenue balances	3,681	0	0	0	0	(3,681)
Capital grants and contributions	15,152	7,523	0	0	(14,201)	(8,474)
Transfer of sale proceeds credited to the CIES	3,689	6,437	(10,126)	0	0	0
Administrative cost of non-current asset disposals	(19)	(82)	101	0	0	0
Payment to the Housing Capital Receipts Pool	0	(3,882)	3,882	0	0	0
Use of capital receipts to fund revenue expenditure	(3,100)	0	3,100	0	0	0
Transfer of HRA resources to the Major Repairs Reserve	0	7,647	0	(7,647)	0	0
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>41,381</b>	<b>17,651</b>	<b>(3,043)</b>	<b>(7,647)</b>	<b>(14,201)</b>	<b>(34,141)</b>
<b>Adjustments to Capital Resources:</b>						
Use of the Major Repairs Reserve to fund capital expenditure	0	0	0	5,619	0	(5,619)
Use of the Capital Receipts Reserve to fund capital expenditure	0	0	2,476	0	0	(2,476)
Use of Capital Grants Unapplied Account to fund capital expenditure	0	0	0	0	5,354	(5,354)
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>0</b>	<b>2,476</b>	<b>5,619</b>	<b>5,354</b>	<b>(13,449)</b>
<b>Total Adjustments</b>	<b>(22,012)</b>	<b>6,289</b>	<b>(567)</b>	<b>(2,028)</b>	<b>(8,847)</b>	<b>27,165</b>



2018-19	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
<b>Adjustments to Revenue Resources:</b>						
Pension costs transferred to the Pensions Reserve	(19,454)	(605)	0	0	0	20,059
Depreciation	(25,160)	(7,534)	0	0	0	32,694
Impairment	392	(100)	0	0	0	(292)
Premiums and Discounts on Debt Restructure	(3,779)	(1,837)	0	0	0	5,616
Movements in market value of Investment Properties	676	0	0	0	0	(676)
Council Tax and NDR transfer to/from the Collection Fund Adjustment Account	(3,879)	0	0	0	0	3,879
Holiday pay transfer to/from the Accumulating Compensating Absences Adjustment Account	(416)	0	0	0	0	416
Unwinding of discount on deferred capital receipts	921	0	0	0	0	(921)
Revenue expenditure funded from capital	(11,441)	(55)	0	0	0	11,496
Non Current assets written out on disposal	(31,420)	(4,114)	0	0	0	35,534
<b>Total Adjustments to Revenue Resources</b>	<b>(93,560)</b>	<b>(14,245)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>107,805</b>
<b>Adjustments between Revenue and Capital Resources:</b>						
Minimum Revenue Provision	10,918	0	0	0	0	(10,918)
Capital expenditure funded from revenue balances	660	0	0	0	0	(660)
Capital grants and contributions	7,834	180	0	0	(3,563)	(4,451)
Transfer of sale proceeds credited to the CIES	171	2,862	(6,330)	0	0	3,297
Administrative cost of non-current asset disposals	0	(34)	34	0	0	0
Payment to the Housing Capital Receipts Pool	0	(757)	757	0	0	0
Use of capital receipts to fund revenue expenditure	(1,200)	0	1,200	0	0	0
Transfer of HRA resources to the Major Repairs Reserve	0	7,534	0	(7,534)	0	0
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>18,383</b>	<b>9,785</b>	<b>(4,339)</b>	<b>(7,534)</b>	<b>(3,563)</b>	<b>(12,732)</b>
<b>Adjustments to Capital Resources:</b>						
Use of the Major Repairs Reserve to fund capital expenditure	0	0	0	6,063	0	(6,063)
Use of the Capital Receipts Reserve to fund capital expenditure	0	0	4,820	0	0	(4,820)
Use of Capital Grants Unapplied Account to fund capital expenditure	0	0	0	0	4,560	(4,560)
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>0</b>	<b>4,820</b>	<b>6,063</b>	<b>4,560</b>	<b>(15,443)</b>
<b>Total Adjustments</b>	<b>(75,177)</b>	<b>(4,460)</b>	<b>481</b>	<b>(1,471)</b>	<b>997</b>	<b>79,630</b>

## 5.7 Earmarked reserves

	Balance at 31-Mar-18	Transfers Out 2018-19	Transfers In 2018-19	Balance at 31-Mar-19	Transfers Out 2019-20	Transfers In 2019-20	Balance at 31-Mar-20
	£000	£000	£000	£000	£000	£000	£000
<b>Earmarked Reserves:</b>							
Transformation Reserve	0	0	(7,526)	(7,526)	0	0	(7,526)
Business Rates Pool Reserve	0	0	(4,279)	(4,279)	4,279	(1,800)	(1,800)
Budget Planning Reserve	(6,184)	0	(645)	(6,829)	4,200	0	(2,629)
Capacity Building Reserve	(1,198)	937	(4,000)	(4,261)	2,212	(1,172)	(3,221)
PFI Sinking Funds	(3,874)	0	(49)	(3,923)	0	(114)	(4,037)
Projects in progress	(454)	454	(2,384)	(2,384)	2,384	(3,224)	(3,224)
Revenue Grant Reserve	(3,100)	1,330	(3,156)	(4,926)	719	(2,862)	(7,069)
Public Health	(2,202)	500	(425)	(2,127)	280	0	(1,847)
MTFS Implementation Cost	(2,441)	374	0	(2,067)	292	0	(1,775)
CIL - Harrow	(5,886)	343	(3,405)	(8,948)	3,612	(2,452)	(7,788)
Dedicated Schools Grant Reserve	0	0	0	0	2,944	0	2,944
Other earmarked reserves	(5,862)	3,465	(2,636)	(5,033)	618	(1,207)	(5,622)
<b>Total Earmarked Reserves</b>	<b>(31,201)</b>	<b>7,403</b>	<b>(28,505)</b>	<b>(52,303)</b>	<b>21,540</b>	<b>(12,831)</b>	<b>(43,594)</b>
Locally Managed School Balances	(11,580)	0	(1,647)	(13,227)	466	0	(12,761)
HRA earmarked Reserves	(531)	24	(198)	(705)	127	(217)	(794)
<b>Total</b>	<b>(43,312)</b>	<b>7,427</b>	<b>(30,350)</b>	<b>(66,235)</b>	<b>22,133</b>	<b>(13,048)</b>	<b>(57,149)</b>

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

**Business Rates Pool Reserve:** Income from the London Business Rates Pool that will be used to support the budget.

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

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

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

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

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

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

**Dedicated Schools Grant Reserve:** The balance of schools expenditure eligible to be funded from Dedicated Schools Grant that will be funded from future years grant payments.

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

**5.8 Other operating income and expenditure**

2018-19 £000		2019-20 £000
	<b>Levies</b>	
189	London Boroughs Grants Committee	188
295	London Pension Fund Authority	296
8,226	West London Waste Authority (WLWA)	8,475
204	Lee Valley Regional Park Authority	205
192	Environment Agency	197
<u>9,106</u>	Sub Total Levies	<u>9,361</u>
757	Payments to the Government Housing Capital Receipts Pool	3,882
<u>32,535</u>	Losses/(gains) on the disposal of non current assets	<u>(5,917)</u>
<u>42,398</u>	<b>Total</b>	<u>7,326</u>

**5.9 Financing and investment income and expenditure**

2018-19 £000		2019-20 £000
16,011	Interest payable and similar charges	16,864
6,078	Premium on debt restructure	0
9,369	Net interest on the net defined benefit liability	9,907
(1,351)	Interest receivable and similar income	(1,635)
(4,213)	Income in relation to investment properties & changes in their fair value	11,481
<u>25,894</u>	<b>Total</b>	<u>36,617</u>

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

2018-19 £000		2019-20 £000
(120,857)	Council tax income	(127,958)
(33,599)	Business Rates Retention	(25,375)
(10,578)	Business Rates Top-Up Grant	(13,753)
(2,998)	London Business Rates Pool	(1,044)
(3,482)	New Home Bonus Grant	(4,345)
(3,366)	Section 31 Grants	(3,198)
(2,014)	Flexible Homeless Support Grant	(1,478)
(2,024)	Other General Grants	(4,253)
(8,014)	Capital grants and contributions (Note 5.33.2)	(22,675)
<u>(186,932)</u>	<b>Total</b>	<u>(204,079)</u>

## 5.11 Property, plant and equipment

2019-20	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	Total Property, IT and Equipment	PFI Assets Included in Property, IT and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>									
At 1 April 2019	411,604	550,281	52,597	212,871	1	49,507	16,922	1,293,783	44,762
Reversal of accumulated depreciation on revaluation	(6,518)	(7,818)	0	0	0	0	0	(14,336)	0
Additions	2,478	7,356	10,699	8,635	95	31,411	0	60,674	266
Revaluation increases/(decreases) recognised in the Revaluation Reserve	26,739	10,968	0	0	0	0	1,075	38,782	790
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	7,760	0	0	(256)	0	0	7,504	0
Derecognition - Disposals	(3,807)	(707)	0	0	0	0	0	(4,514)	0
Derecognition - Other*	0	0	(5,380)	(8,292)	0	0	0	(13,672)	0
Reclassifications/ Transfer	19,159	(8,857)	796	7	161	(9,966)	(1,300)	0	0
<b>At 31 March 2020</b>	<b>449,655</b>	<b>558,983</b>	<b>58,712</b>	<b>213,221</b>	<b>1</b>	<b>70,952</b>	<b>16,697</b>	<b>1,368,221</b>	<b>45,818</b>
<b>Accumulated Depreciation</b>									
At 1 April 2019	(6,518)	(9,547)	(25,910)	(88,718)	0	0	(172)	(130,865)	(1,825)
Reversal of accumulated depreciation on revaluation	6,518	7,818	0	0	0	0	0	14,336	0
Depreciation charges for 2019-20	(7,362)	(9,067)	(8,215)	(10,876)	0	0	0	(35,520)	(958)
Derecognition - Depreciation on Disposal	607	222	0	0	0	0	0	829	0
Derecognition - Other*	0	0	5,380	8,292	0	0	0	13,672	0
<b>At 31 March 2020</b>	<b>(6,755)</b>	<b>(10,574)</b>	<b>(28,745)</b>	<b>(91,302)</b>	<b>0</b>	<b>0</b>	<b>(172)</b>	<b>(137,548)</b>	<b>(2,783)</b>
<b>Net Book Value</b>									
<b>At 31 March 2020</b>	<b>442,900</b>	<b>548,409</b>	<b>29,967</b>	<b>121,919</b>	<b>1</b>	<b>70,952</b>	<b>16,525</b>	<b>1,230,673</b>	<b>43,035</b>
<b>At 31 March 2019</b>	<b>405,086</b>	<b>540,734</b>	<b>26,687</b>	<b>124,153</b>	<b>1</b>	<b>49,507</b>	<b>16,750</b>	<b>1,162,918</b>	<b>42,937</b>

\* The gross book value of fully depreciated assets that are no longer in use.

2018-19	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	Total Property, Plant, IT and Equipment	PFI Assets Included in Property, Plant, IT and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>									
At 1 April 2018	443,085	526,552	41,098	205,005	1	103,570	17,603	<b>1,336,914</b>	<b>37,404</b>
Reversal of accumulated depreciation on revaluation	(6,998)	(10,305)	0	0	0	0	0	(17,303)	0
Additions	342	9,667	12,964	11,576	428	2,114	0	<b>37,091</b>	299
Donated assets	0	0		0	0	0	0	<b>0</b>	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(21,524)	6,869	0	0	0	0	(65)	(14,720)	1,791
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(100)	885	0	0	(493)	0	0	<b>292</b>	
Derecognition - Disposals	(4,844)	(33,718)	0	0	0	0	0	(38,562)	0
Derecognition - Other*	0	0	(6,198)	(3,731)	0	0	0	(9,929)	0
Reclassifications/ Transfer	1,643	50,331	4,733	21	65	(56,177)	(616)	<b>0</b>	5,268
<b>At 31 March 2019</b>	<b>411,604</b>	<b>550,281</b>	<b>52,597</b>	<b>212,871</b>	<b>1</b>	<b>49,507</b>	<b>16,922</b>	<b>1,293,783</b>	<b>44,762</b>
<b>Accumulated Depreciation</b>									
At 1 April 2018	(6,998)	(12,304)	(27,417)	(81,497)	0	0	(213)	(128,429)	(1,271)
Reversal of accumulated depreciation on revaluation	6,998	10,305	0	0	0	0	0	<b>17,303</b>	0
Depreciation charges for 2018-19	(7,248)	(9,805)	(4,691)	(10,952)	0	0	0	(32,696)	(554)
Derecognition - Depreciation on Disposal	730	2,298	0	0	0	0	0	<b>3,028</b>	0
Derecognition - Other*	0	0	6,198	3,731	0	0	0	<b>9,929</b>	0
Reclassification of assets	0	(41)	0	0	0	0	41	<b>0</b>	0
<b>At 31 March 2019</b>	<b>(6,518)</b>	<b>(9,547)</b>	<b>(25,910)</b>	<b>(88,718)</b>	<b>0</b>	<b>0</b>	<b>(172)</b>	<b>(130,865)</b>	<b>(1,825)</b>
<b>Net Book Value</b>									
<b>At 31 March 2019</b>	<b>405,086</b>	<b>540,734</b>	<b>26,687</b>	<b>124,153</b>	<b>1</b>	<b>49,507</b>	<b>16,750</b>	<b>1,162,918</b>	<b>42,937</b>
<b>At 31 March 2018</b>	<b>436,087</b>	<b>514,248</b>	<b>13,681</b>	<b>123,508</b>	<b>1</b>	<b>103,570</b>	<b>17,390</b>	<b>1,208,485</b>	<b>36,133</b>

\* The gross book value of fully depreciated assets that are no longer in use.

### 5.11.1 Depreciation

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

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

### 5.11.2 Capital commitments

The Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment at a budgeted cost of £53.1m (£20.9m as at 31st March 2019). This expenditure will be incurred in 2020-21 and future years. The major capital commitments are as follows:

- HRA Building Council Homes for London scheme £29.0m (nil as at 31st March 2019)
- Redevelopment of the Council's central depot £13.6m (£9m as at 31st March 2019)
- Redevelopment of Waxwell Lane £4.7m (£nil as at 31st March 2019)

### 5.11.3 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 the carrying amount is not materially different from fair value. Valuations were carried out internally at 1<sup>st</sup> April 2019 except for surplus and investment properties and properties with greater than £400k of capital expenditure spent on them in-year, which were valued at 31<sup>st</sup> March 2020. Specialist and out of borough investment properties have been valued by Crosthwaites, Fleurets, Gerald Eve and Knight Frank. 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.

The HRA portfolio is valued in line with the 5 year rolling programme as at 1<sup>st</sup> April 2019. The Land Registry Index is used to calculate the movement in property values between 1<sup>st</sup> April 2019 and 31<sup>st</sup> March 2020. The movement in HRA asset values has been analysed in note 6.2.3.

Rolling revaluation programme:

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant and Equipment £000	Infra-structure Assets £000	Asset Under Construction £000	Surplus Assets £000	Total £000	Investment Property £000
Valued at historical cost	0	0	29,967	121,919	70,952	0	222,838	0
Valued at fair value:								
As at 31st March 2020	442,900	320,546	0	0	0	16,525	779,971	72,927
As at 31st March 2019	0	75,703	0	0	0	0	75,703	0
As at 31st March 2018	0	88,765	0	0	0	0	88,765	0
As at 31st March 2017	0	45,927	0	0	0	0	45,927	0
As at 31st March 2016	0	17,468	0	0	0	0	17,468	0
Total Cost or Valuation as at 31st March 2020	<b>442,900</b>	<b>548,409</b>	<b>29,967</b>	<b>121,919</b>	<b>70,952</b>	<b>16,525</b>	<b>1,230,672</b>	<b>72,927</b>

This table excludes community assets valued at £1K

#### 5.11.4 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.

#### 5.12 Heritage assets

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

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

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

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

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

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

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

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

#### 5.13 Investment properties

2018-19		2019-20
£000		£000
27,448	Balance at start of the year	34,728
6,194	Additions	53,426
0	Disposals	(920)
1,086	Net gains from fair value adjustments	(14,307)
<u>34,728</u>	Balance at end of the year	<u>72,927</u>

## 5.14 Financial instruments

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

	Long-term		Current	
	31-Mar-20 £000	31-Mar-19 £000	31-Mar-20 £000	31-Mar-19 £000
<b>Investments</b>				
Loans and receivables	0	0	23,615	11,105
Cash and cash equivalents	0	0	40,982	15,306
<b>Total investments</b>	<b>0</b>	<b>0</b>	<b>64,597</b>	<b>26,411</b>
<b>Debtors</b>				
Loans and receivables	16,017	16,373	0	0
Financial assets carried at contract amounts	0	0	28,880	22,484
<b>Total Debtors</b>	<b>16,017</b>	<b>16,373</b>	<b>28,880</b>	<b>22,484</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	(422,403)	(302,451)	(7,141)	(50,218)
<b>Total borrowings</b>	<b>(422,403)</b>	<b>(302,451)</b>	<b>(7,141)</b>	<b>(50,218)</b>
<b>Other Liabilities</b>				
PFI and finance lease liabilities	(17,364)	(14,918)	(1,156)	(583)
<b>Total other liabilities</b>	<b>(17,364)</b>	<b>(14,918)</b>	<b>(1,156)</b>	<b>(583)</b>
<b>Creditors</b>				
Financial liabilities carried at contract amount	0	0	(55,548)	(43,653)
<b>Total creditors</b>	<b>0</b>	<b>0</b>	<b>(55,548)</b>	<b>(43,653)</b>

The balances of debtors and creditors disclosed in the above note differ from the balance sheet because they include only balances relating to contractual arrangements and exclude balances relating to statutory debts that do not arise from contracts. Thus balances relating to Council Tax, NDR, government grants, housing benefits and outstanding parking fines etc. are excluded. The balance of short term debtors excludes £8.8m (£10.9m in 2018-19). The creditors balance excludes £24.2m (£30.1m in 2018-19). The cash and cash equivalents and current (short term) borrowings figures differ from the balance sheet because the £2.4m 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 instrument balances during the year are as follows:

Financial Liabilities Measured at amortised cost	Financial Assets Loans and receivables	Total		Financial Liabilities Measured at amortised cost	Financial Assets Loans and receivables	Total
2018-19 £000	2018-19 £000	2018-19 £000		2019-20 £000	2019-20 £000	2019-20 £000
15,322	0	15,322	Interest Expenses	16,131	0	16,131
6,078	0	6,078	Premium on debt restructure	0	0	0
0	690	690	Impairment Losses	0	733	733
21,400	690	22,090	<b>Interest payable and similar charges</b>	<b>16,131</b>	<b>733</b>	<b>16,864</b>
0	(1,360)	(1,360)	Interest income	0	(1,635)	(1,635)
0	(1,360)	(1,360)	<b>Interest and investment income</b>	<b>0</b>	<b>(1,635)</b>	<b>(1,635)</b>
21,400	(670)	20,730	<b>Net gain/(loss) for the year</b>	<b>16,131</b>	<b>(902)</b>	<b>15,229</b>

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



**Fair value of assets and liabilities**

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

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

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

Carrying Amount	Fair Value	Difference		Carrying Amount	Fair Value	Difference
2018-19	2018-19	2018-19		2019-20	2019-20	2019-20
£000	£000	£000		£000	£000	£000
11,105	11,105	0	Investments	23,615	23,615	0
16,373	33,331	16,958	Loans and receivables	16,016	29,474	13,458
15,306	15,306	0	Cash and Cash	40,982	40,982	0
(350,015)	(562,532)	(212,517)	Borrowing	(427,168)	(831,618)	(404,450)

**5.15 Long term debtors**

31-Mar-19		31-Mar-20
£000		£000
16,137	West London Waste Authority	15,864
22,703	Deferred proceeds on sale of assets	0
235	Other Loans	153
<u>39,075</u>	<b>Total</b>	<u>16,017</u>

**5.16 Short term debtors**

31-Mar-19		31-Mar-20
£000		£000
2,414	Business Rates & Council Tax	1,047
27,505	Trade debtors	34,738
3,480	Other debtors	1,874
<u>33,399</u>	<b>Total</b>	<u>37,659</u>

**5.17 Cash and cash equivalents**

31-Mar-19		31-Mar-20
£000		£000
82	Cash held by the Authority	65
(2,654)	Bank current accounts	(2,376)
15,224	Short-term deposits with Banks and Building Societies	40,917
<u>12,652</u>	<b>Total Cash and Cash Equivalents</b>	<u>38,606</u>

**5.18 Short term borrowing**

31-Mar-19		31-Mar-20
£000		£000
(1,717)	Public Works Loan Board	(2,791)
(12,714)	Other Financial Institutions	(573)
(989)	Pension Fund	(1,289)
(32,144)	Other Loans	(112)
<u>(47,564)</u>	<b>Total</b>	<u>(4,765)</u>

**5.19 Short term creditors**

31-Mar-19		31-Mar-20
£000		£000
(8,770)	Business Rates & Council Tax	(8,714)
(51,790)	Trade Creditors	(57,766)
(13,738)	Other Creditors	(14,393)
<u>(74,298)</u>	<b>Total</b>	<u>(80,873)</u>

**5.20 Provisions**

	Insurance £000	Business Rate Appeals £000	Other Provisions £000	Total £000
<b>Short Term</b>				
<b>Balance at 1 April</b>	(1,100)	(2,880)	(1,800)	(5,780)
Additional provisions made	(982)	(912)	(978)	(2,872)
Transferred to/from Long Term	(145)	0	0	(145)
Amounts used	1,127	2,880	282	4,289
Unused amounts reversed	0	0	115	115
<b>Balance at 31 March</b>	<u>(1,100)</u>	<u>(912)</u>	<u>(2,381)</u>	<u>(4,393)</u>
<b>Long Term</b>				
<b>Balance at 1 April</b>	(6,052)	0	0	(6,052)
Transferred to/from Short Term	145	0	0	145
<b>Balance at 31 March</b>	<u>(5,907)</u>	<u>0</u>	<u>0</u>	<u>(5,907)</u>

**Insurance:** This provision is the estimated liability for insurance claims that the Council self funds, including actual claims submitted, and events for which the Council has not received a claim (incurred but not reported IBNR). The Council's insurance programme consists of a range of insurance covers in three broad classes; liability, property and motor. The Council's maximum potential liability is limited by a series of aggregate stop loss covers with the Council's insurers that are triggered when the total of all claims under the cover exceeds that amount for the period of insurance. It is Council policy not to insure "pound swapping" items (e.g. theft and "all risks" on equipment), or tree related subsidence claims. All IBNR (Incurred but not reported) amounts are calculated by the Council's actuary. The provision includes £1.53m to cover the cost of payments to Municipal Mutual Insurance in respect of future claims.

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

**5.21 Other long term liabilities**

31-Mar-19		31-Mar-20
£000		£000
0	Finance Lease Liability (Note 5.36.1)	(3,092)
(14,918)	PFI Lease Liability ( Note 5.37)	(14,272)
(405,589)	IAS19 Pension Liability ( Note 5.38.5)	(407,120)
<u>(420,507)</u>	<b>Total</b>	<u>(424,484)</u>

**5.22 Usable reserves**

31-Mar-19		Note	31-Mar-20
£000			£000
(10,008)	General Fund	4.2	(10,008)
(66,235)	Earmarked Reserves	5.7	(57,149)
(7,474)	Housing Revenue Account	6.1	(7,526)
(5,713)	Major Repairs Reserve	6.2.4	(7,741)
(18,138)	Capital Receipts Reserve	5.22.1	(18,705)
(26,541)	Capital Grants and Contributions Unapplied	5.22.2	(35,388)
<u>(134,109)</u>	<b>Total Usable Reserves</b>		<u>(136,517)</u>

**5.22.1 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				General		
Fund	HRA	Total		Fund	HRA	Total
2018-19	2018-19	2018-19		2019-20	2019-20	2019-20
£000	£000	£000		£000	£000	£000
(5,031)	(13,588)	(18,619)	Balance unapplied at 1 April	(4,002)	(14,136)	(18,138)
(3,468)	(375)	(3,843)	Receipts in year - Others	(3,689)	(1,750)	(5,439)
0	(2,487)	(2,487)	Receipts in year - Right to Buy	0	(4,687)	(4,687)
0	34	34	Disposal Costs	19	82	101
0	757	757	Pooling payment to the MHCLG	0	3,882	3,882
1,200	0	1,200	Use of capital receipts to fund revenue expenditure	3,100	0	3,100
3,297	0	3,297	Applied during the year - others	0	0	0
0	1,523	1,523	Applied during the year - Right to Buy	0	2,476	2,476
<u>(4,002)</u>	<u>(14,136)</u>	<u>(18,138)</u>	<b>Balance unapplied at 31 March</b>	<u>(4,572)</u>	<u>(14,133)</u>	<u>(18,705)</u>

**5.22.2 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				General		
Fund	HRA	Total		Fund	HRA	Total
2018-19	2018-19	2018-19		2019-20	2019-20	2019-20
£000	£000	£000		£000	£000	£000
(24,729)	(2,809)	(27,538)	Balance unapplied at 1 April	(23,792)	(2,749)	(26,541)
(3,383)	(180)	(3,563)	Receipts in year	(10,329)	(7,524)	(17,853)
4,320	240	4,560	Applied during the year	4,569	4,437	9,006
<u>(23,792)</u>	<u>(2,749)</u>	<u>(26,541)</u>	<b>Balance unapplied at 31 March</b>	<u>(29,552)</u>	<u>(5,836)</u>	<u>(35,388)</u>

**5.23 Unusable reserves**

31-Mar-19 £000		Notes	31-Mar-20 £000
(146,598)	Revaluation Reserve	5.23.1	(182,432)
(548,291)	Capital Adjustment Account	5.23.2	(571,335)
12,021	Financial Instruments Adjustment Account	5.23.3	11,573
405,589	Pensions Reserve	5.23.4	407,120
(2,937)	Collection Fund Adjustment Account	5.23.5	(2,495)
5,126	Accumulating Compensated Absences Adjustment Account	5.23.6	4,556
(22,711)	Deferred Capital Receipts Reserve	5.23.7	(8)
<u>(297,801)</u>	<b>Total Unusable Reserves</b>		<u>(333,021)</u>

**5.23.1 Revaluation reserve**

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

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

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

2018-19				2019-20		
General Fund £000	HRA £000	Total £000		General Fund £000	HRA £000	Total £000
(97,006)	(68,765)	(165,771)	<b>Balance at 1 April</b>	(99,480)	(47,118)	(146,598)
(31,873)	(1,318)	(33,191)	Upward revaluation of property, plant & equipment	(31,338)	(27,433)	(58,771)
14,025	0	14,025	Less: reversal of past impairments charged to Provision of Services	15,895	372	16,267
<u>(17,848)</u>	<u>(1,318)</u>	<u>(19,166)</u>	Upward revaluation of assets charged to the revaluation reserve	<u>(15,443)</u>	<u>(27,061)</u>	<u>(42,504)</u>
25,713	21,905	47,618	Impairment of property, plant & equipment	12,409	77	12,486
<u>(13,632)</u>	<u>(100)</u>	<u>(13,732)</u>	Less: impairments charged to Provision of Services	<u>(8,694)</u>	<u>(69)</u>	<u>(8,763)</u>
12,081	21,805	33,886	Impairments charged to the revaluation reserve	<u>3,715</u>	<u>8</u>	<u>3,723</u>
			(Surplus) / Deficit on revaluation of non-current assets not posted to			
<u>(102,773)</u>	<u>(48,278)</u>	<u>(151,051)</u>	(Surplus) / Deficit on the Provision of Services	<u>(111,208)</u>	<u>(74,171)</u>	<u>(185,379)</u>
			Difference between fair value depreciation and historical cost			
1,869	907	2,776	depreciation	2,017	765	2,782
1,424	253	1,677	Accumulated gains on assets sold or scrapped	248	(83)	165
3,293	1,160	4,453	Amount written off to the Capital Adjustment Account	<u>2,265</u>	<u>682</u>	<u>2,947</u>
<u>(99,480)</u>	<u>(47,118)</u>	<u>(146,598)</u>	<b>Balance at 31 March</b>	<u>(108,943)</u>	<u>(73,489)</u>	<u>(182,432)</u>

### 5.23.2 Capital adjustment account

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

The Account contains accumulated gains and losses on Investment Properties.

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

2018-19				2019-20		
General Fund	HRA	Total		General Fund	HRA	Total
£000	£000	£000		£000	£000	£000
(325,494)	(268,513)	(594,007)	Balance at 1 April	(282,595)	(265,696)	(548,291)
25,158	7,534	32,692	Reversal of depreciation charged to the CIES	27,861	7,659	35,520
(392)	100	(292)	Asset Impairment/ (Reversal of Impairment)	(7,274)	(111)	(7,385)
31,420	4,114	35,534	Non Current assets written out on Disposal	1,271	3,213	4,484
11,441	55	11,496	Revenue expenditure funded from capital under statute	3,268	0	3,268
(3,293)	(1,160)	(4,453)	Amounts written off from the revaluation reserve	(2,265)	(682)	(2,947)
0	0	0	Deferred credit on transfer of fixed asset	(22,703)	0	(22,703)
(3,297)	(1,523)	(4,820)	Use of the Capital Receipts Reserve	0	(2,476)	(2,476)
0	(6,063)	(6,063)	Use of the Major Repairs Reserve	0	(5,619)	(5,619)
(8,771)	(240)	(9,011)	Capital grants credited to the Cl&E	(9,389)	(4,437)	(13,826)
3,297	0	3,297	Reversal of use of the Capital Receipts Reserve	0	0	0
(10,918)	0	(10,918)	Minimum Revenue Provision	(21,978)	(8)	(21,986)
(660)	0	(660)	Revenue Contribution to Capital Outlay	(3,681)	0	(3,681)
(1,086)	0	(1,086)	Movements in the market value of Investment Properties debited/credited to the Cl&E Statement	14,307	0	14,307
<u>(282,595)</u>	<u>(265,696)</u>	<u>(548,291)</u>	Balance at 31 March	<u>(303,178)</u>	<u>(268,157)</u>	<u>(571,335)</u>

### 5.23.3 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.

2018-19 £000		2019-20 £000
6,405	<b>Balance at 1 April</b>	12,021
6,079	Premiums incurred in the current year and charged to the CIES	0
	Premiums and Discounts incurred in previous years to be charged against the General Fund and HRA in accordance with statutory requirements:	
(443)	General Fund	(403)
(20)	HRA	(45)
<u>12,021</u>	<b>Balance at 31 March</b>	<u>11,573</u>

### 5.23.4 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.

2018-19 £000		2019-20 £000
355,291	<b>Balance at 1 April</b>	405,589
30,239	Remeasurement of the net defined benefit liability	(23,607)
	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	
42,803	Employer's pensions contributions and direct payments to pensioners payable in the year	48,470
(22,744)		(23,332)
<u>405,589</u>	<b>Balance at 31 March</b>	<u>407,120</u>

### 5.23.5 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.

2018-19 £000		2019-20 £000
(6,815)	<b>Balance at 1 April</b>	(2,937)
	Amount by which council tax and NNDR income credited to CIES is different from income calculated for the year in accordance with Statute	442
3,878.00		
<u>(2,937)</u>	<b>Balance at 31 March</b>	<u>(2,495)</u>

### 5.23.6 Accumulating compensated absences adjustment account

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

2018-19 £000		2019-20 £000
4,710	<b>Balance at 1 April</b>	5,126
(4,710)	Settlement or cancellation of accrual made at the end of the preceding year	(5,126)
	Amounts accrued at the end of the current year	4,556
5,126		
<u>5,126</u>	<b>Balance at 31 March</b>	<u>4,556</u>

### 5.23.7 Deferred capital receipts reserve

The Deferred Capital Receipts Reserve holds gains recognised on the disposal of non-current assets but for which settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable to finance new capital expenditure until they are received, at which point they are transferred to the Capital Receipts Reserve.

Regeneration				Regeneration		
projects	Other	Total		projects	Other	Total
2018-19	2018-19	2018-19		2019-20	2019-20	2019-20
£000	£000	£000		£000	£000	£000
(22,192)	(11)	(22,203)	Balance deferred at 1 April	(22,703)	(8)	(22,711)
(921)	0	(921)	Regeneration Projects sale proceeds		0	0
410	0	410	Transfer to Capital Adjustment Account	22,703	0	22,703
0	3	3	Transfer to Capital Receipts Reserve on receipt of proceeds	0	0	0
<u>(22,703)</u>	<u>(8)</u>	<u>(22,711)</u>	<b>Balance deferred at 31 March</b>	<u>0</u>	<u>(8)</u>	<u>(8)</u>

The Council sold land assets to developers in 2016-17 in consideration for a number of newly-constructed dwellings and other property assets. These were transferred to Council ownership in 2019-20 on completion of the development. The amount disclosed as 'Regeneration Projects' was the fair value of the assets the Council was to receive, adjusted to account for the time value of money. The balance has now been transferred to the Capital adjustment account.

## 5.24 Notes to the Cash Flow Statement

### 5.24.1 Operating activities

2018-19 £000		2019-20 £000
	<b>The cash flows for operating activities include the following items:</b>	
16,011	Interest payable & similar charges	16,864
(1,351)	Interest and Investment income	(1,635)
(4,213)	Other investment income	11,480
	<b>The surplus or deficit on the provision of services has been adjusted for the following non cash movements:</b>	
20,059	Adjustment for pension funding	25,138
5,018	Increase/(Decrease) in Provision	(1,532)
32,402	Impairment and Depreciation	28,135
416	Accumulated Absence	(571)
35,534	Carrying amount of non-current assets disposed	4,484
(921)	Unwinding of discount	0
270	Other non cash items charged to CIES	907
(676)	Movement in the value of investment properties	14,307
(9,608)	Billing authority Collection Fund adjustments	685
	<b>Items on an accrual basis</b>	
6,919	(Increase)/Decrease in Debtors	(4,260)
5,236	Increase/(Decrease) in Creditors	4,352
94,649	<b>Adjustments for non cash movements</b>	71,645
(2,999)	Proceeds from the sale of non-current assets	(10,126)
(8,013)	Capital grants credited to surplus or deficit on the provision of services	(22,675)
(11,012)	<b>Adjustments for investment and financing activities</b>	(32,801)

### 5.24.2 Investing activities

2018-19 £000		2019-20 £000
(41,829)	Purchase of property, plant and equipment and investment property	(89,864)
(6,194)	Purchase of short-term and long-term investments	0
7,733	Capital grants received in year	24,494
2,999	Proceeds from the sale of property, plant and equipment and investment property	10,126
(3,357)	Proceeds from short-term and long-term investments	(12,511)
530	Other long term loans granted	357
(40,118)	<b>Net cash flows from Investing Activities</b>	(67,398)

### 5.24.3 Financing activities

2018-19 £000		2019-20 £000
(673)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	3,018
21,380	Repayments of short-term and long-term borrowing	76,247
20,707	<b>Net cash flows from financing activities</b>	79,265



## 5.25 Expenditure and income analysed by nature

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

2018-19		Notes	2019-20
£000	Expenditure/Income		£000
	<b>Expenditure</b>		
211,821	Employee benefits expenditure		209,601
136,069	Housing benefits		124,371
210,112	Other service expenses		217,732
25,028	Support service recharges (excl. employee costs)		25,076
42,453	Depreciation and impairment		32,288
73,857	Other expenditure	5.8 - 5.9	51,495
<b>699,340</b>	<b>Total expenditure</b>		<b>660,563</b>
	<b>Income</b>		
(128,525)	Fees, charges and other service income		(128,630)
(321,605)	Revenue grants included w ithin cost of services	5.33.1	(295,545)
(192,496)	Other income	5.8 - 5.10	(211,631)
<b>(642,626)</b>	<b>Total income</b>		<b>(635,806)</b>
<b>56,714</b>	<b>(Surplus) Deficit on Provision of Services</b>		<b>24,757</b>

## 5.26 Road charging schemes under the Transport Act 2000

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

2018-19		2019-20
£000		£000
(9,203)	Penalty Charge Notices	(9,456)
(2,911)	On street meters	(1,180)
(1,003)	Residents Permits	(730)
<b>(13,117)</b>	<b>Total income</b>	<b>(11,366)</b>
3,320	Enforcement contract/costs	2,496
2,823	Other expenditure	1,179
6,143	<b>Total expenditure</b>	<b>3,675</b>
<b>(6,974)</b>	<b>Total (surplus) for the year ending 31 March 2020</b>	<b>(7,691)</b>
	<u>Utilisation of Surplus</u>	
6,974	Concessionary fares	7,691
6,974		7,691

**5.27 Pooled budgets – Better Care Fund**

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

2018-19 £000		2019-20 £000
	Funding provided to the pooled budget	
(11,974)	· Harrow Contribution	(13,127)
<u>(10,142)</u>	· NHS Harrow CCG Contribution	<u>(9,377)</u>
<u>(22,116)</u>		<u>(22,504)</u>
	Revenue Expenditure met from the pooled budget:	
10,568	· Harrow Council	11,610
10,142	· NHS Harrow CCG	9,377
<u>20,710</u>		<u>20,987</u>
	Capital Expenditure met from the pooled budget:	
1,406	· Harrow Council - Disabled Facilities	1,517
<u>1,406</u>		<u>1,517</u>
<u>0</u>	Surplus for the year	<u>0</u>

**5.28 Members' Allowances**

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

2018-19 £000		2019-20 £000
827	Allowances	872
<u>827</u>	Total	<u>872</u>

## 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 include only the remuneration of employees that have not been disclosed separately in the 'Senior officer remuneration' note. The number of employees that exceeded the £50,000 including redundancy or voluntary severance payments is shown in the separate 'Due to Lump Sum' column.

Remuneration band	Number of Council Employees			
	2019-20		2018-19	
	Number in band	Due to Lump Sum	Number in band	Due to Lump Sum
£50,000 - £54,999	119	0	122	4
£55,000 - £59,999	74	0	51	1
£60,000 - £64,999	43	0	48	0
£65,000 - £69,999	30	1	25	1
£70,000 - £74,999	10	0	33	0
£75,000 - £79,999	31	0	10	1
£80,000 - £84,999	3	0	6	0
£85,000 - £89,999	6	0	4	0
£90,000 - £94,999	6	0	9	1
£95,000 - £99,999	5	0	2	0
£100,000 - £104,999	4	0	5	0
£105,000 - £109,999	1	1	2	0
£110,000 - £114,999	4	1	1	0
£115,000 - £119,999	1	0	0	1
£120,000 - £124,999	0	0	1	0
£140,000 - £144,999	0	1	0	0
£255,000 - £259,999	0	1	0	0
	<b>337</b>	<b>5</b>	<b>319</b>	<b>9</b>

### 5.29.2 Senior officer remuneration

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

Position Held	Notes	Salary (including Fees and Allowances)		Employers Pension Contribution		Exit payments		Total Remuneration including employers pension contributions	
		£	£	£	£	£	£	£	£
		2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
Sean Harriss (Chief Executive)	1	220,291	35,357	0	0	0	0	220,291	35,357
		<b>220,291</b>	<b>35,357</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>220,291</b>	<b>35,357</b>

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

Position Held	Notes	Salary (including Fees and Allowances)		Employers Pension Contribution		Exit payments		Total Remuneration including employers pension contributions	
		£	£	£	£	£	£	£	£
		2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
Corporate Director - Community	2	146,733	150,856	0	0	0	0	146,733	150,856
Corporate Director - Resources	3	135,032	0	32,435	0	0	0	167,467	0
Corporate Director - People		146,733	128,416	18,246	30,820	0	0	164,979	159,236
Acting Chief Executive	4	0	131,402	0	31,536	0	0	0	162,938
Director Legal and Governance	5	160,224	153,319	38,579	35,549	0	0	198,803	188,868
Director of Finance		130,460	121,471	32,445	29,153	0	0	162,905	150,624
Acting Director of Adult Social Services	6	20,815	129,794	4,216	31,151	88,001	0	113,032	160,945
Director of Adult Social Services	7	110,089	0	27,379	0	0	0	137,468	0
		<b>850,086</b>	<b>815,258</b>	<b>153,300</b>	<b>158,209</b>	<b>88,001</b>	<b>0</b>	<b>1,091,387</b>	<b>973,467</b>

Note 1 Sean Harriss commenced on 3rd February 2019. He is not a member of the pension scheme.

Note 2 The Corporate Director is not a member of the pension scheme.

Note 3 The Corporate Director commenced on 20th May 2019.

Note 4 The Acting Chief Executive left the Council on 3rd February 2019.

Note 5 The Director's salary includes a payment of £16,972 for undertaking duties as the Council's Returning Officer.

Note 6 The Acting Director left the Council on 30th April 2019.

Note 7 The Director commenced on 27th May 2019.

### 5.30 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	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
£0 - £20,000	3	16	28	25	31	41	£000 176	£000 287
£20,001 - £40,000	0	9	4	4	4	13	94	358
£40,001 - £60,000	1	4	0	0	1	4	57	187
£60,001 - £80,000	0	0	0	1	0	1	0	63
£80,001 - £100,000	0	0	2	0	2	0	187	0
£100,001 - £120,000	0	0	1	0	1	0	111	0
Total	4	29	35	30	39	59	625	895

'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

2018-19		2019-20
£000		£000
895	Exit payments not provided for in 2018-19	595
0	Employment provision (w ithin note 5.20)	30
<u>895</u>	<b>Included in cost of services</b>	<u>625</u>

### 5.31 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:

2018-19 £000		2019-20 £000
	Fees payable to external auditors in respect of:	
116	External audit services carried out by the appointed auditor for the year	117
<u>24</u>	Certification of grant claims and returns for the year	<u>25</u>
<u>140</u>	Total	<u>142</u>

### 5.32 Dedicated Schools Grant

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

Details of the deployment of DSG receivable for 2019-20 are as follows:

	Central Expenditure £000	Individual Schools Expenditure £000	Total £000
Final DSG allocation 2019-20			217,336
Less: Academy recoupment			<u>(89,324)</u>
Final DSG after recoupment 2019-20			<u>128,012</u>
Plus: Brought forward from 2018-19			2,614
Less: Carry forward to 2020-21 agreed in advance			<u>(1,702)</u>
Agreed budgeted distribution in 2019-20	52,249	76,675	128,924
In-year adjustments	415	0	415
Final budget distribution for 2019-20	<u>52,664</u>	<u>76,675</u>	<u>129,339</u>
Less: Actual central expenditure	<u>(54,318)</u>		<u>(54,318)</u>
Less: Actual ISB deployed to schools		<u>(76,454)</u>	<u>(76,454)</u>
<b>Carry forward to 2020-21</b>	<u><b>(1,654)</b></u>	<u><b>221</b></u>	<u><b>(1,433)</b></u>
Total surplus carry forward to 2020-21			<u><b>(269)</b></u>

### 5.33 Grants income

#### 5.33.1 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:

2018-19 £000	Grant	Awarding Body	2019-20 £000
(141,770)	Dedicated Schools Grant	Department for Education	(129,339)
(4,587)	Pupil Premium	Department for Education	(3,810)
(3,029)	Universal Infant Free School Meals	Department for Education	(2,274)
(2,744)	Private finance initiative	Various	(2,744)
(10,808)	Public Health	Department of Health	(10,523)
(113,997)	Rent Allowance	Department of Work and Pensions	(100,497)
(24,948)	HRA Rent Rebate	Department of Work and Pensions	(24,444)
(1,576)	New burdens	Department of Work and Pensions	(2,127)
(1,146)	Unaccompanied Asylum Seekers Grant	Home Office - UK Border Agency	(1,998)
(2,811)	EFA 6th Form Funding	Young People's Learning Agency	(4,352)
(4,679)	Improved Better Care Fund	Ministry of Housing, Communities and Local Gov.	(5,498)
(9,510)	Other Grants	Various	(7,939)
<b>(321,605)</b>	<b>Total Revenue Grants included in the Comprehensive Income and Expenditure Account</b>		<b>(295,545)</b>

#### 5.33.2 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:

2018-19 £000	Grant	Awarding Body	2019-20 £000
(3,822)	LA Capital Maintenance and Basic Need Grant	Department for Education	(8,535)
0	HRA Affordable Housing Grant	Greater London Authority	(3,073)
0	HRA Grange Farm Phases 1 & 2	Greater London Authority	(2,644)
(277)	Section 20 & 106 income	Various	(1,423)
(3,915)	Other	Various	(7,000)
<b>(8,014)</b>	<b>Total Capital Grants included in Comprehensive Income and Expenditure Account</b>		<b>(22,675)</b>

#### 5.33.3 Capital grants receipts in advance

2018-19 £000	Grant - Capital	Awarding Body	2019-20 £000
(3,750)	Borough Intervention Agreement	Greater London Authority	(3,750)
(751)	Section 106 Capital Receipts	Various	(696)
(814)	Other Capital Grants	Various	(2,688)
<b>(5,315)</b>			<b>(7,134)</b>

### 5.34 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.

### 5.34.1 United Kingdom Government and other Public Bodies

Central government has significant influence over the general operations of the Council by providing the statutory framework within which the Council operates, significant funding in the form of grants and by prescribing the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received and payments to levying bodies are disclosed in the notes to the accounts. Payments to precepting bodies are detailed in the Collection Fund and Comprehensive Income and Expenditure Statement. The Better Care Fund pooled budget is disclosed in note 5.27.

#### Members and senior officers

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

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

The Council has significant influence over the decisions of a local charity due to a significant number of Members also being trustees on the governing body of the charity.

In 2019-20, the Council made the following payments for grants and services to the charity:

Organisation	Amount £000
West House and Heath Robinson Museum	9

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

### 5.34.2 London Borough of Harrow Pension Fund

The Council is the Administering Authority for the Pension Fund.

2018-19 £000		2019-20 £000
22,579	Employers Pension Contributions to the Fund	22,893
(846)	Administration expenses paid by the Fund	(906)
989	Cash Due to the Fund	1,289



### 5.35 Capital Financing

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

2018-19 £000		2019-20 £000
494,223	Opening Capital Financing Requirement	<b>517,532</b>
	<i>Capital Investment</i>	
37,091	Property, Plant and Equipment	<b>60,674</b>
6,194	Investment Property	<b>53,426</b>
11,496	Revenue Expenditure Funded from Capital under Statute	<b>3,268</b>
	<i>Sources of finance</i>	
(4,820)	Capital receipts	<b>(2,476)</b>
(9,011)	Government grants and other contributions	<b>(13,825)</b>
0	Deferred capital receipts	<b>(22,703)</b>
	Sums set aside from revenue:	
(660)	· Direct revenue contributions	<b>(3,681)</b>
(10,918)	· Minimum Revenue Provision	<b>(21,986)</b>
(6,063)	· Major Repairs Reserve	<b>(5,619)</b>
<b>517,532</b>	<i>Closing Capital Financing Requirement</i>	<b>564,610</b>
	<i>Explanation of movements in year</i>	
34,227	Increase in unsupported borrowing	<b>69,064</b>
(10,918)	Minimum Revenue provision	<b>(21,986)</b>
<b>23,309</b>	<i>Increase in Capital Financing Requirement</i>	<b>47,078</b>

### 5.36 Leases

#### 5.36.1 The Council as Lessee

##### Finance Leases

The Council entered into new leases of vehicles and machinery in 2019-20.

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 £3.488m (nil in 2018-19). Outstanding lease liabilities are £3.601m (nil in 2018-19) and minimum lease payments of £4.831m (nil in 2018-19) will be made over the next 1 to 7 years.

##### Operating Leases

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

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

31-Mar-19		31-Mar-20
£000		£000
2,816	Not later than one year	3,473
1,395	Later than one year and not later than five years	1,335
2,215	Later than five years	2,150
<u>6,426</u>		<u>6,958</u>
<u>3,710</u>	Min. lease payments charged to revenue in 19-20	<u>2,816</u>

### 5.36.2 The Council as Lessor

#### Finance Leases

The Council has granted 125 year peppercorn leases in respect of 14 maintained schools which transferred to Academy status prior to 2019-20 under the provisions of the Academies Act 2010.

Although the legal form of the transfer arrangement is a lease, and the Council retains the freehold, the transfer of schools to Academy status are treated as in substance a disposal in the Council's balance sheet. No maintained schools transferred to Academy status in 2019-20.

#### Operating Leases

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

Operating leases have been classified as Investment Properties or Property, Plant and Equipment, generating a rental stream of £4.2m in 2019-20 (£3.0m in 2018-19).

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

31-Mar-19		31-Mar-20
£000	<b>Land and Buildings</b>	£000
3,138	Not later than one year	4,730
9,892	Later than one year and not later than five years	16,283
18,939	Later than five years	21,518
<u>31,969</u>		<u>42,531</u>

### 5.37 Private Finance Initiative (PFI)

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

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

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

Outstanding PFI lease liabilities are as follows:

#### Special schools

2018-19		2019-20
£000		£000
(10,777)	Balance outstanding at start of year	(10,406)
1,361	Lease repayments during the year	1,332
(990)	Finance charge	(956)
<u>(10,406)</u>	Balance outstanding at year end	<u>(10,030)</u>

#### NRCs

2018-19		2019-20
£000		£000
(5,272)	Balance outstanding at start of year	(5,095)
615	Lease repayments during the year	630
(438)	Finance charge	(423)
<u>(5,095)</u>	Balance outstanding at year end	<u>(4,888)</u>

#### 5.37.1 Special schools

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

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

	Payment for Services £000	Interest £000	Principal Repayment £000	Contingent Rent £000	Total £000
<b>Schools</b>					
Payable in 2020-21	1,239	921	453	90	2,703
Payable w ithin 2 to 5 years	5,962	3,228	1,909	84	11,183
Payable w ithin 6 to 10 years	8,167	2,959	3,518	245	14,889
Payable w ithin 11 to 14 years	5,492	936	4,150	788	11,366
Total	<u>20,860</u>	<u>8,044</u>	<u>10,030</u>	<u>1,207</u>	<u>40,141</u>

#### 5.37.2 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.

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

	Payment for Services £000	Interest £000	Principal Repayment £000	Contingent Rent £000	Total £000
<b>NRC</b>					
Payable in 2020-21	294	406	193	230	1,123
Payable w ithin 2 to 5 years	1,136	1,437	1,037	1,167	4,777
Payable w ithin 6 to 10 years	1,951	1,265	1,607	1,851	6,674
Payable w ithin 11 to 15 years	1,754	440	2,051	2,086	6,331
Total	<u>5,135</u>	<u>3,548</u>	<u>4,888</u>	<u>5,334</u>	<u>18,905</u>

## 5.38 Defined benefit pension schemes

### 5.38.1 Participation in pension scheme

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

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

### 5.38.2 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 the Council is required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

Cumulative actuarial remeasurement losses of £233m have been recognised in the Movement in Reserves Statement up to and including 2019-20 (£257m in 2018-19).

Expected employer contributions for 2020-21 are £20.5m, excluding any contributions in respect of unfunded benefits.

2018-19 8000		2019-20 £000
	Cost of Services:	
33,253	• current service cost	35,950
181	• past service costs	2,613
	Financing and Investment Income and Expenditure	
29,056	• interest cost	29,192
(19,687)	• interest income on scheme assets	(19,285)
42,803	Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services	48,470
	Other Post Employment Benefit Charged to the CIES	
	Remeasurements in net liability due to	
0	• changes in demographic assumptions	(11,365)
62,359	• changes in financial assumptions	(87,719)
(33,029)	• return on plan assets	118,818
909	• changes in other experience	(43,341)
30,239		(23,607)
73,042	Total Post Employment Benefit Charged to the CIES	24,863
22,744	Actual amount charged to the General Fund balance in the year	23,332

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

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

2018-19 £000		2019-20 £000
(1,116,211)	Opening balance at 1 April	(1,212,805)
(33,253)	Current service cost	(35,950)
(29,056)	Interest cost	(29,192)
(5,548)	Contributions by scheme participants	(5,519)
	Remeasurement (gains)/losses arising from changes in:	
0	Demographic Assumptions	11,365
(62,359)	Financial Assumptions	87,719
(909)	Other Experience	43,341
34,712	Benefits paid	39,581
(181)	Past service costs	(2,613)
<u>(1,212,805)</u>	Closing balance at 31 March	<u>(1,104,073)</u>

### 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 -£99.5m (2018-19: £53m).

2018-19 £000		2019-20 £000
760,920	Opening balance at 1 April	807,216
19,687	Interest income on plan assets	19,285
33,029	Remeasurement gain/(loss)	(118,818)
22,744	Employer contributions	23,332
5,548	Contributions by scheme participants	5,519
(34,712)	Benefits paid	(39,581)
<u>807,216</u>	Closing balance at 31 March	<u>696,953</u>

### 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 Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the LGPS will be made good by investment returns in excess of the assumed discount rate and by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

	2019-20 £000	2018-19 £000	2017-18 £000	2016-17 £000	2015-16 £000
Present value of liabilities	(1,104,073)	(1,212,805)	(1,116,211)	(1,102,110)	(933,174)
Fair value of assets	696,953	807,216	760,920	732,652	594,189
Net deficit in the scheme	(407,120)	(405,589)	(355,291)	(369,458)	(338,985)

### 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<sup>st</sup> March 2019.

The principal assumptions used by the actuary have been:

2018-19		2019-20
	<b>Long-term expected rate of return on assets in the scheme:</b>	
7.0%	Equity investments	8.3%
	Mortality assumptions:	
	<b>Longevity at 65 for current pensioners:</b>	
22.2	Men	22.0
24.4	Women	24.3
	<b>Longevity at 65 for future pensioners:</b>	
24.0	Men	23.1
26.4	Women	26.3
	<b>Financial assumptions:</b>	
2.8%	Rate of increase in salaries	2.6%
2.5%	Rate of increase in pensions (CPI)	1.9%
2.4%	Rate for discounting scheme liabilities	2.3%
	<b>Take-up of option to convert annual pension into retirement lump sum:</b>	
50.0%	- Pre April 2008 Service	50.0%
75.0%	- Post April 2008 Service	75.0%

### 5.38.7 Scheme assets

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

31-Mar-19		31-Mar-20
13.0%	Debt Securities - Corporate Bonds	13.0%
2.0%	Private Equity	1.0%
9.0%	Real Estate: UK Property	7.0%
	Investment Funds and Unit Trusts:	
53.0%	Equities	53.0%
22.0%	Other	23.0%
1.0%	Cash and Equivalents	3.0%
100%		100%

### 5.38.8 History of experience gains and losses

	2019-20	2018-19	2017-18	2016-17	2015-16
	%	%	%	%	%
Differences between the expected and actual return on assets	-17.05	4.09	2.22	17.35	-3.20
Experience gains and (losses) on liabilities	-3.93	0.07	-0.02	1.79	1.55

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

	Increase in present value of scheme liabilities	
	%	£000
0.5% decrease in the real discount rate	8	93,208
0.5% increase in rate of increase in salaries	1	6,893
0.5% increase in the rate of increase in pensions	8	85,696
1 year increase in member life expectancy	3 - 5	33,122 - 55,204

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

**5.39 Teachers' Pension Scheme**

The Teachers' Pension Agency (TPA) provides retirement benefits for teachers on behalf of the Department for Innovation, Universities and Skills and the Department for Children, Schools and Families.

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

In 2019-20 the Council made £7.40m (£6.86m in 2018-19) of employer contributions to the TPA. The current contribution rate is 23.68%. The rate increased from 16.48% on 1<sup>st</sup> September 2019 (16.48% in 2018-19).

**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 Ministry of Housing, Communities and Local Government's Investment Guidance for Local Authorities. In order to minimise the risk to Council resources the Strategy gives priority to security and liquidity, rather than yield.

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

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

## Credit risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with non-UK banks and financial institutions unless they are rated independently with a minimum score of AA- sovereign rating, A- long term rating, F1 short term rating. The Council does not rely solely on the credit ratings but also has regard to other measures including credit default swaps and equity prices when selecting commercial organisations for investment. Investments are diversified across institutions to ensure a spread of risk throughout the counterparty list. Information relating to the counterparties is constantly monitored and action taken should any institution fail to meet the minimum criteria.

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

	Amount at 31-Mar-20	Historical experience of default	Historical experience adjusted for market conditions at 31-Mar-20	Estimated maximum exposure to default and uncollectability 31-Mar-20
	£000	%	%	£000
UK Banks	62,917	0.00	0.00	0
UK Money Market Funds	1,615	0.00	0.00	0
Customers	13,733	3.52%	22.64%	4,019
Total	<u>78,265</u>			<u>4,019</u>

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

Amount at 31-Mar-19		Amount at 31-Mar-20
£000		£000
8,623	Less than three months	11,390
635	Three to six months	555
977	Six months to one year	711
323	More than one year	1,077
<u>10,558</u>	<b>Total Debtors</b>	<u>13,733</u>

## Liquidity risk

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

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

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



The maturity structure of long term borrowing is as follows:

31-Mar-19 £000		31-Mar-20 £000
	Source of Loan:	
(248,461)	Public Works Loan Board	(348,461)
(53,800)	Market Loans	(73,800)
(190)	Other financial institutions	(142)
<u>(302,451)</u>	<b>Total</b>	<u>(422,403)</u>
	Analysis of loans by maturity:	
(48)	1-2 years (1.4.2021 - 31.3.2022)	(46)
(5,098)	2-5 years (1.4.2022 - 31.3.2025)	(5,070)
(10,044)	5-10 years (1.4.2025 - 31.3.2030)	(20,027)
(287,261)	More than 10 years (1.4.2030 onwards)	(397,260)
<u>(302,451)</u>	<b>Total</b>	<u>(422,403)</u>

The more than ten years category in the above analysis includes a £20.8m LOBO – Lender Option Borrower Option loan where the lender may ask for the rate payable to be changed. The Council has the option to either accept this increase or repay the loan in full, without penalty. In the current economic climate it is not anticipated that any of these will be called and require repayment. However, if the lender does exercise its rights, this loan can be repaid from prudential borrowing.

## Market risk

### Interest rate risk

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

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

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

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

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

The average balance of investments was £90m (£39m in 2018-19). With the base rate currently fixed at 0.10%, the risk of exposure from a downwards move is low. A positive movement of 1% in rates received on average investment balances would generate additional investment income of £0.90m.

#### **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 2019-20 was £216k (£223k in 2018-19).

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 2019-20 was £9.6m (£10.6m in 2018-19).

## 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.

2018-19 £000	Note	2019-20 £000	
		£000	£000
<b>Expenditure</b>			
8,351		8,428	
9,057		9,289	
373		108	
7,534	6.2.3	7,647	
100		0	
37		37	
25,452			25,509
<b>Income</b>			
(27,650)	6.2.1	(28,002)	
(591)	6.2.2	(549)	
(2,038)		(2,060)	
(1,275)		(1,218)	
0		(111)	
(31,554)			(31,940)
<b>Net cost of HRA Services as included in the Whole Authority Comprehensive Income and Expenditure Statement</b>			
(6,102)			(6,431)
440			440
(5,662)			(5,991)
<b>HRA share of operating income &amp; expenditure included in the Whole Authority Comprehensive Income &amp; Expenditure Statement</b>			
1,286			(3,143)
757			3,882
8,126			6,380
(41)			(51)
(180)			(7,507)
4,286			(6,430)

**Statement of Movement on the HRA Balance**

2018-19 £000	Note	2019-20 £000
<b>(7,474)</b>		<b>(7,474)</b>
4,286		<b>(6,430)</b>
<b>(3,123)</b>	6.2.9	<b>3,188</b>
1,163		<b>(3,242)</b>
<b>(1,163)</b>	6.2.9	<b>3,190</b>
0		<b>(52)</b>
<b>(7,474)</b>		<b>(7,526)</b>

**6.2 Notes to the Housing Revenue Account****6.2.1 Dwelling Rents Income**

This is the total income due for the year after allowance is made for voids etc. At year end 0.88% of lettable properties were vacant (0.71% in 2018-19). The average de-pooled rents were £110.46 per week (£111.57 in 2018-19). There was an average rent reduction of 1% over the previous year. The average reduction, after taking into account service charges, was 0.88%.

**6.2.2 Non-dwelling Rents**

This includes garages. At the year-end 51.54% of garages were vacant (56.5% in 2018-19).

**6.2.3 HRA Fixed Assets**

	Land £000	Dw ellings £000	Assets under construction £000	Shops £000	Garages £000	Community Halls £000	Total 2019-20 £000
Net book value as at 1 April 2019	216,759	188,327	9,746	4,594	4,996	7,290	<b>431,712</b>
Revaluations and additions	<b>(2,468)</b>	50,843	<b>(2,029)</b>	508	323	612	<b>47,789</b>
Disposals	<b>(1,258)</b>	<b>(1,942)</b>	0	0	<b>(14)</b>	0	<b>(3,214)</b>
Gross book value as at 31 March 2020	<b>213,033</b>	<b>237,228</b>	<b>7,717</b>	<b>5,102</b>	<b>5,305</b>	<b>7,902</b>	<b>476,287</b>
Depreciation for year	0	<b>(7,362)</b>	0	<b>(35)</b>	<b>(161)</b>	<b>(89)</b>	<b>(7,647)</b>
Net book value as at 31 March 2020	<b>213,033</b>	<b>229,866</b>	<b>7,717</b>	<b>5,067</b>	<b>5,144</b>	<b>7,813</b>	<b>468,640</b>

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

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

A vacant possession valuation for dwellings at 1<sup>st</sup> April 2019 would have been £1,497m (£1,525m at 1<sup>st</sup> April 2018), therefore recognising the economic cost to the Government of providing Council housing at less than open market value of £1,092m (2018-19 £1,117m).

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

#### 6.2.4 Major Repairs Reserve

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

	Balance 31-Mar-19 £000	Transfer to Reserve £000	Capital Expenditure £000	Debt Repayment £000	Balance 31-Mar-20 £000
Analysis of the Movement	(5,713)	(7,647)	4,860	759	(7,741)

#### 6.2.5 Capital Expenditure and Funding Statement

2018-19 £000		2019-20 £000
	<b>HRA Capital Expenditure</b>	
4,233	Dwellings & garages	5,151
2,858	New build	4,333
<u>7,091</u>	<b>Total</b>	<u>9,484</u>
	<b>Financed by:</b>	
6,063	Major Repairs Reserve	4,860
1,120	Capital receipts - Right to Buy, Affordable Housing & other	187
240	Contributions & Grants	4,437
(332)	Borrowing	0
<u>7,091</u>	<b>Total</b>	<u>9,484</u>

#### 6.2.6 Capital Receipts

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

Further details are provided in note 5.22.1.

#### 6.2.7 Pensions (IAS 19)

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

Further details are provided in note 5.38.

## 6.2.8 Housing Revenue Account Statistics

2018-19 Total	Housing Stock	Houses	Flats	Bungalows	2019-20 Total
105	4 or more bedrooms	101	2	2	105
1,337	3 bedrooms	1,245	103	1	1,349
1,406	2 bedrooms	541	877	26	1,444
1,914	1 bedroom	3	1,788	134	1,925
<u>4,762</u>	LBH managed stock as at 31 March	<u>1,890</u>	<u>2,770</u>	<u>163</u>	<u>4,823</u>
745	Garages				743
1,192	Leaseholders				1,201
	<b>Summary of change in stock</b>				
4,813	Stock as at 1 April				4,762
	<b>Add/ (Less)</b>				
(55)	Sales				(25)
4	New builds & Acquisitions				15
0	Transfer from General Fund				71
<u>4,762</u>	<b>Total HRA stock at 31 March</b>				<u>4,823</u>
	<b>Measures of performance &amp; information for disclosure notes to HRA</b>				
£60.20	Average weekly costs per dwelling of management and maintenance				£56.83
£1.370m	Rent arrears (current and former tenants)				£1.830m
98.78%	Rent collection rate (BVPI 66a)				97.41%
2.00%	Current tenant arrears as percentage of rent roll (whether dwellings occupied or not)				2.04%
0.71%	Rent loss through voids				0.70%
£58k	Write offs in year				£96k
£651k	Provision for bad debts				£747k

## 6.2.9 Statement of Movement on the HRA Balance

2018-19 £000		2019-20 £000
	<b>Adjustment between accounting basis and funding basis under regulations</b>	
(1,837)	Difference between amortisation of premiums & discounts determined in accordance with the Code and those determined in accordance with statute	45
	<b>Difference between any other item of income &amp; expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements</b>	
(1,286)	Gain (Loss) on sale of HRA fixed assets	3,143
<u>(3,123)</u>		<u>3,188</u>
	<b>Transfer to / (from) earmarked reserves</b>	
	<b>HRA share of contributions to/from Pensions reserve :</b>	
(604)	Net charges made for retirement benefits in accordance with IAS19	(646)
	<b>Sums directed by the Secretary of State to be credited to the HRA that are not expenditure in accordance with the Code</b>	
	<b>Transfer to / (from) the Capital Adjustment Account</b>	
(100)	Impairment	111
(55)	Revenue expenditure funded from capital resources under statute	0
0	Minimum revenue provision	8
180	Capital grants and contributions	7,523
(7,534)	Depreciation transfer	(7,660)
7,534	Transfer to the Major Repairs Reserve	7,647
	<b>Transfers to/from Capital Reserves</b>	
(757)	Pooling payments to MHCLG financed through capital reserves	(3,882)
173	Other	89
<u>(1,163)</u>		<u>3,190</u>
<u>(4,286)</u>		<u>6,378</u>

## 7 Collection Fund

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

### 7.1 Statement of Income and Expenditure

2018-19		2019-20	
£000		Business Rates & Crossrail £000	Council Tax £000
			Total £000
	<b>Income</b>		
(148,207)	Income from Council Tax	0	(158,621)
(60,897)	Income Collectable from Business Ratepayers	(55,839)	0
(1,113)	Income Collectable from Business Ratepayers - BRS	(1,083)	0
(210,217)	<b>Total Income</b>	(56,922)	(158,621)
	<b>Expenditure</b>		
	<b>Apportionment of Previous year surplus / deficit</b>		
3,117	Central Government	29	0
6,093	Harrow Council	(779)	3,003
4,172	Greater London Authority	(421)	633
	<b>Precepts, demands and shares</b>		
0	Central Government	12,935	0
152,242	Local Demand (Harrow)	24,836	126,295
45,331	Greater London Authority	15,047	27,644
	<b>Impairment of debts / appeals</b>		
0			0
7,843	Write offs of uncollectable amounts	6,463	1,201
1,459	Increase in bad debt provisions	(243)	1,456
700	Increase / (decrease) in provision for appeals	(2,600)	0
251	Costs of Collection	250	0
221,208	<b>Total Expenditure</b>	55,517	160,232
10,991	Movement on Fund balance: (Surplus) / Deficit for the year	(1,405)	1,611
(14,223)	(Surplus) / Deficit brought forward	1,225	(4,457)
(3,232)	<b>(Surplus) / Deficit carried forward</b>	(180)	(2,846)

## Notes to the Collection Fund

### 7.1.1 Income from Council Tax

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

2018-19			2019-20				
Band D Ratio	Property Numbers	Council Tax £	Band D Ratio	Property Numbers	Council Tax £		
<b>Valuation Bands</b>							
6/9	307	1,125.95	A =	Not exceeding £40,000	6/9	358	1,189.86
7/9	1,728	1,313.61	B =	£40,001 - £52,000	7/9	1,901	1,388.18
8/9	13,773	1,501.26	C =	£52,001 - £68,000	8/9	14,448	1,586.49
1	24,305	1,688.92	D =	£68,001 - £88,000	1	24,872	1,784.80
11/9	23,683	2,064.23	E =	£88,001 - £120,000	11/9	23,931	2,181.42
13/9	10,503	2,439.55	F =	£120,001 - £160,000	13/9	10,619	2,578.05
15/9	9,567	2,814.86	G =	£160,001 - £320,000	15/9	9,559	2,974.66
2	2,324	3,377.84	H =	£320,001 +	2	2,324	3,569.60
	<u>86,190</u>		<b>Total</b>			<u>88,012</u>	
	(1,724)		Adjustment for non-collection			(1,760)	
	<u>84,466</u>		<b>Council tax base</b>			<u>86,252</u>	

### 7.1.2 Business Rates

Business Rates are levied on non-domestic properties with the charge based on the rateable value assessed for each property. The Council acts both as an agent, collecting business rates on behalf of the GLA, and also collecting business rates for itself. From 2018-19 the Council became part of the London Business Rates Pool. Business rates collected in the Borough are, for the year 2019-20, split between relevant preceptors at the following percentages: the Council (48%), the GLA (27%) and MHCLG (25%).

The total non-domestic rateable value for the London Borough of Harrow at the year-end was £138.6m (£141.1m in 2018-19). The national non-domestic rate multiplier for 2019-20 was 50.4p (49.3p in 2018-19) with a lower multiplier for small businesses at 49.1p (48.0p in 2018-19).

### 7.1.3 Business Rate Supplement - Crossrail

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



## 8 Annual Governance Statement

### 8.1 Introduction

Members and staff working for Harrow Council strive to achieve the Council's vision, priorities, values and outcomes as outlined in the Harrow Ambition Plan. Arrangements are in place to ensure that the intended positive outcomes for residents are achieved. To ensure good governance these arrangements are agreed and documented and together form the authority's governance structure.

### 8.2 Responsibility

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

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

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

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

The governance structure, details of the annual review of governance including management assurance and partnership self-assessments that feed into the review and the Annual Governance Statement can be found on the Council's website at

<https://www.harrow.gov.uk/council/governance>

This currently shows the 2018/19 statement and will be updated with the 2019/20 statement once it has been agreed.

#### **Covid-19 Impact on Governance**

As a result of the COVID 19 (Coronavirus) crisis, the Government instituted 'lockdown' on Monday 23 March 2020. All Member level meetings including Cabinet were either postponed or cancelled and the Civic Centre was closed to all staff, with the exception of those delivering priority services. The Council implemented its emergency planning arrangements which included daily key Member briefings, a gold, silver and bronze command structure, and telephone briefings to staff.

#### **Decision Making**

Due to the COVID 19 crisis and the instructions and directions of the Government, it was not possible for Members to meet and take decisions between 23 March 2020 and 21 May 2020 due to the 'lockdown' and the requirement to maintain social distancing. Officers therefore took a number of operational decisions to comply with the Government's instructions and directions that Members were asked to ratify at the first Cabinet meeting since the lockdown on 21 May 2020.

Given the nature of the crisis, decisions needed to be made as a matter of urgency with risks being assessed on a daily basis by Chief Officers meeting via a gold, silver and bronze command structure with daily key Member briefings, weekly Cabinet briefings and a range of additional

briefings with other Members.

Whilst it was not possible to follow the Council's agreed decision making process the risk that decisions made by Chief Offices during this time would not be supported has been mitigated by these briefings to Members and by the Cabinet report to ratify these decisions.

### **Risk Management**

Three risks relating to COVID 19 were included on the Quarter 4 Corporate Risk Register, covering the impact of the pandemic on the delivery of core services, a risk relating to the delivery of services to vulnerable people specifically susceptible to the virus and a risk that encompassed the financial impact on the Council, all of which were red rated.

Risks were assessed on a daily basis by Chief Officers meeting via a gold, silver and bronze command structure.

The on-going risks to the provision of services, to the financial impact on the Council as well as the risks associated with the recovery of Council operations post pandemic will be included in the Quarter 1 Corporate Risk Register.

### **Capacity & Capability**

As the crisis developed, Harrow moved to ensure the resilience of its priority services to support vulnerable residents and to look after its staff. This response was influenced by concern about the impact of staff absences, the limitations of Harrow's IT system to allow staff to work remotely and its lean organisational capacity.

Managing the crisis, establishing the new services required by Government and ensuring priority service resilience absorbed considerable organisational capacity. Accordingly, non-priority activities or projects were halted or postponed and a 'Talent Hub' established to facilitate the voluntary redeployment of staff into priority areas. This strategy was successful and priority services were maintained.

Residents and Members were advised that responses to service queries and complaints might be delayed.

### **Impact on the production of the Annual Governance Statement**

Whilst the review of governance is an ongoing process there is an annual process that requires assurances from officers across the Council which usually takes place in April and May each year. This year's process was disrupted due to the Covid 19 crisis as staff working in priority areas were unable during April to contribute to the process, other staff were also seconded to priority areas or dealing with new priorities, the limitations of the IT system to allow staff to work remotely and Council's overall lean organisational capacity. The process was begun in May and although the majority of the assurances have been received it has still not been possible to obtain assurance on some elements of the Council's governance structure in place during 2019/20 or to complete the analysis of the assurances and as a consequence a 2nd draft AGS will be produced once this work has been completed.

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

Each year the Council undertakes a review of its governance arrangements to ensure the delivery of good governance in accordance with the requirements of the Accounts and Audit Regulations 2015 and in accordance with Delivering Good Governance in Local Government: Framework 2016 published by the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (Solace).

The 2019/20 annual review of governance comprised a review of governance arrangements in place against the core and sub-principles of good governance contained in the CIPFA Framework, Management Assurance provided by each Directorate on the operation of key elements of governance during 2019/20 and a review of a selection of joint working  
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arrangements, undertaken during 2019/20. This was achieved via a self-assessment process co-ordinated and independently reviewed by the Council's Internal Audit Service. The effectiveness of key elements during 2019/20 is covered below:

### **8.3.1 Behaviour of Members and Staff**

Codes of Conduct that define standards of behaviour for Members and staff have been developed and are included in the Council's Constitution. Mechanisms are in place to deal with Member and staff transgressions from these codes and policies are also in place for dealing with whistleblowing and conflicts of interest. Training on the Code of Conduct for Members took place after the local elections in May 2018 and was attended by 68% of Members, further training took place in January 2019 when a further 10% attended.

The Council values were developed through workshops with staff and Members and endorsed by Cabinet and Council in February 2016. They were launched and communicated to all staff in March 2016 and have been incorporated into the staff induction programme as well as the performance appraisal process and the staff are measured against these values annually.

### **8.3.2 Compliance with Laws and Regulations**

Responsibility to comply with relevant laws and regulations and internal policies and procedures rests with the Council's managers some of whom have specific statutory obligations e.g. the Head of Paid Service, Director of Children's Services, Director of Adult Social Services, the Chief Finance Officer (Section 151 Officer), the Monitoring Officer and the Director of Public Health which are outlined in Article 12 of the Council's constitution. The Statutory Monitoring Officer functions to report on likely contravention of any enactment or rule of law and the Chief Finance Officer is responsible for identifying any proposal, decision or course of action that will involve incurring unlawful expenditure. No significant contraventions of law or course of action that would involve incurring unlawful expenditure occurred in 2019/20.

From 25th May 2018 the main provisions of the Data Protection Act 2018 (DPA) came into force to implement the EU General Data Protection Regulation (GDPR). This is an evolution of the data protection law rather than a revolution as many of the GDPR's concepts and principles are the same as under the DPA however, there are new elements and significant enhancements of individual rights that must be taken into account. In compliance with the requirements of the legislation a Data Protection Officer was appointed in August 2018 who during 2019/20 continued to embed the rights of data subjects and the requirements for the Council as a data controller.

In addition mandatory online training for all staff on information governance, cyber security and the new Data Protection legislation has been developed and was introduced across the Council in October 2018. The completion rates for this training at the end of 2019/20 were slightly higher than for 2018/19 however still disappointing at 65%. Consideration will be given to how the uptake of this training can be addressed. Members also received this training via a mix of face to face with the DPO and online training, 83% of all Members have now had training within the last 12 months a significant improvement on the 2018/19 completion rate of 29%.

The Freedom of Information Act (FOI) is a key piece of legislation that the Council is required to comply with and during the first 3 quarters of 2019/20 94% of FOI requests were dealt with within the 20 day timescale (Q4 data is not currently available).

In January 2019 the Committee on Standards in Public Life published its report on local government ethical standards and this was presented to the GARMS Committee in July 2019. The report looks at the current framework governing the behaviour of local government councillors and executives in England and makes a number of recommendations to promote and maintain the standards expected by the public. The report recommends a number of changes to legislation that may come into force in due course and makes some best practice recommendations for local authorities to consider as a benchmark of good ethical practice which they expect all local authorities can and should implement. The Committee resolved that steps be taken to introduce all the best practice recommendations set out in the Committee on Standards in Public Life report subject to, in relation to best practice recommendation 14,

officers providing guidance on an appropriate mechanism for accountability of the separate bodies established by the Council and intends to review the implementation of these in 2020. Best practice 14 states that: Councils should report on separate bodies they have set up or which they own as part of their annual governance statement, and give a full picture of their relationship with those bodies. Separate bodies created by local authorities should abide by the Nolan principle of openness, and publish their board agendas and minutes and annual reports in an accessible place.

Paragraph 8.3.20 below outlines the separate bodies set up by the Council and their relationship with the Council however the annual review of governance has highlighted that not all of these bodies are yet publishing their board agenda, minutes and annual reports.

### 8.3.3 Acting in the Public Interest

The annual review of governance 2019/20 confirmed that the Council can demonstrate a commitment to openness and acting in the public interest. This is achieved via the implementation of a governance structure which includes codes of conduct, a corporate appraisal process, a Standards Committee, registers of interests, gifts and hospitality, a whistleblowing policy, a corporate complaints process, a Corporate Anti-fraud & Corruption Strategy, Financial Regulations and Contract Procedure Rules and a Scrutiny Function. The Council's Financial Regulations were refreshed during 2018/19, agreed by Council and included in the constitution in February 2019. Staff was made aware of the refreshed regulations in the May 2019 staff newsletter and a training scheme is currently in development.

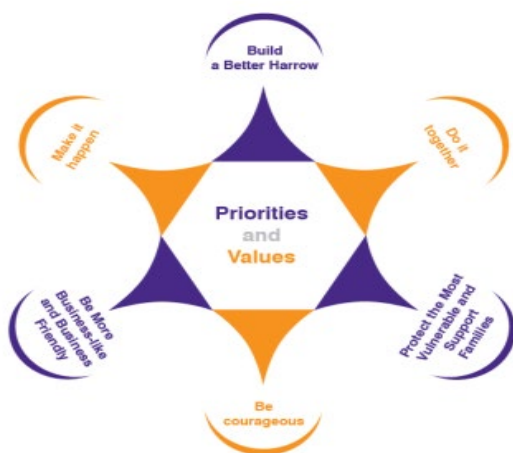
The Constitution was updated in July 2019 in respect of the following:

- Changes required to put in place a disciplinary procedure for statutory chief officers
- Inserting terms of reference for the Corporate Strategic Board and the Building a Better Harrow Board
- Principles of Decision Making
- Code of Conduct for Members
- Officer Employment Procedure rules

### 8.3.4 Communication and Consultation

Whilst a Communication Strategy/Plan was again not in place for 2019/20, the Council's Communications Team worked with all parts of the Council and a wide range of partner organisations and external stakeholders on media relations, marketing, campaigns, consultations, events, publications and social media in order to assist the Council in improving its relationship with its public. This includes keeping residents informed of Council activities, engaging them in dialogue around service delivery and soliciting their views to drive change.

### 8.3.5 The Council's Vision



The Council's vision, and intended outcomes for residents have been developed and are contained within the Harrow Ambition Plan 2020 which was refreshed for 2019/20 with no significant changes. In February 2020 the Council adopted its Borough Plan, which will succeed the Harrow Ambition Plan for 2020/21 onwards.

The original plan was communicated widely across the Council and the refreshed version is available on the Council's external website. This diagram, included in the plan, illustrates the 'golden thread' between the Council's vision and the Council's plans.

The 2nd draft AGS will include an update on service planning during 2019/20.



### 8.3.6 Putting the Vision into Practice

The original Harrow Ambition Plan 2020, 2019 refresh, contains courses of action to be taken by the Council to implement the vision during 2019/20. An update on the progress against the plan will be included in the 2nd draft AGS.

### 8.3.7 Decision-making

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

### 8.3.8 Measuring Performance

Throughout 2019/20 the Council's strategic performance has been tracked through a quarterly cycle of:

- Performance Briefings
- CSB performance discussions
- Joint Cabinet/CSB discussions
- Strategic Performance Reports to Cabinet

Capital and revenue financial performance was also reported quarterly to the Corporate Strategic Board, Cabinet and all Members with Treasury Management reported to Cabinet three times during the year.

The 2nd draft AGS to include confirmation from Management Assurance of Key Performance Indicators in place for 2019/20 and the reporting of performance against them.

Her Majesty's Passport Office, General Register Office – Compliance & Performance Unit issued two reports during 2019/20, a Stock and Security Assurance Assessment of the Council's Registrars Service in May 2019 that concluded that overall Harrow Council maintains 'High' security in relation to the security arrangements around the receipt, storage and use of the secure certificate stock (marriage, birth and death certificates) and an Annual Report 2018/19 issued in June 2019 that concluded that 'It is pleasing to note the very high level of service achieved by the local authority during the past year'.

The Law Society issued a report in February 2020 entitled Lexcel - Excellence in Legal Practice Management and Client Care that concluded that HB Public Law are to be commended in that 19 areas of good practice were identified during the assessment. These evidence either a diligent approach to complying with the requirements or identify areas in which the minimum Lexcel requirement has been exceeded and are also to be commended as no non-compliances were identified during the assessment.

In Adults Service a Harrow Peer Review – Commissioning for Better Outcomes was undertaken  
London Borough of Harrow Statement of Accounts 2019-20

during 2019/20. This was a light touch review of the micro commissioning practices and wider intentions of the Directorate. Overall the practice and commitment was judged to be well embedded and evidenced. There was encouragement that Harrow's draft plans for change were on the correct track to further improve the commissioning processes.

Two reports from Ofsted were received during 2019/20 one on The Firs short Breaks Unit giving an outstanding assurance rating and the other on the Inspection of Local Authority Children Services giving a GOOD in all graded areas. Two further reviews were carried out in the Children and Young People Division during the year one from Ofsted and Care Quality Commission on SEND and the other carried out by the London Innovation and Improvement Alliance on Adolescent Safeguarding Peer Review. Further details on these will be provided in the 2nd draft AGS.

### **8.3.9 External Audit**

During 2019/20 the authority provided timely support, information and responses to the Council's external auditors, Mazars, and properly considered their audit findings in relation to the 2018/19 draft accounts completed in May 2019. An unqualified opinion was given on the 2018/19 accounts and no recommendations were made by the auditors in relation to these accounts.

### **8.3.10 Roles and Responsibilities**

The roles and responsibilities of Members, the most senior managers and statutory officers have been defined and documented in the constitution. After the local elections in May 2018 the new Leader of the Council made a number of changes to the roles and responsibilities of the Portfolio Holders and these were updated and included in the Constitution in May 2018. The roles and responsibilities of other managers and staff are defined and documented in Role Profiles attached to each post.

### **8.3.11 Financial Management**

The Council's financial management arrangements during 2019/20 conformed with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015). An update on the 2019/20 budget will be provided in the 2nd draft of the AGS.

### **8.3.12 Monitoring Officer Function**

The Statutory Monitoring Officer functions to report on likely contravention of any enactment or rule of law. The duties of the Monitoring Officer are outlined in Article 12 of the Council's constitution and are undertaken by the Council's Director of Legal and Governance Services. Effective arrangements were in place during 2019/20 to discharge these duties and no reports were made on any contraventions.

### **8.3.13 Head of Paid Service Function**

The requirements of the Head of Paid Service function are also outlined in Article 12 of the Council's constitution and effective arrangements were in place for the discharge of these duties by the Chief Executive throughout 2019/20.

### **8.3.14 Development Needs**

Following the local government elections in May 2018, new Members received a Members Induction pack and a welcome evening was arranged for all elected Members on 8 May, to cover Council values, conduct and Member interests plus a Members Marketplace was held on the 15 May to explain key Council services together with a programme of Member training in May/June 2018.

The organisational Development agenda has been an area of focus during 2019/20 with work to build line manager capabilities a priority. Work to develop effective metrics and measures for the new in-house Human Resources and Organisational Development service and to develop a People Strategy is also underway.

### 8.3.15 Managing Risks

The framework for identifying and managing risks was updated during 2016/17 and consists of a series of Directorate risk registers that feed into an overarching Corporate Register that clearly identifies the owner of each risk. A refresh and refocus of the Corporate Risk Register on key risks was undertaken in Q1 2018/19 reducing 33 risks down to 8. The Corporate Risk Register was updated three times during 2018/19 for Q1, Q3 and Q4. Updates were undertaken within each quarter, rather than at the end of each quarter as in previous years, making the register more current. Each update was presented to the CSB for review and challenge and to the Governance, Audit, Risk Management & Standards Committee to assist the Committee in monitoring progress on risk management in accordance with their Terms of Reference.

### 8.3.16 Counter Fraud and Anti-corruption Arrangements

The Council has a Corporate Anti-Fraud Strategy 2016-19 outlining its approach to tackling fraud that is reviewed annually. However no changes were made to the strategy in 2019/20. The refreshed Local Government Fighting Fraud & Corruption Locally Strategy (FFCL) was published online on 26th March 2020 and during 2020/21 the authorities' own strategy will be reviewed and updated to reflect any changes and best practice that the new FFCL Strategy recommends. The Council's Corporate Anti-Fraud Team undertook a self-assessment against the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014), during 2019/20, that reviewed progress against the five main principles within the code to improve the Council's arrangements. The result was a compliance level of 78%, unchanged from 2018/19, indicating that the authority has reached a 'good level' of performance against the code. Further work is currently been undertaken to determine the barriers preventing further improvement and the results of this will be reported in the 2nd draft of the 2019/20 AGS.

### 8.3.17 Scrutiny

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

- Health
- Community
- People
- Resources

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

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

During 2019/20 O&S met 9 times, P&F 2 times (with one meeting cancelled in March 2020 due to the Covid-19 crisis) and H&SC 4 times.

### 8.3.18 Internal Audit

A new Statement on the Role of the Head of Internal Audit was issued by CIPFA in 2019. It states that 'The head of internal audit (HIA) occupies a critical position in any organisation, helping it to achieve its objectives by evaluating the effectiveness of governance, risk management and internal control arrangements and playing a key role in promoting good corporate governance. The aim of this Statement is to set out the role of the HIA in public service organisations and to help ensure organisations engage with and support the role effectively.' The Statement contains 5 principles with organisational and HIA responsibilities

attached to each one. Overall throughout 2019/20 these principles were complied with however a small number of the organisational responsibilities need to be clarified and strengthened. The Internal Audit Service is also required to comply with the Public Sector Internal Audit Standards and to be reviewed externally against these standards every five years and internally regularly. An external peer review in June 2017 confirmed that the service 'generally complies' with the Public Sector Internal Audit Standards and the 2019 internal review against these standards confirmed this assessment.

### 8.3.19 Audit Committee

The duties of the audit committee are undertaken by the Governance, Audit, Risk Management & Standards Committee and an Internal Audit review undertaken during 2018/19 has established it generally operates in-line with the core functions of an audit committee as identified in Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2017). Two key actions coming out of the review was the update the Committee's Terms of Reference which were approved by Council and included in the constitution in February 2019 and the introduction of an Annual Report describing the work of the Committee throughout the year and demonstrating that the Committee has undertaken its role effectively, the first of which, for 2018/19 was presented to Council in January 2020.

### 8.3.20 Joint Working

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

Throughout 2019/20 the Council's trading structure consisted of five separate legal entities as shown in the table below:

<b>Harrow Council trading Structure</b>		
<b>Name</b>	<b>Legal Structure</b>	<b>Date Started Trading</b>
Concilium Group Limited (Holding Company)	UK Limited Company	November 2015
Concilium Business Services Limited	UK Limited Company	November 2015
Sancroft Community Care Limited	UK Limited Company	January 2018
Concilium Assets LLP	Limited Liability Partnership	January 2019
HB Public Law Limited	UK Limited Company	April 2015

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

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

Concilium Business Services Ltd (CBS - previously trading as Smart Lettings) is a wholly owned subsidiary of Concilium Group Ltd. with the principal aim of providing private lettings, property management, property administration and a tenant referencing service. Until February 2019 its principal source of revenue came from the property management of 100 homes, managed on behalf of Harrow Council. During 2019/20 CBS Ltd has undergone a strategic change of direction and as a result, CBS Ltd. is now only responsible for the legal ownership of 6 homes. CBS Ltd. shall retain 5% of the income collected from these tenants, distributing the remaining 95% back to the council.

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



contract.

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

The formation of HB Public Law Ltd. was formally approved by Cabinet on 13<sup>th</sup> November 2014 (began trading in 2015) and is set up as a council owned company which has been granted an Alternative Business Structure (ABS) licence from the Solicitor's Regulatory Authority. This was in order to be able to carry out legal work which the Legal shared service, as a local authority, is prevented from undertaking by professional conduct rules. There was however minimal work going through the ABS in 2019/20, hence there were no board meetings, policies etc. and therefore the decision was taken to wind it up as the volumes of work did not justify the additional costs that running the ABS entailed. It will formally cease to exist in the next few weeks once it has been processed by Companies House.

The Council also runs a shared legal services (HBPL) for which it is the lead authority.

The importance of good governance within these arrangements is recognised and as part of the 2019/20 annual review of governance the governance arrangements for the shared legal service (HBPL), Concilium Business Services and Sancroft Community Care Ltd have been reviewed and updated and assurance obtained that reasonable governance arrangements are in place. Governance arrangements have not been reviewed for Concilium Group Limited as it is merely a holding company and at the time of preparing this draft AGS the review of the governance arrangements for Concilium Assets LLP is outstanding and will be included in the 2nd draft AGS.

On 30th September 2018 Buckinghamshire County Council (BCC) gave one year's notice, in compliance with the Inter Authority Agreements, of its intention to exit both the Human Resources & Development (for which they were the lead authority) and the Legal Services shared service. The reason given by BCC for the notice was to enable them to concentrate on preparation for the upcoming Unitary announcement. Consequently the HR service transferred back in-house from October 2019.

### **8.3.21 Health & Safety**

Following on from the peer review of Health & Safety Management undertaken during 2016/17 a Corporate Health & Safety Strategy was developed for 2017/18 with the stated purpose to implement the findings of the peer review to ensure that the aims, objectives and outcomes are met. The strategy, approved by the GARMS Committee in July 2018, contains an action plan setting out how, when and by whom this will be achieved.

The Corporate Health & Safety Board was re-established in December 2017 chaired by the Corporate Director of Community and comprising of the Director of Finance, Divisional Directors, representatives from UNISON and GMB trades union, and Corporate Human Resources. The Board has met monthly throughout 2019/20.

An annual H&S report was presented to the Corporate Health & Safety Board at the end of May 2019, CSB in June 2019 and to the GARMS Committee meeting in July 2019 at which the Corporate Health & Safety Strategy 2019/2022, including an action plan, and the Corporate Health & Safety Policy 2019/2020 were approved.

Mid-year progress against the H&S Strategy action plan and the H&S risk action plan reported to CSB in October 2019 showed good progress against both had been made in the first half of the year.

## **8.4 Level of Assurance**

Whilst the analysis of assurances from the annual review of governance 2019/20 is incomplete the indications are that a reasonable level of governance is in place across the Council and

that, other than the potential significant gap acknowledged in paragraph 8.6, arrangements continue to be fit for purpose in accordance with the governance framework.

The Head of Internal Audit is unable to provide a definitive overall opinion on the adequacy and effectiveness of the organisation's framework of governance, risk management and control for 2019/20 for this first draft of the AGS. This is because the Internal Audit work for 2019/20 and review of the operation of Council's core financial systems during 2019/20, is currently incomplete due to disruption of the work of Internal Audit and the services being audited caused by the COVID-19 crisis. The outputs and assurances completed thus far however indicate that the Council's framework of governance, risk management and control continues to be generally good with improvement required in a few areas.

## **8.5 Previous Governance Issues**

### **8.5.1 Health & Safety**

A significant governance gap was identified in the 2016/17, 2017/18 and the 2018/19 statement in relation to the Corporate Health & Safety arrangements.

A new policy and three year strategy incorporating a new Corporate H&S Plan for 2019/20 with clear performance measures and a clearer understanding of the tasks to be undertaken and the timescale in which they will be undertaken was submitted and approved by the GARMS Committee in July 2019 along with the annual report for 2018/19.

The good progress reported against both the H&S Strategy action plan and the H&S risk action plan reduced the Corporate Risk of 'Failure to fulfil the Council's Health & Safety duties leading to a harmful event for an individual/individuals for which the Council is responsible leading to litigation' from a red risk in Q1 and Q2 to an amber risk in Q3 and Q4 of 2019/20. As a consequence Health & Safety is no longer considered a significant governance issue.

## **8.6 Significant Governance Issue 2019/20**

### **8.6.1 Potential Significant Governance issue**

A potential significant governance issue is currently being investigated and will be reported on fully in the second draft of the AGS.

## **8.7 Conclusion**

Updates on the implementation of the agreed actions to address the significant governance gap identified in paragraph 8.6 above will be provided to the Governance, Audit, Risk Management and Standards Committee throughout 2020/21 until fully implemented and will be formally reported upon as part of the next annual review of governance.

## **8.8 Declaration**

The Leader and the Chief Executive are signing the Annual Governance Statement on behalf of the authority having gained assurance from the annual review of the authority's governance arrangements supported by evidence provided by management including the Chief Finance Officer and the Monitoring Officer, from the Management Assurance Statements provided by Corporate Directors and independent assurance provided by the Head of Internal Audit, and a number of external assurance bodies as detailed in paragraph 8.3.8.

.....  
Graham Henson  
Leader

.....  
Sean Harriss  
Chief Executive

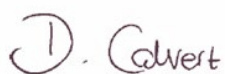
Pension Fund Financial Statements

Pension Fund Certificate

Harrow Council

Pension Fund Accounts 2019-20

I certify that the Financial Statements set out in Section 9 present fairly the financial position of the Pension Fund as at 31<sup>st</sup> March 2020 and its income and expenditure for the year.

A handwritten signature in purple ink that reads "D. Calvert". The letter 'D' is enclosed in a circle.

**Dawn Calvert CPFA**  
**Director of Finance**  
**14<sup>th</sup> July 2020**

# Harrow Pension Fund Account as at 31 March 2020

2018/19		Notes	2019/20
£'000			£'000
	<b>Dealings with members, employers and others directly involved in the fund</b>		
(31,757)	Contributions	7	(34,229)
(3,247)	Transfers in from other pension funds	8	(1,366)
(44)	Other income		(70)
<b>(35,048)</b>			<b>(35,665)</b>
33,527	Benefits	9	35,905
3,097	Payments to and on account of leavers	10	2,470
0	Other Expenditure		0
<b>36,624</b>			<b>38,375</b>
<b>1,576</b>	<b>Net (additions)/withdrawals from dealings with members</b>		<b>2,710</b>
5,731	Management expenses	11	5,405
<b>7,307</b>	<b>Net (additions)/withdrawals including fund management expenses</b>		<b>8,115</b>
	<b>Return on investments</b>		
(8,907)	Investment income	12	(9,059)
(33,601)	(Profit)/losses on disposal of investments and changes in the market value of investments	14A	74,518
<b>(42,508)</b>	<b>Net return on investments</b>		<b>65,459</b>
(35,201)	<b>Net (increase)/decrease in the net assets available for benefits during the year</b>		73,574
(816,131)	<b>Opening net assets of the scheme</b>		<b>(851,332)</b>
<b>(851,332)</b>	<b>Closing net assets of the scheme</b>		<b>(777,758)</b>

# Net Assets Statement as at 31 March 2020

31 March 2019		Notes	31 March 2020
£'000			£'000
	<b>Investment assets</b>		
846,294	Investments	14	749,955
3,156	Derivative contracts	14	1,092
45	Cash with investment managers	14	28,153
<b>849,495</b>			<b>779,200</b>
3,068	Cash deposits	14	2,641
<b>852,563</b>			<b>781,841</b>
	<b>Investment liabilities</b>		
(2,400)	Derivative contracts	14	(5,852)
<b>850,163</b>			<b>775,989</b>
1,579	Current assets	21	2,005
(410)	Current liabilities	22	(236)
<b>851,332</b>	<b>Net assets of fund available to fund benefits at the period end</b>		<b>777,758</b>

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

*D. Calvert*

**Dawn Calvert – CPFA**  
**Director of Finance**  
14<sup>th</sup> July 2020

# Notes to the Harrow Pension Fund Accounts for the year ended 31 March 2020

## NOTE 1: DESCRIPTION OF FUND

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

### a) General

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

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

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

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

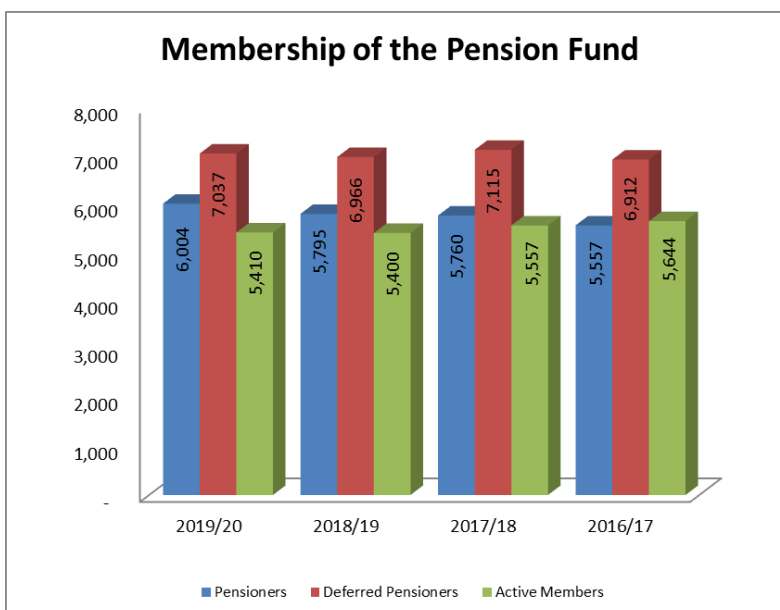
### b) Membership

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

Organisations participating in the Fund include the following:

- **Scheduled bodies:** These are the local authority and similar bodies whose staff, are automatically entitled to be members of the Fund.
- **Admitted bodies:** These are other organisations that participate in the Fund under an admission agreement. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing.

There are 39 employer organisations within the Harrow Pension Fund including the Council itself, as detailed below.



Employer	Status	Pensioners	Deferred	Actives	Total	%
Harrow Council	Scheduled Body	5675	5880	3655	15,210	82.43
Stanmore College	Scheduled Body	86	154	79	319	1.73
Nower Hill High School	Scheduled Body	22	145	143	310	1.68
Heathland and Whitefriars	Scheduled Body	7	74	172	253	1.37
Hatch End High School	Scheduled Body	28	133	71	232	1.26
Rooks Heath College	Scheduled Body	19	90	109	218	1.18
Park High School	Scheduled Body	12	77	109	198	1.07
Canons High School	Scheduled Body	15	73	105	193	1.05
Bentley Wood School	Scheduled Body	8	89	55	152	0.82
NLCS	Community Admission Body	35	48	54	137	0.74
Harrow High School	Scheduled Body	11	57	63	131	0.71
St Dominics College	Scheduled Body	40	37	53	130	0.70
Aylward Primary School	Scheduled Body	7	25	65	97	0.53
Salvatorian Academy	Scheduled Body	20	54	15	89	0.48
Priestmead School	Scheduled Body	1	0	80	81	0.44
St Georges Primary	Scheduled Body	2	1	62	65	0.35
Pinner High Academy	Scheduled Body	0	4	57	61	0.33
St John Fisher	Scheduled Body	0	3	56	59	0.32
St Josephs Primary	Scheduled Body	0	3	53	56	0.30
Earlsmead Academy	Scheduled Body	1	9	43	53	0.29
Welldon Park School	Scheduled Body	0	2	42	44	0.24
Alexandra School	Scheduled Body	2	16	22	40	0.22
St Bernadettes	Scheduled Body	3	3	34	40	0.22
Sacred Heart High School	Scheduled Body	2	3	30	35	0.19
Krishna Avanti Primary	Scheduled Body	0	14	20	34	0.18
Avanti House Primary School	Scheduled Body	1	12	20	33	0.18
Jubilee Academy	Scheduled Body	0	15	18	33	0.18
Avanti House Secondary Sch	Scheduled Body	0	3	30	33	0.18
St Jerome	Scheduled Body	1	1	27	29	0.16
Moriah Jewish School	Scheduled Body	1	0	20	21	0.11
Chartwells	Admitted Body	1	4	12	17	0.09
Sopria Steria	Admitted Body	3	4	5	12	0.07
Avanti School Trust	Scheduled Body	0	0	10	10	0.05
Wates (Linbrook)	Admitted Body	1	0	4	5	0.03
Govindas	Admitted Body	0	3	2	5	0.03
Evergreen Harrow High	Admitted Body	0	0	5	5	0.03
ISS Catering	Admitted Body	0	1	3	4	0.02
Evergreen Aylward	Admitted Body	0	0	4	4	0.02
Evergreen LBH	Admitted Body	0	0	3	3	0.02
<b>Total</b>		<b>6,004</b>	<b>7,037</b>	<b>5,410</b>	<b>18,451</b>	<b>100</b>

**c) Funding**

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

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

Employers participating in the Fund pay different rates of contributions depending on their history, their staff profile and any deficit recovery period agreed with the Fund. Employer contribution rates are reviewed as part of the triennial actuarial valuation. The last valuation took place as at 31 March 2019 and showed that the Fund was 94% funded. The deficit is to be recovered by additional employer contributions over the course of 20 years.

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay. Employee contributions are matched by employers’ contributions which are set based on triennial actuarial funding valuations. Currently almost all, employer contribution rates fall within the range 18.0% to 26.5% of pensionable pay with the largest employers paying between 19.3% and 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.

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

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

There are a range of other benefits provided under the Scheme including early retirement, disability pensions and death benefits.



## NOTE 2: BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2019/20 financial year and its position as at 31 March 2020. The Accounts have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2019/20' issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based on International Financial Reporting Standards as amended for the UK public sector.

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

## NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Fund account – Revenue Recognition

#### a) Contributions income

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

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

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

#### b) Transfers to and from other schemes

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

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

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

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

#### c) Investment income

- i) Interest income is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.
- ii) Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net asset statement as a current financial asset.
- iii) Changes in the net market value of investments are recognised as income and comprise all realised and unrealised gains/losses during the year.

London Borough of Harrow Statement of Accounts 2019-20

## Fund account – Expense items

### a) Benefits payable

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

### b) Taxation

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

### c) Management expenses

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

#### Administrative expenses

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

#### Oversight and governance costs

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

#### Investment management expenses

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

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

Where an investment manager's fee invoice or fee information has not been received by the balance sheet date an estimate based on the market value of their mandate as at the end of the year is used for inclusion in the Fund account in 2019/20.

## Net Assets Statement

### a) Financial assets

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

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

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

**b) Derivatives**

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes. (See note 15)

**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 20).

**f) Additional Voluntary Contributions**

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

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

## Accounting Standards Issued but not yet fully adopted

The following accounting policy changes are not yet reflected in the 2019-20 Code of Practice. They are not therefore reflected in the Pension Fund Statement of Accounts:

- IFRS 16 Leases (replaces IAS 17);
- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures;
- Annual Improvements to IFRS Standards 2015–2017 Cycle;
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement

None of these changes are expected to have a material impact on the accounts

## NOTE 4: CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

### Pension Fund liability

The net Pension Fund liability is calculated every three years by the appointed actuary with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in notes 19 and 20.

These actuarial revaluations are used to set the future contributions rates and underpin the Fund's most significant management policies.

### Unquoted private equity investments

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

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the net assets statement at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
<b>Actuarial present value of promised retirement benefits (Note 20)</b>	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance: <ul style="list-style-type: none"> <li>• a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £93m</li> <li>• a 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £7m</li> <li>• a 0.5% increase in Pension benefits would increase the liability by approximately £86m</li> </ul>
<b>Private equity (Note 16C)</b>	Private equity investments are valued at fair value in accordance with <i>International Private Equity and Venture Capital Valuation Guidelines (2012)</i> . These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Private equity investments are valued at £8.0m in the financial statements. There is a risk that this investment may be under or overstated in the accounts.

## NOTE 6: EVENTS AFTER THE REPORTING DATE

These are events that occur between the end of the reporting period and the date when the financial statements are authorised for issue that provide new information about conditions that did not exist as of the balance sheet date. There were no material events after the reporting date for 2019-20.

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

2018/19		2019/20
£'000		£'000
<b>(6,875)</b>	<b>Employees' contributions</b>	<b>(7,162)</b>
	<b>Employers' contributions:</b>	
(17,551)	Normal contributions	(18,643)
(7,085)	Deficit recovery contributions	(8,211)
(246)	Pension strain contributions	(213)
<b>(24,882)</b>	<b>Total employers' contributions</b>	<b>(27,067)</b>
<b>(31,757)</b>	<b>Total contributions receivable</b>	<b>(34,229)</b>

**By type of employer**

2018/19		2019/20
£'000		£'000
(25,346)	Administering Authority	(26,159)
(5,403)	Scheduled bodies	(7,131)
(784)	Community admission body	(777)
(224)	Transferee admission bodies	(162)
<b>(31,757)</b>		<b>(34,229)</b>

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

2018/19		2019/20
£'000		£'000
(3,247)	Individual transfers	(1,366)
<b>(3,247)</b>		<b>(1,366)</b>

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

2018/19		2019/20
£'000		£'000
28,765	Pensions	29,973
4,343	Commutation and lump sum retirement benefits	4,999
419	Lump sum death benefits	933
<b>33,527</b>		<b>35,905</b>

**By type of employer**

2018/19		2019/20
£'000		£'000
32,012	Administering Authority	33,753
1,236	Scheduled bodies	1,906
190	Community admission body	202
89	Transferee admission bodies	44
<b>33,527</b>		<b>35,905</b>

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

2018/19		2019/20
£'000		£'000
95	Refunds to members leaving service	125
3,002	Individual transfers	2,345
<b>3,097</b>		<b>2,470</b>

**NOTE 11: MANAGEMENT EXPENSES**

2018/19		2019/20
£'000		£'000
656	Administrative costs	721
4,509	Investment management expenses	4,050
566	Oversight and governance costs	634
<b>5,731</b>		<b>5,405</b>

**NOTE 11A: INVESTMENT MANAGEMENT EXPENSES**

2018/19		2019/20
£'000		£'000
3,478	Management fees	3,457
90	Custody fees	134
941	Transaction costs	459
<b>4,509</b>		<b>4,050</b>

**NOTE 12: INVESTMENT INCOME**

2018/19		2019/20
£'000		£'000
(4,156)	Private equity investments	(3,882)
(1,845)	Pooled property investments	(2,026)
(2,906)	Pooled investments - units trusts and other managed funds	(3,151)
<b>(8,907)</b>		<b>(9,059)</b>

**NOTE 13: EXTERNAL AUDIT COSTS**

2018/19 £'000	2019/20 £'000
(16) Payable in respect of external audit	(16)
<b>(16)</b>	<b>(16)</b>

**NOTE 14: INVESTMENTS**

Market value 31 March 2019 £'000	Market value 31 March 2020 £'000
<b>Investment assets</b>	
467,263	394,247
108,159	111,463
191,029	171,230
0	700
68,171	64,140
150	150
11,522	8,025
3,156	1,092
45	28,153
<b>849,495</b>	<b>779,200</b>
3,068	2,641
<b>852,563</b>	<b>781,841</b>
<b>Investment liabilities</b>	
<b>(2,400)</b>	<b>(5,852)</b>
<b>(2,400)</b>	<b>(5,852)</b>
<b>850,163</b>	<b>775,989</b>
<b>Net investment assets</b>	<b>775,989</b>



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

	Market value 31 March 2019	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Net change in market value during the year	Market value 31 March 2020
	£'000	£'000	£'000	£'000	£'000
<b>Investment assets</b>					
Pooled equities investments	467,263	0	(33,102)	(39,914)	394,247
Pooled bonds investments	108,159	3,062	(39)	281	111,463
Pooled alternative investments	191,029	95,000	(96,850)	(17,949)	171,230
Pooled property investments	68,171		(426)	(3,605)	64,140
Pooled infrastructure	0	700			700
Equity in London CIV	150				150
Private equity	11,522		(249)	(3,248)	8,025
Derivative contracts: forward currency	756	7,932	(3,365)	(10,083)	(4,760)
	<b>847,050</b>	<b>106,694</b>	<b>(134,031)</b>	<b>(74,518)</b>	<b>745,195</b>
Cash with investment managers	45				28,153
Cash deposits	3,068				2,641
	<b>3,113</b>				<b>30,794</b>
<b>Net investment assets</b>	<b>850,163</b>				<b>775,989</b>

	Market value 31 March 2018	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Net change in market value during the year	Market value 31 March 2019
	£'000	£'000	£'000	£'000	£'000
<b>Investment assets</b>					
Pooled equities investments	430,168	218,594	(220,722)	39,223	467,263
Pooled bonds investments	102,445	2,916	(41)	2,839	108,159
Pooled alternative investments	189,579		(1,263)	2,714	191,029
Pooled property investments	67,656		(303)	818	68,171
Equity in London CIV	150				150
Private equity	13,844		(598)	(1,724)	11,522
Derivative contracts: forward currency	5,865	8,880	(3,720)	(10,269)	756
	<b>809,707</b>	<b>230,390</b>	<b>(226,647)</b>	<b>33,601</b>	<b>847,050</b>
Cash with investment managers	53				45
Cash deposits	4,643				3,068
	<b>4,696</b>				<b>3,113</b>
<b>Net investment assets</b>	<b>814,403</b>				<b>850,163</b>

**NOTE 14B: ANALYSIS OF INVESTMENTS**

31 March 2019			31 March 2020
£'000			£'000
	<b>Pooled Funds</b>		
	<b>UK</b>		
86,080	Fixed Interest Securities	Corporate	87,635
22,079	Index Linked Securities	Public Sector	23,828
<b>108,159</b>			<b>111,463</b>
68,171	Managed Funds - Property	Unit Trusts	64,140
<b>68,171</b>			<b>64,140</b>
	<b>Global</b>		
217,821	Managed Funds - Equities	Unitised Insurance Policy	177,589
249,442	Managed Funds - Equities	Other	216,658
<b>467,263</b>			<b>394,247</b>
95,229	Managed Funds - Alternatives	Unit Trusts	0
95,800	Managed Funds - Alternatives	Other	171,230
0	Managed Funds - Infrastructure	Other	700
<b>191,029</b>			<b>171,930</b>
11,522	Managed Funds - Private Equity	Other	8,025
	<b>Other Funds</b>		
3,156	Derivatives		1,092
150	Equity in London CIV		150
45	Cash with investment managers		28,153
3,068	Cash Deposits		2,641
<b>852,563</b>	<b>Total Investment Assets</b>		<b>781,841</b>
	<b>Investment Liabilities</b>		
(2,400)	Derivatives		(5,852)
<b>(2,400)</b>	<b>Total Investment Liabilities</b>		<b>(5,852)</b>
<b>850,163</b>	<b>Net Investment Assets</b>		<b>775,989</b>

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

Market value 31 March 2019	Percentage of Fund	Manager	Investment assets	Market value 31 March 2020	Percentage of Fund
£'000	%			£'000	%
<b>Investments managed by London CIV</b>					
105,031	12	LCIV - Longview	Developed world equities-active	91,705	12
0	0	LCIV - CQS	Multi Asset Credit	80,816	10
0	0	LCIV	Infrastructure	700	0
217,821	26	BlackRock	Global equities-passive	177,589	23
322,852	38		Total LCIV	350,810	45
<b>Investments managed outside of the London CIV</b>					
68,171	8	LaSalle	Pooled property	64,140	8
44	0	BlackRock	Cash with investment managers	25,128	3
86,080	10	BlackRock	Fixed interest securities	87,635	11
22,079	3	BlackRock	Index-linked securities	23,828	4
3,068	0	Cash Deposits		2,641	0
73,784	9	GMO	Emerging markets equities-active	67,577	9
95,800	11	Insight	Diversified growth fund	90,414	12
1	0	JP Morgan	Cash with investment managers	3,025	0
150	0	LCIV	UK equities-passive	150	0
70,627	8	Oldfields	Developed world equities-active	57,376	7
11,522	2	Pantheon	Private equity	8,025	2
756	0	Record	Forward currency contracts	(4,760)	(1)
95,229	11	Aberdeen Std	Diversified growth fund	0	0
527,311	62		Total - Managers	425,179	55
<b>850,163</b>	<b>100</b>		<b>Total Investments</b>	<b>775,989</b>	<b>100</b>

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

Market value 31 March 2019	% of total fund	Investment assets	Market value 31 March 2020	% of total fund
£'000			£'000	
95,229	11	SLI Global Absolute Return Strategies Fund	0	0
95,800	11	Insight Broad Opportunities Fund	90,414	12
105,031	12	LCIV LV Global Equity Fund (Longview)	91,705	12
0	0	LCIV Multi Asset Credit (CQS)	80,816	10
86,080	10	BlackRock Institutional Bond Fund - Corp Bond 10 yrs	87,635	11
73,784	9	GMO Emerging Domestic Opportunities Equity Fund	67,577	9
68,171	8	LaSalle Investors UK Real Estate Fund of Funds	64,140	8
70,627	8	Overstone Global Equity CCF (USD Class A1 Units)	57,376	7
217,821	26	Blackrock Equity Beta Portfolio	177,589	23
<b>812,543</b>	<b>95</b>	<b>Total over 5% holdings</b>	<b>717,252</b>	<b>92</b>

**NOTE 14D: STOCK LENDING**

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

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

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

Value of Stock on Loan as at 31 March 2020 £23.8m (8.24%) compared to £40.3m (13.3%) as at 31 March 2019.

**NOTE 15: ANALYSIS OF DERIVATIVES****Objectives and policies for holding derivatives**

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and the various investment managers.

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the Fund's equity portfolio is in overseas stock markets. To reduce the volatility associated with fluctuating currency rates, the Fund has a passive currency programme in place managed by Record Currency Management Limited. The Fund hedges 50% of the exposure in various developed world currencies within the equities portfolio.

**Analysis of Open forward currency contracts:-**

Settlement	Currency bought	Local value	Currency sold	Local value	Asset value	Liability value
		000		000	£'000	£'000
Up to one month	NOK	2,337	GBP	(178)	2	
Up to one month	SEK	10,339	GBP	(838)	4	
Up to one month	SGD	708	GBP	(401)	0	
Up to one month	USD	78,064	GBP	(62,904)	61	
One to six months	CHF	1,098	GBP	(865)	51	
One to six months	EUR	427	GBP	(364)	14	
One to six months	GBP	4,122	AUD	(8,006)	171	
One to six months	GBP	8,563	CAD	(14,854)	146	
One to six months	GBP	3,744	CHF	(4,426)	39	
One to six months	GBP	4,741	HKD	(45,608)	2	
One to six months	GBP	203	NOK	(2,356)	22	
One to six months	GBP	159	NZD	(320)	6	
One to six months	GBP	768	SEK	(9,386)	3	
Over six months	EUR	427	GBP	(365)	13	
Over six months	GBP	27,940	EUR	(31,192)	266	
Over six months	GBP	15,657	JPY	(2,071,200)	136	
Over six months	GBP	60,496	USD	(74,810)	155	
Up to one month	AUD	4,003	GBP	(1,992)		(15)
Up to one month	CAD	7,427	GBP	(4,239)		(30)
Up to one month	CHF	4,426	GBP	(3,733)		(41)
Up to one month	EUR	15,134	GBP	(13,513)		(115)
Up to one month	HKD	45,608	GBP	(4,751)		(5)
Up to one month	JPY	1,080,000	GBP	(8,090)		(18)
Up to one month	NZD	160	GBP	(78)		(1)
One to six months	GBP	4,349	CHF	(5,524)		(259)
One to six months	GBP	4,450	HKD	(45,608)		(297)
One to six months	GBP	674	JPY	(95,700)		(41)
One to six months	GBP	178	NOK	(2,337)		(2)
One to six months	GBP	916	SEK	(11,292)		(5)
One to six months	GBP	801	SGD	(1,416)		(2)
One to six months	GBP	5,535	USD	(7,297)		(351)
One to six months	NOK	19	GBP	(2)		(0)
Over six months	EUR	497	GBP	(446)		(6)
Over six months	GBP	13,372	EUR	(15,561)		(434)
Over six months	GBP	7,590	JPY	(1,080,000)		(501)
Over six months	GBP	122,013	USD	(156,128)		(3,720)
Over six months	JPY	6,900	GBP	(53)		(1)
Over six months	USD	4,043	GBP	(3,271)		(10)
<b>Open forward currency contracts at 31 March 2020</b>					<b>1,091</b>	<b>(5,854)</b>
<b>Net forward currency contracts at 31 March 2020</b>						<b>(4,763)</b>
<b><u>Prior year comparative</u></b>						
<b>Open forward currency contracts at 31 March 2019</b>					<b>3,156</b>	<b>(2,400)</b>
<b>Net forward currency contracts at 31 March 2019</b>						<b>756</b>

**NOTE 16: FAIR VALUE – BASIS OF VALUATION**

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the most appropriate price available at the reporting date

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments including pooled funds for global equities, corporate and UK index linked bonds and diversified growth funds	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Market quoted investments including pooled funds for global equities and diversified growth funds	Level 1	Published market price or other value ruling on the final day of the accounting period	Not required	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year end.	Exchange rate risk	Not required
Pooled Investment - Multi asset credit	Level 2	Fixed income securities are priced based on evaluated prices provided by Independent pricing services	Not required	Not required
Pooled investments - property funds	Level 3	Closing bid price where bid and offer prices are published	Net Asset Value-based pricing set on a forward pricing basis	Not required
Pooled investments - Infrastructure	Level 3	Valued by Fund Managers	Manager valuation statements are prepared in accordance with ECVA guidelines	Not required
Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with <i>International Private Equity and Venture Capital Valuation (2012)</i>	EBITDA multiple, Revenue multiple, Discount for lack of marketability, Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

## Sensitivity of assets valued at Level 3

The Fund has determined that the sensitivity of the level 3 investments should be at the level determined by independent advisers for equity investments generally. Set out below is the consequent potential impact on the closing value of investments held at 31 March 2020 using data provided by PIRC.

	Assessed valuation range (+/-)	Valuation at 31 March 2020	Value on increase	Value on decrease
		£000	£000	£000
Private Equity	9.10%	8,025	8,755	7,295
Pooled investments - property funds	1.90%	64,140	65,359	62,921
		72,165	74,114	70,216

## NOTE 16A: FAIR VALUE HIERARCHY

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

### Level 1

Assets and liabilities at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

### Level 2

Assets and liabilities at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.

### Level 3

Assets and liabilities at level 3 are those where at least one input that could have significant effect on the instrument's valuation is not based on observable market data.

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

Pension Fund Financial Statement

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss	596,124	81,908	72,165	<b>750,197</b>
Financial liabilities at fair value through profit and loss	0	(5,852)	0	<b>(5,852)</b>
<b>Net Investment asset</b>	<b>596,124</b>	<b>76,056</b>	<b>72,165</b>	<b>744,345</b>

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss	766,451	3,156	79,693	<b>849,300</b>
Financial liabilities at fair value through profit and loss	0	(2,400)	0	<b>(2,400)</b>
<b>Net Investment asset</b>	<b>766,451</b>	<b>756</b>	<b>79,693</b>	<b>846,900</b>

The following assets have been carried at cost.

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment in London CIV			150	<b>150</b>
LCIV Infrastructure			700	<b>700</b>

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

There were no transfers between levels 1 and 2 during the financial year.

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

Period 2019/20	Market Value 31 March 2019	Transfers into level 3	Transfers out of level 3	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains/(losses)	Realised gains/(losses)	Market Value 31 March 2020
	£000	£000	£000	£000	£000	£000	£000	£000
Private Equity	11,522	0	0	0	(249)	0	(3,248)	8,025
Pooled - property	68,171	0	0	0	(426)	(3,605)	0	64,140
	79,693	0	0	0	(675)	(3,605)	(3,248)	72,165



**NOTE 17: FINANCIAL INSTRUMENTS****NOTE 17A: CLASSIFICATION OF FINANCIAL INSTRUMENTS**

The following table analyses the carrying amounts of financial instruments by category and net assets statement heading. No financial instruments were reclassified during the accounting period.

31 March 2019			31 March 2020		
Fair value through profit and loss £'000	Assets at amortised cost £'000	Liabilities at amortised cost £'000	Fair value through profit and loss £'000	Assets at amortised cost £'000	Liabilities at amortised cost £'000
			<b>Financial assets</b>		
			Pooled equities		
467,263	0	0	investments	394,247	0
108,159	0	0	Pooled bonds investments	111,463	0
			Pooled alternative		
191,029	0	0	investments	171,230	0
0	0	0	Pooled Infrastructure	700	0
			Pooled property		
68,171	0	0	investments	64,140	0
150	0	0	Equity in London CIV	150	0
11,522	0	0	Private equity	8,025	0
3,156	0	0	Derivative contracts	1,092	0
0	4,103	0	Cash	0	32,083
0	589	0	Debtors	0	716
<b>849,450</b>	<b>4,692</b>	<b>0</b>		<b>751,047</b>	<b>32,799</b>
			<b>Financial liabilities</b>		
(2,400)	0	0	Derivative contracts	(5,852)	0
0	0	(410)	Creditors	0	(236)
<b>(2,400)</b>	<b>0</b>	<b>(410)</b>		<b>(5,852)</b>	<b>(236)</b>
<b>847,050</b>	<b>4,692</b>	<b>(410)</b>		<b>745,195</b>	<b>(236)</b>
<b>851,332</b>			<b>Grand Total</b>	<b>777,758</b>	

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

31 March 2019		31 March 2020	
£'000		£'000	
		<b>Financial assets</b>	
43,870	Fair value through profit and loss	(64,435)	
		<b>Financial liabilities</b>	
(10,269)	Fair value through profit and loss	(10,083)	
<b>33,601</b>	<b>Total</b>	<b>(74,518)</b>	

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

## NOTE 18: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

### Risk and risk management

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet its forecast cash flows. The Council manages these investment risks as part of its overall Pension Fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Committee. The Committee reviews the Fund's risk register on an annual basis.

#### Market risk

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

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

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

#### Price risk

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

The Fund's investment managers mitigate this price risk through diversification.

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's advisers, the Council has determined that the following movements in price risk are reasonably possible.

Assets type	Potential market movements (+/-) %
Total equities	12.00
Fixed interest & index linked securities	6.90
Alternative investments	6.30
Pooled property investments	1.90
Private Equity	9.10

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 2020	Percentage change	Value on increase	Value on decrease
	£'000	%	£'000	£'000
<b>Investment portfolio assets:</b>				
Total equities (inc Hedging)	389,487	12.00	436,225	342,749
Fixed interest & index linked securities	111,463	6.90	119,154	103,772
Alternative investments	171,230	6.30	182,017	160,443
Pooled property investments	64,140	1.90	65,359	62,921
Private Equity	8,025	9.10	8,755	7,295
Infrastructure	700	0.00	700	700
Equity - London CIV	150	0.00	150	150
<b>Total</b>	<b>745,195</b>		<b>812,360</b>	<b>678,030</b>

Asset type	Value as at 31 March 2019	Percentage change	Value on increase	Value on decrease
	£'000	%	£'000	£'000
<b>Investment portfolio assets:</b>				
Total equities (inc Hedging)	468,019	9.20	511,077	424,961
Fixed interest & index linked securities	108,159	7.30	116,055	100,263
Alternative investments	191,029	3.30	197,333	184,725
Pooled property investments	68,171	1.90	69,466	66,876
Private Equity	11,522	10.00	12,674	10,370
Equity - London CIV	150	0.00	150	150
<b>Total</b>	<b>847,050</b>		<b>906,755</b>	<b>787,345</b>

### Interest rate risk

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

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

The Fund's direct exposure to interest rate movements as at 31 March 2020 and 31 March 2019 and the impact of a 1% movement in interest rates are as follows:

Assets exposed to interest rate risk	Carrying amount as at 31 March 2020	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£'000		£'000	£'000
Cash and cash equivalents	30,794	0	30,794	30,794
Fixed interest securities	87,635	876	88,511	86,759
<b>Total change in assets available</b>	<b>118,429</b>	<b>876</b>	<b>119,305</b>	<b>117,553</b>

Assets exposed to interest rate risk	Carrying amount as at 31 March 2019	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£'000		£'000	£'000
Cash and cash equivalents	3,113	0	3,113	3,113
Fixed interest securities	86,080	861	86,941	85,219
<b>Total change in assets available</b>	<b>89,193</b>	<b>861</b>	<b>90,054</b>	<b>88,332</b>

This analysis demonstrates that changes in interest rates do not impact on the value of cash and cash equivalents balances but do affect the fair value on fixed interest securities.

Changes in interest rates affect interest income received on cash balances but have no effect on income from fixed income securities.

### Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on its global equities pooled fund investments, some of which are denominated in currencies other than Sterling. To mitigate this risk, the Fund uses derivatives and hedges 50% of the overseas equity portfolio arising from the developed market currencies.

Following analysis of historical data in consultation with the Fund's advisers the Council considers the likely volatility associated with foreign exchange rate movements to be 7.4%

A 7.4% 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 2020	Change to net assets	
	£'000	+7.4% £'000	-7.4% £'000
Overseas Pooled Equities	367,462	394,654	340,270

Currency Exposure - asset type	Asset Value as at 31 March 2019	Change to net assets	
	£'000	+8.8% £'000	-8.8% £'000
Overseas Pooled Equities	426,328	463,845	388,811

### Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions. However the selection of high quality counterparties, brokers and financial institutions by Fund managers should minimise the credit risk that may occur.

Cash deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's Treasury Management investment criteria.

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five years.

The Fund's cash holding at 31 March 2020 was £30.8m (31 March 2019: £3.1m). This was held with the following institutions.

Summary	Balances at 31 March 2019	Balances at 31 March 2020
	£'000	£'000
<b>Bank accounts</b>		
Royal Bank of Scotland	3,068	2,641
JP Morgan	1	3,025
BlackRock	44	25,128
	<b>3,113</b>	<b>30,794</b>

### Liquidity risk

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

The Council has immediate access to its Pension Fund cash holdings.

The Fund considers liquid assets to be those that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert in to cash. As at 31 March 2020 the value of illiquid assets was £72.9m. This represented 9% of the total Fund assets (31 March 2019: £79.7m).

All financial liabilities at 31 March 2020 are due within one year.

### Refinancing risk

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

## NOTE 19: FUNDING ARRANGEMENTS

In line with The Local Government Pension Scheme Regulations 2013, the Fund's Actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019. The next valuation takes place as at 31 March 2022.

The key elements of the funding policy are:

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

The aim is to achieve 100% solvency over a period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions, are sufficient to meet expected future pension benefits payable.

At the 2019 actuarial valuation, the Fund was assessed as 94% funded (74% at the March 2016 valuation). This corresponded to a deficit of £52m (2016 valuation: £228m).

Contribution increases are being phased in over the 3 year period ending 31 March 2023.

Individual employers' rates vary depending on the demographic and actuarial factors particular to each employer.

The valuation of the Fund has been undertaken using the projected unit method under which the salary for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were as follows:

### Financial assumptions

Other financial assumptions	2016	2019
	%	%
Price inflation (CPI)	2.1	2.3
Salary increases	2.4	3.0
Pension increases	2.1	2.3
Funded basis discount rate	3.8	4.3

### Demographic assumptions

The life expectancy assumptions are based on the Fund's Hymans Robertson's Vita Curves in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long term rate of improvement of 1.25% p.a. for women and men.

Future life expectancy based on the Actuary's Fund-specific mortality review is as follows:

	Male	Female
Current pensioners	22.0 years	24.3 years
Future pensioners (assumed to be aged 45)	23.1 years	26.3 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 20: ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting Fund contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis, the Actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 19). The actuary has also valued ill health and death benefits in line with IAS 19.

31 March 2019		31 March 2020
£m		£m
(1,213)	Present value of promised retirement benefits	(1,104)
807	Fair value of scheme assets	697
<b>(406)</b>	<b>Net Liability</b>	<b>(407)</b>

As noted above, the liabilities are calculated on an IAS 19 basis and therefore will differ from the results of the 2019 triennial funding valuation because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

### IAS19 Assumptions used

	2018/19	2019/20
	% pa	% pa
Inflation/pensions increase rate assumption	2.5	1.9
Salary increase rate	2.8	2.6
Discount rate	2.4	2.3

**NOTE 21: CURRENT ASSETS**

31 March 2019		31 March 2020
£'000		£'000
	<b>Debtors:</b>	
526	Contributions due - employers	661
63	Sundry debtors	55
990	Cash owed to Fund	1,289
<b>1,579</b>		<b>2,005</b>

**Analysis of Debtors:**

31 March 2019		31 March 2020
£'000		£'000
0	Central Government bodies	0
990	Other local authorities	1,289
4	NHS bodies	4
526	Scheduled/Admitted bodies	661
59	Other entities and individuals	51
<b>1,579</b>		<b>2,005</b>

**NOTE 21A: LONG TERM DEBTORS**

There are currently no long term debtors

**NOTE 22: CURRENT LIABILITIES**

31 March 2019		31 March 2020
£'000		£'000
(344)	Sundry creditors	(156)
(66)	Benefits payable	(80)
<b>(410)</b>		<b>(236)</b>

**Analysis of Creditors:**

31 March 2019		31 March 2020
£'000		£'000
(5)	Central government bodies	(4)
(10)	Scheduled/Admitted bodies	0
(395)	Other entities and individuals	(232)
<b>(410)</b>		<b>(236)</b>



**NOTE 23: ADDITIONAL VOLUNTARY CONTRIBUTIONS**

AVC contributions of £0.50m were paid directly to the providers during the year (2018/19: £0.51m)

Market value 31 March 2019		Market value 31 March 2020
£'000		£'000
2,011	Prudential Assurance	2,268
599	Clerical Medical	553
219	Equitable Life Assurance Society	224
<b>2,829</b>		<b>3,045</b>

**NOTE 24: AGENCY SERVICES**

There were no payments of this type

**NOTE 25: RELATED PARTY TRANSACTIONS****Harrow Council**

The Fund is required under IAS24 to disclose details of material transactions with related parties. The Council is a related party to the Pension Fund. Details of the contributions made to the Fund by the Council and expenses refunded to the Council are set out below.

The Pension Fund has operated a separate bank account since April 2011. However to avoid any undue cost to the Fund some minor transactions continue to be processed through the Council's bank account. These are reconciled on a monthly basis and settlement of any outstanding balance is adjusted when the Council pays its contributions to the fund.

31 March 2019		31 March 2020
£'000		£'000
(19,770)	Employer's Pension Contributions to the Fund	(20,634)
846	Administration expenses paid to the Council	906
990	Cash held by the Council	1,289

**Governance**

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

**NOTE 25A: KEY MANAGEMENT PERSONNEL**

The key management personnel of the fund are the Councils' Director of Finance (S151 Officer) and the Treasury & Pension Fund Manager.

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

<b>31 March 2019</b>		<b>31 March 2020</b>
<b>£'000</b>		<b>£'000</b>
86	Short-term benefits	91
0	Termination benefits	0

**NOTE 26: CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS**

Outstanding capital commitments at 31 March 2020 totalled £65.8m (31 March 2019: £2.7m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held by Pantheon Ventures and LCIV Infrastructure Fund.

**NOTE 27: CONTINGENT ASSETS**

One admitted body employer in the Fund holds an insurance bond/guarantee to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Fund and payment will only be triggered in the event of employer default.



## London Borough of Harrow Pension Fund ("the Fund") Actuarial Statement for 2019/20

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

### Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated March 2020. 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 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 at least a 72% likelihood 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 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2019. This valuation revealed that the Fund's assets, which at 31 March 2019 were valued at £851 million, were sufficient to meet 94% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £52 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers' contributions for the period 1 April 2020 to 31 March 2022 were set in accordance with the Fund's funding policy as set out in its FSS.

### Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2019 valuation report.

#### 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 2019 valuation were as follows:

Financial assumptions	31 March 2018
Discount rate	4.3%
Salary increase assumption	3.0%
Benefit increase assumption (CPI)	2.3%

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 2018 model, an allowance for smoothing of recent mortality experience and 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	22.0 years	24.3 years
Future Pensioners <sup>1</sup>	23.1 years	26.3 years

<sup>1</sup>Aged 45 at the 2018 Valuation.

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

**Experience over the period since 31 March 2018**

Markets were disrupted by COVID 19 which resulted in difficult market conditions towards the end of the financial year. As a result, the funding level of the Fund as at 31 March 2020 has reduced versus that reported in the previous formal valuation.

The next actuarial valuation will be carried out as at 31 March 2022. The Funding Strategy Statement will also be reviewed at that time.



Laura McInroy FFA

5 May 2020

For and on behalf of Hymans Robertson LLP

## Appendices

### Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Impairment:** a reduction in the carrying value of a fixed asset below its previously assessed carrying value due to obsolescence, damage or adverse change in the statutory environment.

**Infrastructure Assets:** a classification of non-current assets which have no market value, and which exist primarily to facilitate transportation and communication requirements (e.g. highways and footpaths) and similar environmental works.

**Levies:** payments to London-wide bodies, e.g. Environment Agency, Lee Valley Regional Park and West London Waste Authority. The cost of these bodies is borne by the local Council in the area concerned, based on their Council tax base, and is met from the General Fund.

**Minimum Revenue Provision (MRP):** the minimum amount which must be charged to the Council's revenue account and set aside as provision for credit liabilities.

**Net Realisable Value:** the amount at which an asset could be sold after the deduction of any direct selling costs.

**Non-Distributable Cost:** these include overheads for which no user benefits and should not be apportioned to services. Examples are spare computer capacity and empty offices. These also include pension costs in relation to scheme members past service.

**Non-Domestic Rate (NDR):** a flat rate in the pound set by Central Government and levied on businesses in the borough. NDR is now shared between the Council (48%), Central Government (25%) and the Greater London Authority (27%).

If the Council's baseline is greater than its funding baseline, it pays tariff payments to the Government. If the Council's NDR baseline is less than its funding baseline it receives top-up payments from the Government.

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

**Precepts:** a charge on the Collection Fund by another public body (a precepting authority), determined by legislation.

**Pension Fund:** the Fund for staff in the Local Government Pension Scheme, maintained on an actuarial basis, which makes pension payments on retirement of participants; it is financed by contributions from the employer, employees and from investment income.

**Post Balance Sheet Events:** are events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Director of Finance signs the Statement of Accounts.

**Prior Year Adjustments:** those material adjustments applicable to prior years arising from changes in accounting policies or correction of fundamental errors.

**Property, Plant and Equipment:** tangible assets that yield benefit to the Council and the services it provides for a period of more than one year.

**Provisions:** monies set aside for liabilities and losses which are likely to be incurred but where exact amounts or dates are uncertain.

**Private Finance Initiative (PFI):** PFI is the procurement of public services and assets by a public body where the private sector is responsible for the design, construction, finance and operation of an asset or service for a specified time after which it is transferred back into the public sector.

**Public Works Loan Board (PWLB):** a government agency that provides long term and medium term loans to Local Authorities at interest rates only slightly higher than those at which the government itself can borrow.

**Related Party:** the relationship between a senior officer, elected Member, and their families, with another body that has, or might develop a business relationship with the Council.

**Revenue Expenditure:** the day-to-day running costs relating to the accounting period irrespective of whether or not the amounts due have been paid. These costs would include salaries and wages, premises and the costs of supplies and services.

**Revenue Support Grant:** the main grant received from central government to support the Council's revenue expenditure.

**Taxbase:** the number of Band D equivalent properties in a local authority's area. The council tax base is taken into account when it calculates its council tax, and when central government calculates entitlement to Formula Grant.

**Trust Funds:** money held in trust by the Council for a specified purpose.

**The Code of Practice (The Code):** aims to specify the principles and practices of accounting required to prepare a Statement of Accounts which presents fairly the financial position and transactions of the Council.

## Abbreviations

ASB	Accounting Standards Board
AVC	Additional Voluntary Contributions
BCF	Better Care Fund
BRS	Business Rate Supplement
CCG	Clinical Commissioning Group
CFR	Capital Financing Requirement
CIES	Consolidated Income & Expenditure Statement
CIL	Community Infrastructure Levy
CIPFA	Chartered Institute of Public Finance and Accountancy
CSB	Corporate Strategic Board
DSG	Dedicated Schools Grant
DRC	Depreciated Replacement Cost
EFA	Expenditure Funding Analysis
EUV	Existing Use Value
EUV-SH	Existing Use Value – Social Housing
GARMS	Governance, Audit, Risk Management and Standards Committee
HRA	Housing Revenue Account
IASB	International Accounting Standards Board
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
LIBID	London Interchange Bid Rate
LGPS	Local Government Pension Scheme
LOBO	Lenders Option Borrowers Option
MiRS	Movement in Reserves Statement
MMI	Municipal Mutual Insurance
MRP	Minimum Revenue Provision
MTFS	Medium Term Financial Strategy
NDR	Non-Domestic Rates
NPV	Net Present Value
PFI	Private Finance Initiative
PPE	Property, Plant & Equipment
PWLB	Public Works Loan Board
RCCO	Revenue Contribution to Capital Outlay
RICS	Royal Institute of Chartered Surveyors
RSG	Revenue Support Grant
VAT	Value Added Tax
WLWA	West London Waste Authority



# **London Borough of Harrow Pension Fund**

**Annual Report and Financial Statements for the  
year ended 31 March 2020**

**(subject to audit)**



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## 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 2020. This Report also explains the administration and management of the Fund and its 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 20 and in the Statement of the Consulting Actuary on page 50/51.

The Pension Fund Committee is responsible for overseeing the management, administration and strategic direction of the Fund. The Committee regularly reviews the Fund's investment strategy seeking to achieve appropriate 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.

The Fund is a shareholder of the London LGPS Collective Investment Vehicle Ltd (LCIV) (the organisation set up to run pooled LGPS investments in London in 2015) and holds £150,000 of regulatory capital in the company in the form of unlisted UK equity shares. The Pension Fund Committee has committed to investing in LCIV as and when suitable pool investment solutions in become available through The Pension Fund Committee has been active in the required transfer of assets under management to LCIV to gain efficiencies and fee reductions.

During 2019-20, the Pension Fund Committee's decision to reallocate funds from Diversified Growth Funds to alternative assets and infrastructure as part of a risk diversification strategy was implemented. The Fund divested from Aberdeen Standard Investments (GARS Fund) and invested 10% of fund assets in the LCIV Multi Asset Credit Fund. The Committee has approved investing 7.5% of fund assets in the LCIV Infrastructure Fund, and the first investment of £700,000 was made when the sub-fund is opened. Further investments will be made in 2020-21.

In line with the provisions of the Public Service Pensions Act 2013, the Council set up a Local Pension Board in 2015 to oversee the governance of the Pension Fund. During 2019-20, Pension Board met three times and considered reports on pension administration performance and pension fund governance arrangements.

Pension Board and Pension Fund Committee have attended training courses and seminars during the year to meet the knowledge and skills requirements of their respective roles.

Following the introduction of the Markets in Financial Instrument Directive 2014/65 ("MiFID II") with effect from 3 January 2018, the Pension Fund Committee elected to opt up to professional client status with all its fund managers. This status has been maintained in 2019-20.

The net assets of the Fund as at 31 March 2020 were £777.8m compared to £851.3m as at 31 March 2019. The Fund's overall investment return for the year was -8.1%, reflecting market turbulence in the final quarter arising from the Covid-19 pandemic.



**Dawn Calvert - CPFA**  
Director of Finance  
30 June 2020

**INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF LONDON BOROUGH OF HARROW ON THE PENSION FUND FINANCIAL STATEMENTS INCLUDED WITHIN THE LONDON BOROUGH OF HARROW PENSION FUND ANNUAL REPORT**

## **SCHEME MANAGEMENT AND ADVISORS**

Administering Authority	London Borough of Harrow
Pension Fund Committee	Councillor Keith Ferry (Chair) Councillor Bharat Thakker (Vice Chair) Councillor Dean Gilligan Councillor Norman Stevenson
Independent Advisers	Colin Robertson Richard Romain
Co-optee	Howard Bluston
Trade Union Observers	John Royle - UNISON Pamela Belgrave - GMB
Officer	Dawn Calvert, Director of Finance
Actuary	Hymans Robertson LLP
Investment Consultant	Aon
Investment Managers	LaSalle Global Partner Solutions BlackRock Investment Management (UK) Limited GMO LLC Insight Investment Oldfield Partners Pantheon Ventures Record Currency Management Limited London LGPS CIV Ltd
AVC Providers	Clerical Medical Equitable Life Assurance Society Prudential Assurance
Custodian	JP Morgan
Auditor	Mazars
Performance Measurement	Pensions and Investment Research Consultants
Bankers	The Royal Bank of Scotland

## 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 met three times during the year. It comprises four Councillors with full voting rights and a non-voting co-optee. Representatives from the trade unions are able to participate as observers 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 advisers 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>

In line with the provisions of the Public Service Pensions Act 2013, the Council has set up a Local Pension Board to oversee the governance of the Pension Fund. In particular it oversees:

- a) the effectiveness of the decision making process
- b) the direction of the Fund and its overall objectives
- c) the level of transparency in the conduct of the Fund's activities
- d) the administration of benefits and contributions

The dates of the Pension Board meetings, along with meeting agendas, reports and minutes are available on the Harrow Council website:

<http://www.harrow.gov.uk/www2/mgCommitteeDetails.aspx?ID=1336>

## PENSION SCHEME ADMINISTRATION AND PERFORMANCE

### Pension Section overview

The Pensions Team acts as the main point of contact for any membership enquiries. The team is responsible for all aspects of Local Government Pension Scheme administration; setting up new members, monitoring and maintenance of pension member records, employer contributions payment of benefits, transfer payments and Additional Voluntary Contributions. The team is also responsible for monitoring and cleansing members' data to ensure it is fit for purpose and meets the requirements imposed on the Fund by the regulators, the Fund Actuary and HMRC. The team produces annual benefits statements, newsletters and maintains the pension's website.

<https://www.harrowpensionfund.org>

The team of seven staff (6.15 full time equivalents) ensures delivery of a value for money service by managing a caseload with no backlog and meeting performance targets. In 2019-20 all Annual Benefit Statements were issued on time.

### Performance Monitoring 2019/20

Service	National Benchmarking Target	Harrow Actual Performance %
Issue letter notifying of dependent's benefit in 5 days	5 days	60
Calculation and notification of ill health estimate within 7 days	10 days	100
Calculation and notification of retirement benefits estimate in 7 days	10 days	99.22
Issue letter to new pension provider detailing transfer-out quote in 9 days	10 days	89.47
Calculation and notification of deferred benefits in 8 days	10 days	98.16
Calculation and notification of retirement benefits in 3 days	5 days	65.96
Process refund and issue payment within 5 days	5 days	99
Calculation and notification of actual ill health benefits within 3 days	5 days	75
Issue statutory notification on receipt of transfer funds in 8 days	10 days	100

Pension Board monitors pension administration performance quarterly. There were no reported breaches of law and annual benefits statements were issued on time.

The Internal Dispute Resolution Procedure which deals with complaint over the administration of pension benefits by the administering authority. There were no new complaints referred through the internal procedure during the year.

The costs of running the Pension Fund are shown below:

<b>Process</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
<b>Investment management expenses</b>			
Total Cost (£000)	4,267	4,509	4,050
Total Membership (No.)	18,432	18,161	18,451
Sub Cost per member (£)	231	248	220
<b>Administration costs</b>			
Total Cost (£000)	646	656	721
Total Membership (No.)	18,432	18,161	18,451
Sub Cost per member (£)	35	36	39
<b>Oversight &amp; governance costs</b>			
Total Cost (£000)	612	566	634
Total Membership (No.)	18,432	18,161	18,451
Sub Cost per member (£)	33	31	34
<b>Total cost per member (£)</b>	<b>300</b>	<b>316</b>	<b>293</b>

Investment management costs include fund manager fees and the additional costs of fund transition on restructuring and fund re-balancing. The reduction in total management expenses reflects the benefit of fee reductions negotiated by the London Collective Investment Vehicle, as more of the Fund is now invested in the CIV.

Administration costs cover the administration of pensions and are mainly staff salaries and business overheads including pension payroll and pension system administration costs

Oversight and governance costs include staff salaries for pension fund manager performance monitoring and committee support and external costs for investment advisers, actuarial review and external audit. The increase in these costs in 2019/20 reflects the fact that the work required for the triennial valuation as at 31 March 2019 was largely carried out in 2019/20.



# INVESTMENT POLICY AND PERFORMANCE

## Investment Market Commentary (provided by Aon, April 20)

The MSCI AC World Index fell by 9.5% in local currency terms over the past twelve months. Global equities performed well in the first three quarters of the period, recording the best annual equity market gain in a decade in 2019 as trade war concerns faded with the eventual agreement of a “phase one” US-China trade deal. However, Covid-19 brought an end to the decade-long bull market in Q1 2020, as the virus outbreak in China escalated into a global pandemic. Whilst unprecedented fiscal and monetary stimulus provided support to markets, the MSCI AC World index still recorded its worst quarter since the 2008 Global Financial Crisis with a -19.9% return in local currency terms in Q1 2020. With much of the global economy shuttered going into Q2 2020, a deep global recession appears to be inevitable. Sterling depreciation limited global equity losses for unhedged UK investors. The MSCI AC World Index returned -6.2% in sterling terms.

On a sector level, Information Technology (7.5%) and Health Care (1.6%) were the best performers in local currency terms. These sectors were relatively unhindered by coronavirus-driven lockdowns. Energy (-41.6%) was the worst-performing sector as oil prices collapsed in Q1 2020.

Sterling ended a highly volatile twelve-month period 1.7% lower on a trade-weighted basis. Sterling was driven by Brexit developments for most of 2019. Whilst fears of an acrimonious “No Deal” Brexit kept pressure on sterling over 2019, sterling rallied after Prime Minister Boris Johnson agreed a Withdrawal Agreement with the European Union and his Conservative Party won a sizeable majority in the UK general election, paving the way for the Brexit Withdrawal Agreement to be ratified. Sterling fell sharply in Q1 2020, briefly hitting a 30-year low of \$1.15/£ against the US dollar amidst safe haven dollar inflows and a deteriorating UK coronavirus situation.

The US Federal Reserve (Fed) implemented three 25bps rate cuts over the second half of 2019, bringing the Federal Funds Rate target down to 1.50%-1.75%. The Fed then announced two emergency rate cuts in Q1 2020 in a bid to mitigate the severe economic impacts of Covid-19, lowering the Fed Funds Rate target by a total of 150bps to 0.00%-0.25%. The Fed also relaunched quantitative easing, pledging to buy potentially unlimited amounts of treasuries, corporate bonds, and other credit assets.

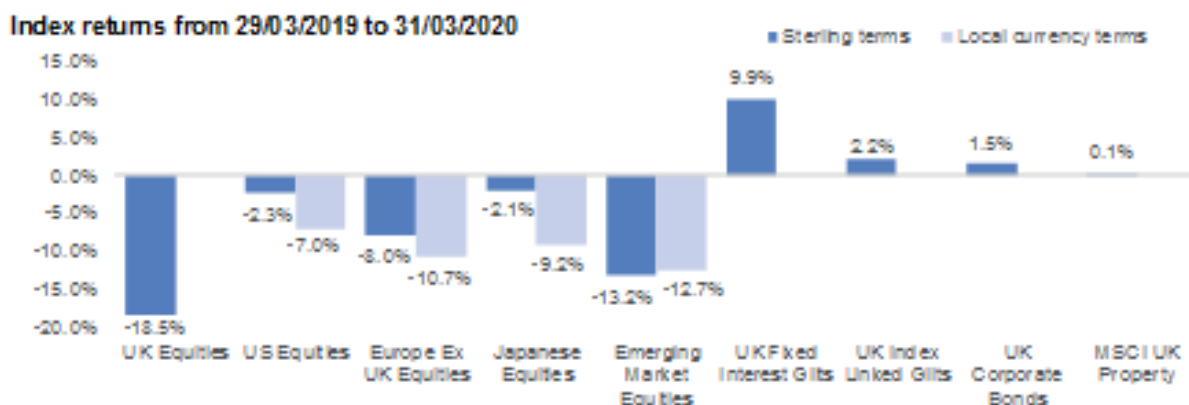
Following the Fed’s lead, the Bank of England (BoE) cut its base rate by 65bps to an all-time low of 0.10% in Q1 2020. Meanwhile, the European Central Bank (ECB) cut its deposit rate by 10bps to -0.5% in September 2019 but, with limited room to cut rates further, kept interest rates unchanged in Q1 2020 amidst the coronavirus outbreak. The BoE joined the ECB in launching new asset purchase programme in Q1 2020.

Brent Crude oil prices fell sharply by 66.7% to US\$23/BBL over the last twelve months. Weakening global economic growth and heightened trade tensions kept a lid on crude oil prices over 2019 but almost all of the decline occurred in Q1 2020. Over that quarter, oil prices fell by 65.5% in USD terms as demand for fuel fell due to social distancing measures to reduce the spread of Covid-19 whilst Saudi Arabia ramped up production after it failed to agree a plan with Russia to cut oil supply.

UK gilt yields fell in tandem with global government bond yields as monetary easing measures by major central banks took interest rates to near zero. Meanwhile, increased demand for government bonds from investors seeking “safe haven” assets amidst an equity market sell-off and from central banks implementing quantitative easing measures also drove prices up and yields down further. According to FTSE All-Stocks indices, UK fixed-interest gilts returned 9.9% whilst index-linked gilts returned 2.2%.

Investment grade credit spreads (the difference between corporate and government bond yields), based on the iBoxx Sterling Non-Gilt Index, ended the period 75bps higher at 217bps, their highest level since 2012. Credit spreads widened by 94bps just in Q1 2020, a reflection of the risk asset sell-off which tormented equity markets over the quarter, as concerns over future corporate earnings and existing corporate leverage resurfaced.

UK commercial property returned 0.1%, supported by a steady income return of 5.4% which offset the 5.0% fall in capital values. The coronavirus outbreak intensified pressure on the already struggling retail sector, delivering a total return of -9.7% over the period.



Source: FactSet, FTSE, MSCI

□

## Investment Policy

The objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis. The sums required to fund these benefits and the amounts actually held (i.e. the funding position) are reviewed at each triennial actuarial valuation, or more frequently as required.

The assets of the Fund are invested with the primary objective being to achieve a return that is sufficient to meet the funding objective, subject to an appropriate level of risk 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.

Related objectives are to seek to minimise the level and volatility of employer contributions necessary to meet the cost of pension benefits.

The Council has delegated the management of the Fund's investments to professional investment managers, appointed in accordance with the Local Government Pension Scheme Regulations. Their activities are specified in either detailed investment management agreements or subscription agreements and regularly monitored. The Committee is satisfied that the appointed fund managers, all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business, have sufficient expertise and experience to carry out their roles

The Fund may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest and index linked bonds, cash, property and commodities either directly or through pooled funds. The Fund may also make use of contracts for differences and other derivatives either directly or in pooled funds investing in these products for the purpose of efficient portfolio management or to hedge specific risks

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.

The Fund's Investment Strategy Statement states that the Fund will invest its assets through the London CIV as and when suitable pooled investments become available in accordance with the Local Government Investment Regulations 2016. Following the disinvestment from the diversified growth fund managed by Aberdeen (GARS) and the transition of these funds to the LCIV Multi Asset Credit mandate, Harrow had 45% of fund assets managed through the London CIV and its preferred providers at 31 March 2020. The commitment of 7.5% to the LCIV infrastructure will increase this further in 2020-21. The committed strategic allocation through the London CIV is currently up to 55% of fund assets.

The cumulative cost of pooling for the Pension Fund to 31 March 2020 is £0.347m paid to the London CIV for annual service charges and development funding

The following table compares the actual asset allocation as at 31 March 2020 to the agreed allocation

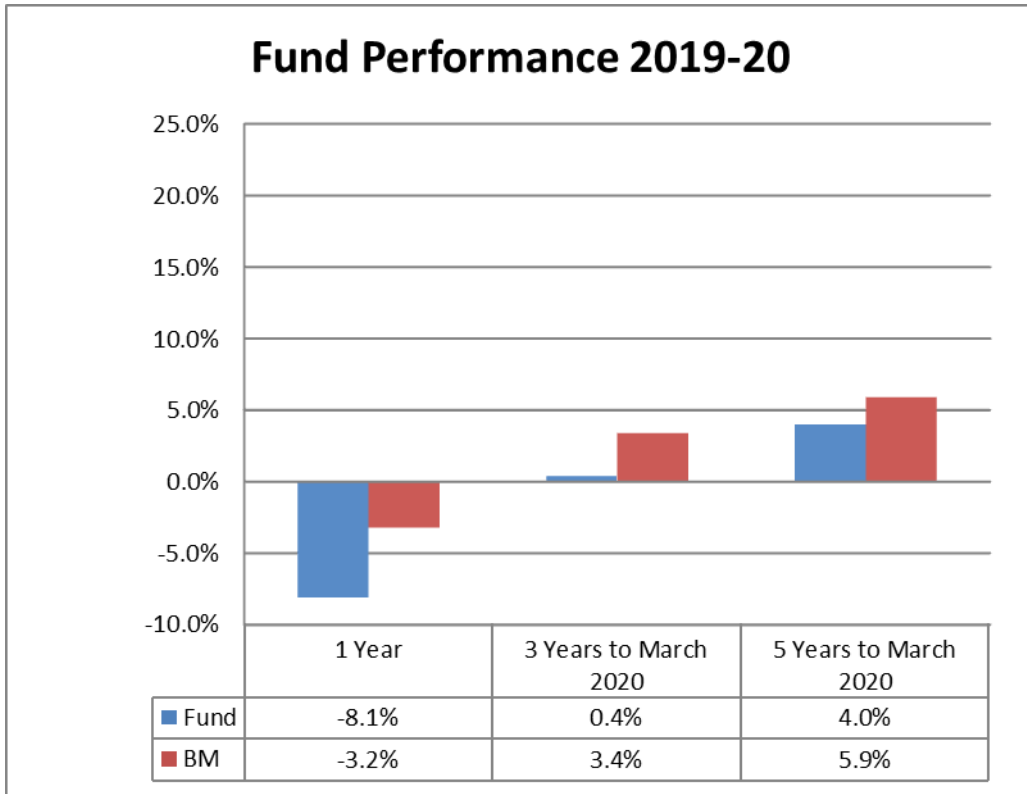
Investment assets	Actual Percentage of Fund	Agreed Allocation
	%	%
Global equities-passive	23	24
Developed world equities-active	19	18
Emerging markets equities-active	9	8
Fixed interest securities	11	10
Index linked securities	3	3
Private equity	2	2
Cash	3	0
Forward currency contracts	(1)	0
Diversified growth funds	12	6.5
Multi Asset Credit	10	11
Pooled property	8	10
Infrastructure	0	7.5
<b>Total</b>	<b>100</b>	<b>100</b>

The investment style is to appoint fund managers with appropriate performance benchmarks and place maximum accountability for performance against that benchmark with them. The Fund's managers are appointed to give diversification of investment style and spread of risk. The fund managers appointed are mainly remunerated through fees based on the value of assets under management. Private equity managers are remunerated through fees based on commitments and through performance related fees.

## Fund performance

The Fund uses Pensions and Investment Research Consultants (PIRC) as its independent investment performance measurement consultant.

Investment returns over 1, 3, and 5 years at 31<sup>st</sup> March 2020 are shown below.



The Fund's return of -8.1% during 2019-20 was due to the significant fall in asset prices experienced during the 4<sup>th</sup> quarter as the Covid-19 pandemic impacted across all asset classes. There has been a partial recovery in asset values since 31 March 2020.

Although the Fund, in common with all other LGPS funds, has its own unique benchmark and investment strategy, over the medium term it is reasonable to compare performance with other funds.

# STATEMENTS AND PUBLICATIONS

## Governance Compliance Statement

The Local Government Pension Scheme Regulations 2013, Regulation 55 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 was agreed by the Pension Fund Committee on 7 March 2018 and can be found as Appendix 1.

<https://www.harrowpensionfund.org/media/4434/governance-compliance-statement-march-2018.pdf>

## Communications Policy Statement

The Local Government Pension Scheme Regulations 2013, Regulation 61 requires 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 current Statement was agreed by the Pension Fund Committee on 7 March 2018 and can be found as Appendix 2.

<https://www.harrowpensionfund.org/media/4435/communication-policy-march-2018.pdf>

## Funding Strategy Statement

Regulation 58 of the Local Government Pension Scheme (Administration) Regulations 2013 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; and
- 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 Investment Strategy Statement. The current Statement as approved by the Pension Fund Committee on 18 December 2019 can be found as Appendix 3.

<https://www.harrowpensionfund.org/media/4635/appendix-3-funding-strategy-statement-march-2019.pdf>

## Investment Strategy Statement

Regulation 7(1) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 requires an administering authority to formulate an investment strategy which must be in accordance with guidance issued by the Secretary of State.

This Statement provides details of the Fund's investment policies including:

- The suitability of particular investments;
- The choice of asset classes, and
- Approach to risk.

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 Statement as amended by the Pension Fund Committee on 12 March 2019 can be found as Appendix 4.

<https://www.harrowpensionfund.org/media/4636/appendix-4-investment-strategy-statement-march-2019.pdf>

Following the 2019 Actuarial Valuation, the Fund is currently reviewing its Investment Strategy. The Investment Strategy Statement will be updated as part of that work.

### **Local Government Pension Scheme Guide**

A brief guide to the Local Government Pension Scheme can be found as 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 are 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:

### **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:

- Decisions are taken by the Pension Fund Committee in the light of advice from the Investment Advisers and Investment Consultant and from officers;
- Regular reviews of the Investment Strategy Statement 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; and.
- Establishment of the Pension Board.

### **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 required from some of the Admitted employers.

### **Investment Risk**

The Fund is invested in a range of asset classes as detailed in Note 14 to the accounts. This is done in line with The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 which require pension funds to invest any monies not immediately required to pay benefits. These Regulations require the formulation of an Investment Strategy Statement which sets out the Fund's approach to investment including the management of risk. The largest 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:

### **Pricing Risk**

The valuation of investments is constantly changing, impacting on the potential realisation proceeds and income. For example, the value of the Fund's investments decreased in value by 8.1% in 2019-

20, largely due to the Covid-19 pandemic in the last quarter of the year, having increased by 6.0% in 2018-19. 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 one passive manager to reduce the risk of underperformance against benchmarks. The Investment Adviser provides quarterly reports on the performance and skills of each manager to the Pension Fund Committee; and
- 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, property and infrastructure, can be illiquid in that they cannot be realised at short notice. Around 9% of Harrow's Funds are 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.

### **Actuarial Risk**

The value of the liability for future benefits is affected 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. Changes to the benefits structure in 2014 had reduced some of these risks, although the recent "McLeod Judgement" is likely to have an adverse impact. These risks are all monitored through the actuarial valuation process and additional contributions required from employers should deficits arise.

### **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 auditors.

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

## INTERNAL CONTROLS

To mitigate the risks regarding investment management, the Council obtains independent internal controls assurance reports from the reporting accountants of the relevant Investment manager.

These independent reports are prepared in accordance with international standards. Any weaknesses in internal control highlighted by the controls assurance reports are reviewed and reported to the Pension Committee.

The results of the latest reviews are summarised below.

Fund Manager	Type of report	Assurance obtained	Reporting Accountant
Blackrock Inv Man UK Ltd	ISAE 3402	Reasonable assurance	Deloitte LLP
GMO LLC	AT-C 320 (SOC)	Reasonable assurance	PWC LLP
Oldfield Partners	AAF 01/06	Reasonable assurance	Deloitte LLP
Pantheon Ventures	ISAE 3402	Reasonable assurance	KPMG LLP
LaSalle Global Partner Sols	ISAE 3402/AAF 01/06	Reasonable assurance	PWC LLP
Insight Investments	ISAE 3402/SSAE 18	Reasonable assurance	KPMG LLP
Record Currency Man Ltd	ISAE 3402/AT-C 320	Reasonable assurance	RSM Risk Assurance Services LLP
LCIV MAC Fund	Internal Controls Report	Reasonable assurance	Deloitte LLP
LCIV Global Equity Focus Fund	Internal Controls Report	Reasonable assurance	EY
LCIV Infrastructure	Internal Controls Report	Reasonable assurance	EY



## CONTACTS

Registered Address	<p>Pensions Team London Borough of Harrow 3rd Floor South Wing, Civic Centre, Station road, Harrow, HA1 2XF</p>
Administration Enquiries	<p>Email address: <a href="mailto:Pension@harrow.gov.uk">Pension@harrow.gov.uk</a> Telephone Number: 020 8416 8087 Website: <a href="http://www.harrowpensionfund.org">www.harrowpensionfund.org</a></p>
Complaints and Advice	<p>The Pensions Advisory Service 11 Belgrave Road London SW1V 1RB</p> <p>Pensions Help line: 0800 011 3797 Website: <a href="http://www.pensionsadvisoryservice.org.uk">www.pensionsadvisoryservice.org.uk</a></p> <p>The Pensions Regulator Napier House Trafalgar Place Brighton BN1 4DW</p> <p>Telephone Number: 0345 600 1011 Website: <a href="http://www.thepensionsregulator.gov.uk">www.thepensionsregulator.gov.uk</a></p> <p>The Pensions Ombudsman 10 South Colonnade Canary Wharf London E14 4PU</p> <p>Telephone Number: 0800 917 4487</p> <p>Email: <a href="mailto:enquiries@pensions-ombudsman.org.uk">enquiries@pensions-ombudsman.org.uk</a> Website: <a href="http://www.pensions-ombudsman.org.uk">www.pensions-ombudsman.org.uk</a></p>
Tracing Service	<p>The Pension Tracing Service The Pension Service 9 Mail Handling Site A Wolverhampton WV98 1LU</p> <p>Telephone Number: 0800 731 0193 Website: <a href="http://www.gov.uk/find-lost-pension">www.gov.uk/find-lost-pension</a></p>

# STATEMENT OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

## The Council's Responsibilities

The Council is required:

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

## The Director of Finance'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; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that these Financial Statements present fairly the financial position of the London Borough of Harrow Fund of the Local Government Pension Scheme as at 31 March 2020 and its income and expenditure for the year then ended.



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**Dawn Calvert – CPFA**  
Director of Finance  
30 June 2020

# Harrow Pension Fund Account as at 31 March 2020

2018/19		Notes	2019/20
£'000			£'000
	<b>Dealings with members, employers and others directly involved in the fund</b>		
(31,757)	Contributions	7	(34,229)
(3,247)	Transfers in from other pension funds	8	(1,366)
(44)	Other income		(70)
<b>(35,048)</b>			<b>(35,665)</b>
33,527	Benefits	9	35,905
3,097	Payments to and on account of leavers	10	2,470
0	Other Expenditure		0
<b>36,624</b>			<b>38,375</b>
<b>1,576</b>	<b>Net (additions)/withdrawals from dealings with members</b>		<b>2,710</b>
5,731	Management expenses	11	5,405
<b>7,307</b>	<b>Net (additions)/withdrawals including fund management expenses</b>		<b>8,115</b>
	<b>Return on investments</b>		
(8,907)	Investment income	12	(9,059)
(33,601)	(Profit)/losses on disposal of investments and changes in the market value of investments	14A	74,518
<b>(42,508)</b>	<b>Net return on investments</b>		<b>65,459</b>
(35,201)	<b>Net (increase)/decrease in the net assets available for benefits during the year</b>		73,574
(816,131)	<b>Opening net assets of the scheme</b>		<b>(851,332)</b>
<b>(851,332)</b>	<b>Closing net assets of the scheme</b>		<b>(777,758)</b>

# Net Assets Statement as at 31 March 2020

31 March 2019 £'000		Notes	31 March 2020 £'000
	<b>Investment assets</b>		
846,294	Investments	14	749,955
3,156	Derivative contracts	14	1,092
45	Cash with investment managers	14	28,153
<b>849,495</b>			<b>779,200</b>
3,068	Cash deposits	14	2,641
<b>852,563</b>			<b>781,841</b>
	<b>Investment liabilities</b>		
<b>(2,400)</b>	Derivative contracts	14	<b>(5,852)</b>
<b>850,163</b>			<b>775,989</b>
1,579	Current assets	21	2,005
<b>(410)</b>	Current liabilities	22	<b>(236)</b>
<b>851,332</b>	<b>Net assets of fund available to fund benefits at the period end</b>		<b>777,758</b>

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

*D. Calvert*

**Dawn Calvert – CPFA**  
Director of Finance  
30 June 2020

# Notes to the Harrow Pension Fund Accounts for the year ended 31 March 2020

## NOTE 1: DESCRIPTION OF FUND

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

### a) General

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

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

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

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

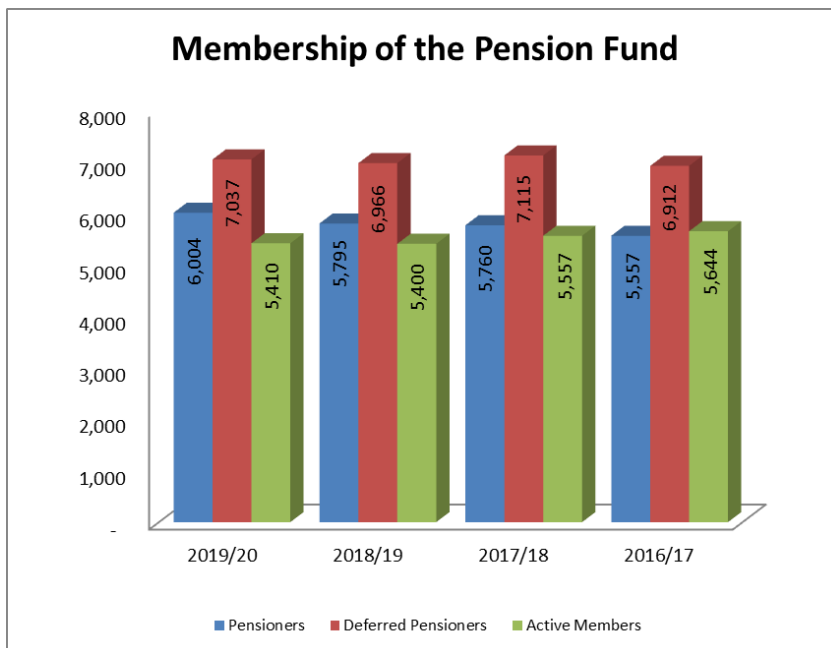
### b) Membership

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

Organisations participating in the Fund include the following:

- **Scheduled bodies:** These are the local authority and similar bodies whose staff, are automatically entitled to be members of the Fund.
- **Admitted bodies:** These are other organisations that participate in the Fund under an admission agreement. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing.

There are 39 employer organisations within the Harrow Pension Fund including the Council itself, as detailed below.



Employer	Status	Pensioners	Deferred	Actives	Total	%
Harrow Council	Scheduled Body	5675	5880	3655	15,210	82.43
Stanmore College	Scheduled Body	86	154	79	319	1.73
Nower Hill High School	Scheduled Body	22	145	143	310	1.68
Heathland and Whitefriars	Scheduled Body	7	74	172	253	1.37
Hatch End High School	Scheduled Body	28	133	71	232	1.26
Rooks Heath College	Scheduled Body	19	90	109	218	1.18
Park High School	Scheduled Body	12	77	109	198	1.07
Canons High School	Scheduled Body	15	73	105	193	1.05
Bentley Wood School	Scheduled Body	8	89	55	152	0.82
NLCS	Community Admission Body	35	48	54	137	0.74
Harrow High School	Scheduled Body	11	57	63	131	0.71
St Dominics College	Scheduled Body	40	37	53	130	0.70
Aylward Primary School	Scheduled Body	7	25	65	97	0.53
Salvatorian Academy	Scheduled Body	20	54	15	89	0.48
Priestmead School	Scheduled Body	1	0	80	81	0.44
St Georges Primary	Scheduled Body	2	1	62	65	0.35
Pinner High Academy	Scheduled Body	0	4	57	61	0.33
St John Fisher	Scheduled Body	0	3	56	59	0.32
St Josephs Primary	Scheduled Body	0	3	53	56	0.30
Earlsmead Academy	Scheduled Body	1	9	43	53	0.29
Welldon Park School	Scheduled Body	0	2	42	44	0.24
Alexandra School	Scheduled Body	2	16	22	40	0.22
St Bernadettes	Scheduled Body	3	3	34	40	0.22
Sacred Heart High School	Scheduled Body	2	3	30	35	0.19
Krishna Avanti Primary	Scheduled Body	0	14	20	34	0.18
Avanti House Primary School	Scheduled Body	1	12	20	33	0.18
Jubilee Academy	Scheduled Body	0	15	18	33	0.18
Avanti House Secondary School	Scheduled Body	0	3	30	33	0.18
St Jerome	Scheduled Body	1	1	27	29	0.16
Moriah Jewish School	Scheduled Body	1	0	20	21	0.11
Chartwells	Admitted Body	1	4	12	17	0.09
Sopria Steria	Admitted Body	3	4	5	12	0.07
Avanti School Trust	Scheduled Body	0	0	10	10	0.05
Wates (Linbrook)	Admitted Body	1	0	4	5	0.03
Govindas	Admitted Body	0	3	2	5	0.03
Evergreen Harrow High	Admitted Body	0	0	5	5	0.03
ISS Catering	Admitted Body	0	1	3	4	0.02
Evergreen Aylward	Admitted Body	0	0	4	4	0.02
Evergreen LBH	Admitted Body	0	0	3	3	0.02
<b>Total</b>		<b>6,004</b>	<b>7,037</b>	<b>5,410</b>	<b>18,451</b>	<b>100</b>

### c) Funding

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

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

Employers participating in the Fund pay different rates of contributions depending on their history, their staff profile and any deficit recovery period agreed with the Fund. Employer contribution rates are reviewed as part of the triennial actuarial valuation. The last valuation took place as at 31 March 2019 and showed that the Fund was 94% funded. The deficit is to be recovered by additional employer contributions over the course of 20 years.

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay. Employee contributions are matched by employers’ contributions which are set based on triennial actuarial funding valuations. Currently almost all, employer contribution rates fall within the range 18.0% to 26.5% of pensionable pay with the largest employers paying between 19.3% and 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.

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

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

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

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

The Statement of Accounts summarises the Fund's transactions for the 2019/20 financial year and its position as at 31 March 2020. The Accounts have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2019/20' issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based on International Financial Reporting Standards as amended for the UK public sector.

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

## **NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Fund account – Revenue Recognition**

#### **a) Contributions income**

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

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

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

#### **b) Transfers to and from other schemes**

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

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

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

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

#### **c) Investment income**

- i) Interest income is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.
- ii) Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net asset statement as a current financial asset.
- iii) Changes in the net market value of investments are recognised as income and comprise all realised and unrealised gains/losses during the year.



## Fund account – Expense items

### a) Benefits payable

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

### b) Taxation

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

### c) Management expenses

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

#### Administrative expenses

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

#### Oversight and governance costs

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

#### Investment management expenses

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

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

Where an investment manager's fee invoice or fee information has not been received by the balance sheet date an estimate based on the market value of their mandate as at the end of the year is used for inclusion in the Fund account in 2019/20.

## Net Assets Statement

### a) Financial assets

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

The values of investments as shown in the Net Assets Statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (See note 16). For the purposes of disclosing levels of fair value hierarchy, the fund had adopted the classification

guidelines recommended in 'Practical Guidance on Investment Disclosures (PRAG/Investment association, 2016)'

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

#### **b) Derivatives**

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes. (See note 15)

#### **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 20).

#### **f) Additional Voluntary Contributions**

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

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

## **Accounting Standards Issued but not yet fully adopted**

The following accounting policy changes are not yet reflected in the 2019-20 Code of Practice. They are not therefore reflected in the Pension Fund Statement of Accounts:

- IFRS 16 Leases (replaces IAS 17);
- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures;
- Annual Improvements to IFRS Standards 2015–2017 Cycle;
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement

## **NOTE 4: CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

### **Pension Fund liability**

The net Pension Fund liability is calculated every three years by the appointed actuary with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in notes 19 and 20.

These actuarial revaluations are used to set the future contributions rates and underpin the Fund's most significant management policies.

### **Unquoted private equity investments**

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

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the net assets statement at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
<b>Actuarial present value of promised retirement benefits (Note 20)</b>	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance:</p> <ul style="list-style-type: none"> <li>• a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £93m</li> <li>• a 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £7m</li> <li>• a 0.5% increase in Pension benefits would increase the liability by approximately £86m</li> </ul>
<b>Private equity (Note 16C)</b>	Private equity investments are valued at fair value in accordance with <i>International Private Equity and Venture Capital Valuation Guidelines (2012)</i> . These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Private equity investments are valued at £8.0m in the financial statements. There is a risk that this investment may be under or overstated in the accounts.

## NOTE 6: EVENTS AFTER THE REPORTING DATE

These are events that occur between the end of the reporting period and the date when the financial statements are authorised for issue that provide new information about conditions that did not exist as of the balance sheet date. There were no material events after the reporting date for 2019-20.

## NOTE 7: CONTRIBUTIONS RECEIVABLE

### By category

2018/19		2019/20
£'000		£'000
<b>(6,875)</b>	<b>Employees' contributions</b>	<b>(7,162)</b>
	<b>Employers' contributions:</b>	
(17,551)	Normal contributions	(18,643)
(7,085)	Deficit recovery contributions	(8,211)
(246)	Pension strain contributions	(213)
<b>(24,882)</b>	<b>Total employers' contributions</b>	<b>(27,067)</b>
<b>(31,757)</b>	<b>Total contributions receivable</b>	<b>(34,229)</b>

### By type of employer

2018/19		2019/20
£'000		£'000
(25,346)	Administering Authority	(26,159)
(5,403)	Scheduled bodies	(7,131)
(784)	Community admission body	(777)
(224)	Transferee admission bodies	(162)
<b>(31,757)</b>		<b>(34,229)</b>

## NOTE 8: TRANSFERS IN FROM OTHER PENSION FUNDS

2018/19		2019/20
£'000		£'000
0	Group transfers	0
(3,247)	Individual transfers	(1,366)
<b>(3,247)</b>		<b>(1,366)</b>

## NOTE 9: BENEFITS PAYABLE

### By category

2018/19		2019/20
£'000		£'000
28,765	Pensions	29,973
4,343	Commutation and lump sum retirement benefits	4,999
419	Lump sum death benefits	933
<b>33,527</b>		<b>35,905</b>

## By type of employer

2018/19		2019/20
£'000		£'000
32,012	Administering Authority	33,753
1,236	Scheduled bodies	1,906
190	Community admission body	202
89	Transferee admission bodies	44
<b>33,527</b>		<b>35,905</b>

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

2018/19		2019/20
£'000		£'000
95	Refunds to members leaving service	125
0	Group transfers	0
3,002	Individual transfers	2,345
<b>3,097</b>		<b>2,470</b>

## NOTE 11: MANAGEMENT EXPENSES

2018/19		2019/20
£'000		£'000
656	Administrative costs	721
4,509	Investment management expenses	4,050
566	Oversight and governance costs	634
<b>5,731</b>		<b>5,405</b>

## NOTE 11A: INVESTMENT MANAGEMENT EXPENSES

2018/19		2019/20
£'000		£'000
3,478	Management fees	3,457
90	Custody fees	134
941	Transaction costs	459
<b>4,509</b>		<b>4,050</b>

## NOTE 12: INVESTMENT INCOME

2018/19		2019/20
£'000		£'000
(4,156)	Private equity investments	(3,882)
(1,845)	Pooled property investments	(2,026)
(2,906)	Pooled investments - units trusts and other managed funds	(3,151)
<b>(8,907)</b>		<b>(9,059)</b>

## NOTE 13: EXTERNAL AUDIT COSTS

2018/19		2019/20
£'000		£'000
(16)	Payable in respect of external audit	(16)
(16)		(16)

## NOTE 14: INVESTMENTS

Market value		Market value
31 March 2019		31 March 2020
£'000		£'000
	<b>Investment assets</b>	
467,263	Pooled equities investments	394,247
108,159	Pooled bonds investments	111,463
191,029	Pooled alternative investments	171,230
0	Pooled infrastructure	700
68,171	Pooled property investments	64,140
150	Equity in London CIV	150
11,522	Private equity	8,025
3,156	Derivative contracts: forward currency	1,092
45	Cash with investment managers	28,153
<b>849,495</b>		<b>779,200</b>
3,068	Cash deposits	2,641
<b>852,563</b>	<b>Total investment assets</b>	<b>781,841</b>
	<b>Investment liabilities</b>	
(2,400)	Derivative contracts: forward currency	(5,852)
<b>(2,400)</b>	<b>Total investment liabilities</b>	<b>(5,852)</b>
<b>850,163</b>	<b>Net investment assets</b>	<b>775,989</b>

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

	Market value 31 March 2019	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Net change in market value during the year	Market value 31 March 2020
	£'000	£'000	£'000	£'000	£'000
<b>Investment assets</b>					
Pooled equities investments	467,263	0	(33,102)	(39,914)	394,247
Pooled bonds investments	108,159	3,062	(39)	281	111,463
Pooled alternative investments	191,029	95,000	(96,850)	(17,949)	171,230
Pooled property investments	68,171		(426)	(3,605)	64,140
Pooled infrastructure	0	700			700
Equity in London CIV	150				150
Private equity	11,522		(249)	(3,248)	8,025
Derivative contracts: forward currency	756	7,932	(3,365)	(10,083)	(4,760)
	<b>847,050</b>	<b>106,694</b>	<b>(134,031)</b>	<b>(74,518)</b>	<b>745,195</b>
Cash with investment managers	45				28,153
Cash deposits	3,068				2,641
	<b>3,113</b>				<b>30,794</b>
<b>Net investment assets</b>	<b>850,163</b>				<b>775,989</b>

	Market value 31 March 2018	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Net change in market value during the year	Market value 31 March 2019
	£'000	£'000	£'000	£'000	£'000
<b>Investment assets</b>					
Pooled equities investments	430,168	218,594	(220,722)	39,223	467,263
Pooled bonds investments	102,445	2,916	(41)	2,839	108,159
Pooled alternative investments	189,579		(1,263)	2,714	191,029
Pooled property investments	67,656		(303)	818	68,171
Equity in London CIV	150				150
Private equity	13,844		(598)	(1,724)	11,522
Derivative contracts: forward currency	5,865	8,880	(3,720)	(10,269)	756
	<b>809,707</b>	<b>230,390</b>	<b>(226,647)</b>	<b>33,601</b>	<b>847,050</b>
Cash with investment managers	53				45
Cash deposits	4,643				3,068
	<b>4,696</b>				<b>3,113</b>
<b>Net investment assets</b>	<b>814,403</b>				<b>850,163</b>



## NOTE 14B: ANALYSIS OF INVESTMENTS

31 March 2019		31 March 2020	
£'000		£'000	
<b>Pooled Funds</b>			
<b>UK</b>			
86,080	Fixed Interest Securities	Corporate	87,635
22,079	Index Linked Securities	Public Sector	23,828
<b>108,159</b>			<b>111,463</b>
68,171	Managed Funds - Property	Unit Trusts	64,140
<b>68,171</b>			<b>64,140</b>
<b>Global</b>			
217,821	Managed Funds - Equities	Unitised Insurance Policy	177,589
249,442	Managed Funds - Equities	Other	216,658
<b>467,263</b>			<b>394,247</b>
95,229	Managed Funds - Alternatives	Unit Trusts	0
95,800	Managed Funds - Alternatives	Other	171,230
0	Managed Funds - Infrastructure	Other	700
<b>191,029</b>			<b>171,930</b>
11,522	Managed Funds - Private Equity	Other	8,025
<b>Other Funds</b>			
3,156	Derivatives		1,092
150	Equity in London CIV		150
45	Cash with investment managers		28,153
3,068	Cash Deposits		2,641
<b>852,563</b>	<b>Total Investment Assets</b>		<b>781,841</b>
<b>Investment Liabilities</b>			
(2,400)	Derivatives		(5,852)
<b>(2,400)</b>	<b>Total Investment Liabilities</b>		<b>(5,852)</b>
<b>850,163</b>	<b>Net Investment Assets</b>		<b>775,989</b>

## NOTE 14C: INVESTMENTS ANALYSED BY FUND MANAGER

Market value 31 March 2019	Percentage of Fund	Manager	Investment assets	Market value 31 March 2020	Percentage of Fund
£'000	%			£'000	%
<b>Investments managed by London CIV</b>					
105,031	12	LCIV - Longview	Developed world equities-active	91,705	12
0	0	LCIV - CQS	Multi Asset Credit	80,816	10
0	0	LCIV	Infrastructure	700	0
217,821	26	BlackRock	Global equities-passive	177,589	23
322,852	38		Total LCIV	350,810	45
<b>Investments managed outside of the London CIV</b>					
68,171	8	LaSalle	Pooled property	64,140	8
44	0	BlackRock	Cash with investment managers	25,128	3
86,080	10	BlackRock	Fixed interest securities	87,635	11
22,079	3	BlackRock	Index-linked securities	23,828	3
3,068	0	Cash Deposits		2,641	0
73,784	9	GMO	Emerging markets equities-active	67,577	9
95,800	11	Insight	Diversified growth fund	90,414	12
1	0	JP Morgan	Cash with investment managers	3,025	0
150	0	LCIV	UK equities-passive	150	0
70,627	8	Oldfields	Developed world equities-active	57,376	7
11,522	1	Pantheon	Private equity	8,025	2
756	0	Record	Forward currency contracts	(4,760)	(1)
95,229	11	Aberdeen Std	Diversified growth fund	0	0
527,311	62		Total - Managers	425,179	55
<b>850,163</b>	<b>100</b>		<b>Total Investments</b>	<b>775,989</b>	<b>100</b>

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

Market value 31 March 2019	% of total fund	Investment assets	Market value 31 March 2020	% of total fund
£'000			£'000	
95,229	11	SLI Global Absolute Return Strategies Fund	0	0
95,800	11	Insight Broad Opportunities Fund	90,414	12
105,031	12	LCIV LV Global Equity Fund (Longview)	91,705	12
0	0	LCIV Multi Asset Credit (CQS)	80,816	10
86,080	10	BlackRock Institutional Bond Fund - Corp Bond 10 yrs	87,635	11
73,784	9	GMO Emerging Domestic Opportunities Equity Fund	67,577	9
68,171	8	LaSalle Investors UK Real Estate Fund of Funds	64,140	8
70,627	8	Overstone Global Equity CCF (USD Class A1 Units)	57,376	7
217,821	26	Blackrock Equity Beta Portfolio	177,589	23
<b>812,543</b>	<b>95</b>	<b>Total over 5% holdings</b>	<b>717,252</b>	<b>92</b>

## **NOTE 14D: STOCK LENDING**

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

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

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

Value of Stock on Loan as at 31 March 2020 £23.8m (8.24%) compared to £40.3m (13.3%) as at 31 March 2019.

## **NOTE 15: ANALYSIS OF DERIVATIVES**

### **Objectives and policies for holding derivatives**

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and the various investment managers.

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the Fund's equity portfolio is in overseas stock markets. To reduce the volatility associated with fluctuating currency rates, the Fund has a passive currency programme in place managed by Record Currency Management Limited. The Fund hedges 50% of the exposure in various developed world currencies within the equities portfolio.

## Analysis of Open forward currency contracts:-

Settlement	Currency bought	Local value	Currency sold	Local value	Asset value	liability value
		000		000	£'000	£'000
Up to one month	NOK	2,337	GBP	(178)	2	
Up to one month	SEK	10,339	GBP	(838)	4	
Up to one month	SGD	708	GBP	(401)	0	
Up to one month	USD	78,064	GBP	(62,904)	61	
One to six months	CHF	1,098	GBP	(865)	51	
One to six months	EUR	427	GBP	(364)	14	
One to six months	GBP	4,122	AUD	(8,006)	171	
One to six months	GBP	8,563	CAD	(14,854)	146	
One to six months	GBP	3,744	CHF	(4,426)	39	
One to six months	GBP	4,741	HKD	(45,608)	2	
One to six months	GBP	203	NOK	(2,356)	22	
One to six months	GBP	159	NZD	(320)	6	
One to six months	GBP	768	SEK	(9,386)	3	
Over six months	EUR	427	GBP	(365)	13	
Over six months	GBP	27,940	EUR	(31,192)	266	
Over six months	GBP	15,657	JPY	(2,071,200)	136	
Over six months	GBP	60,496	USD	(74,810)	155	
Up to one month	AUD	4,003	GBP	(1,992)		(15)
Up to one month	CAD	7,427	GBP	(4,239)		(30)
Up to one month	CHF	4,426	GBP	(3,733)		(41)
Up to one month	EUR	15,134	GBP	(13,513)		(115)
Up to one month	HKD	45,608	GBP	(4,751)		(5)
Up to one month	JPY	1,080,000	GBP	(8,090)		(18)
Up to one month	NZD	160	GBP	(78)		(1)
One to six months	GBP	4,349	CHF	(5,524)		(259)
One to six months	GBP	4,450	HKD	(45,608)		(297)
One to six months	GBP	674	JPY	(95,700)		(41)
One to six months	GBP	178	NOK	(2,337)		(2)
One to six months	GBP	916	SEK	(11,292)		(5)
One to six months	GBP	801	SGD	(1,416)		(2)
One to six months	GBP	5,535	USD	(7,297)		(351)
One to six months	NOK	19	GBP	(2)		(0)
Over six months	EUR	497	GBP	(446)		(6)
Over six months	GBP	13,372	EUR	(15,561)		(434)
Over six months	GBP	7,590	JPY	(1,080,000)		(501)
Over six months	GBP	122,013	USD	(156,128)		(3,720)
Over six months	JPY	6,900	GBP	(53)		(1)
Over six months	USD	4,043	GBP	(3,271)		(10)
<b>Open forward currency contracts at 31 March 2020</b>					<b>1,092</b>	<b>(5,852)</b>
<b>Net forward currency contracts at 31 March 2020</b>						<b>(4,760)</b>
<b><u>Prior year comparative</u></b>						
<b>Open forward currency contracts at 31 March 2019</b>					<b>3,156</b>	<b>(2,400)</b>
<b>Net forward currency contracts at 31 March 2019</b>						<b>756</b>

## NOTE 16: FAIR VALUE – BASIS OF VALUATION

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the most appropriate price available at the reporting date

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments including pooled funds for global equities, corporate and UK index linked bonds and diversified growth funds	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Market quoted investments including pooled funds for global equities and diversified growth funds	Level 1	Published market price or other value ruling on the final day of the accounting period	Not required	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year end.	Exchange rate risk	Not required
Pooled Investment - Multi asset credit	Level 2	Fixed income securities are priced based on evaluated prices provided by Independent pricing services	Not required	Not required
Pooled investments - property funds	Level 3	Closing bid price where bid and offer prices are published	Net Asset Value-based pricing set on a forward pricing basis	Not required
Pooled investments - Infrastructure	Level 3	Valued by Fund Managers	Manager valuation statements are prepared in accordance with ECVA guidelines	Not required
Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with <i>International Private Equity and Venture Capital Valuation (2012)</i>	EBITDA multiple, Revenue multiple, Discount for lack of marketability, Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

## Sensitivity of assets valued at Level 3

The Fund has determined that the sensitivity of the level 3 investments should be at the level determined by independent advisers for equity investments generally. Set out below is the consequent potential impact on the closing value of investments held at 31 March 2020 using data provided by PIRC.

	Assessed valuation range (+/-)	Valuation at 31 March 2020	Value on increase	Value on decrease
		£000	£000	£000
Private Equity	9.10%	8,025	8,755	7,295
Pooled investments - property funds	1.90%	64,140	65,359	62,921
		72,165	74,114	70,216

## NOTE 16A: FAIR VALUE HIERARCHY

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

### Level 1

Assets and liabilities at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

### Level 2

Assets and liabilities at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.

### Level 3

Assets and liabilities at level 3 are those where at least one input that could have significant effect on the instrument's valuation is not based on observable market data.

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

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss	596,124	81,908	72,165	750,197
Financial liabilities at fair value through profit and loss	0	(5,852)	0	(5,852)
<b>Net Investment asset</b>	<b>596,124</b>	<b>76,056</b>	<b>72,165</b>	<b>744,345</b>

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss	766,451	3,156	79,693	849,300
Financial liabilities at fair value through profit and loss	0	(2,400)	0	(2,400)
<b>Net Investment asset</b>	<b>766,451</b>	<b>756</b>	<b>79,693</b>	<b>846,900</b>

The following assets have been carried at cost

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment in London CIV			150	150
LCIV Infrastructure			700	700

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

None

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

Period 2019/20	Market Value 31 March 2019	Transfers into level 3	Transfers out of level 3	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains/(losses)	Realised gains/(losses)	Market Value 31 March 2020
	£000	£000	£000	£000	£000	£000	£000	£000
Private Equity	11,522	0	0	0	(249)	0	(3,248)	8,025
Pooled - property	68,171	0	0	0	(426)	(3,605)	0	64,140
	79,693	0	0	0	(675)	(3,605)	(3,248)	72,165

## NOTE 17: FINANCIAL INSTRUMENTS

### NOTE 17A: CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table analyses the carrying amounts of financial instruments by category and net assets statement heading. No financial instruments were reclassified during the accounting period.

31 March 2019			31 March 2020		
Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
£'000	£'000	£'000	£'000	£'000	£'000
<b>Financial assets</b>					
467,263	0	0			
108,159	0	0	Pooled equities investments	394,247	0
191,029	0	0	Pooled bonds investments	111,463	0
0	0	0	Pooled alternative investments	171,230	0
68,171	0	0	Pooled Infrastructure	700	0
150	0	0	Pooled property investments	64,140	0
11,522	0	0	Equity in London CIV	150	0
3,156	0	0	Private equity	8,025	0
0	4,103	0	Derivative contracts	1,092	0
0	589	0	Cash	0	32,083
<b>849,450</b>	<b>4,692</b>	<b>0</b>	Debtors	0	716
				<b>751,047</b>	<b>32,799</b>
<b>Financial liabilities</b>					
(2,400)	0	0	Derivative contracts	(5,852)	0
0	0	(410)	Creditors	0	(236)
<b>(2,400)</b>	<b>0</b>	<b>(410)</b>		<b>(5,852)</b>	<b>(236)</b>
<b>847,050</b>	<b>4,692</b>	<b>(410)</b>		<b>745,195</b>	<b>(236)</b>
<b>851,332</b>			<b>Grand Total</b>	<b>777,758</b>	

### NOTE 17B: NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

31 March 2019	31 March 2020
£'000	£'000
<b>Financial assets</b>	
43,870	Fair value through profit and loss (64,435)
0	Loans and receivables 0
<b>Financial liabilities</b>	
(10,269)	Fair value through profit and loss (10,083)
0	Financial Liabilities at amortised cost 0
<b>33,601</b>	<b>Total (74,518)</b>



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

## **NOTE 18: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

### **Risk and risk management**

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet its forecast cash flows. The Council manages these investment risks as part of its overall Pension Fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Committee. The Committee reviews the Fund's risk register on an annual basis.

### **Market risk**

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

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

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

### **Price risk**

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

The Fund's investment managers mitigate this price risk through diversification.

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's advisers, the Council has determined that the following movements in price risk are reasonably possible.

<b>Assets type</b>	<b>Potential market movements (+/-) %</b>
Total equities	12.00
Fixed interest & index linked securities	6.90
Alternative investments	6.30
Pooled property investments	1.90
Private Equity	9.10

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 2020	Percentage change	Value on increase	Value on decrease
	£'000	%	£'000	£'000
<b>Investment portfolio assets:</b>				
Total equities (inc Hedging)	389,487	12.00	436,225	342,749
Fixed interest & index linked securities	111,463	6.90	119,154	103,772
Alternative investments	171,230	6.30	182,017	160,443
Pooled property investments	64,140	1.90	65,359	62,921
Private Equity	8,025	9.10	8,755	7,295
Infrastructure	700	0.00	700	700
Equity - London CIV	150	0.00	150	150
<b>Total</b>	<b>745,195</b>		<b>812,361</b>	<b>678,030</b>

Asset type	Value as at 31 March 2019	Percentage change	Value on increase	Value on decrease
	£'000	%	£'000	£'000
<b>Investment portfolio assets:</b>				
Total equities (inc Hedging)	468,019	9.20	511,077	424,961
Fixed interest & index linked securities	108,159	7.30	116,055	100,263
Alternative investments	191,029	3.30	197,333	184,725
Pooled property investments	68,171	1.90	69,466	66,876
Private Equity	11,522	10.00	12,674	10,370
Equity - London CIV	150	0.00	150	150
<b>Total</b>	<b>847,050</b>		<b>906,755</b>	<b>787,345</b>

### Interest rate risk

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

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

The Fund's direct exposure to interest rate movements as at 31 March 2020 and 31 March 2019 and the impact of a 1% movement in interest rates are as follows:

Assets exposed to interest rate risk	Carrying amount as at 31 March 2020	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£'000		£'000	£'000
Cash and cash equivalents	30,794	0	30,794	30,794
Fixed interest securities	87,635	876	88,511	86,759
<b>Total change in assets available</b>	<b>118,429</b>	<b>876</b>	<b>119,305</b>	<b>117,553</b>

Assets exposed to interest rate risk	Carrying amount as at 31 March 2019	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£'000		£'000	£'000
Cash and cash equivalents	3,113	0	3,113	3,113
Fixed interest securities	86,080	861	86,941	85,219
<b>Total change in assets available</b>	<b>89,193</b>	<b>861</b>	<b>90,054</b>	<b>88,332</b>

This analysis demonstrates that changes in interest rates do not impact on the value of cash and cash equivalents balances but do affect the fair value on fixed interest securities.

Changes in interest rates affect interest income received on cash balances but have no effect on income from fixed income securities.

### Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on its global equities pooled fund investments, some of which are denominated in currencies other than Sterling. To mitigate this risk, the Fund uses derivatives and hedges 50% of the overseas equity portfolio arising from the developed market currencies.

Following analysis of historical data in consultation with the Fund's advisers the Council considers the likely volatility associated with foreign exchange rate movements to be 7.4%

A 7.4% 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 2020	Change to net assets	
	£'000	+7.4% £'000	-7.4% £'000
Overseas Pooled Equities	367,462	394,655	340,270

Currency Exposure - asset type	Asset Value as at 31 March 2019	Change to net assets	
	£'000	+8.8% £'000	-8.8% £'000
Overseas Pooled Equities	426,328	463,845	388,811

### Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions. However the selection of high quality counterparties, brokers and financial institutions by Fund managers should minimise the credit risk that may occur.

Cash deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's Treasury Management investment criteria.

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five years.

The Fund's cash holding at 31 March 2020 was £30.8m (31 March 2018: £3.1m). This was held with the following institutions.

<b>Summary</b>	<b>Balances at 31 March 2019</b>	<b>Balances at 31 March 2020</b>
	<b>£'000</b>	<b>£'000</b>
<b>Bank accounts</b>		
Royal Bank of Scotland	3,068	2,641
JP Morgan	1	3,025
BlackRock	44	25,128
	<b>3,113</b>	<b>30,794</b>

### **Liquidity risk**

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

The Council has immediate access to its Pension Fund cash holdings.

The Fund considers liquid assets to be those that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert in to cash. As at 31 March 2020 the value of illiquid assets was £72.9m. This represented 9% of the total Fund assets (31 March 2019: £79.7m).

All financial liabilities at 31 March 2020 are due within one year.

### **Refinancing risk**

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

## NOTE 19: FUNDING ARRANGEMENTS

In line with The Local Government Pension Scheme Regulations 2013, the Fund's Actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019. The next valuation takes place as at 31 March 2022.

The key elements of the funding policy are:

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

The aim is to achieve 100% solvency over a period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions, are sufficient to meet expected future pension benefits payable.

At the 2019 actuarial valuation, the Fund was assessed as 94% funded (74% at the March 2016 valuation). This corresponded to a deficit of £52m (2016 valuation: £228m).

Contribution increases are being phased in over the 3 years' period ending 31 March 2023.

Individual employers' rates vary depending on the demographic and actuarial factors particular to each employer.

The valuation of the Fund has been undertaken using the projected unit method under which the salary for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were as follows:

### Financial assumptions

Other financial assumptions	2016 %	2019 %
Price inflation (CPI)	2.1	2.3
Salary increases	2.4	3.0
Pension increases	2.1	2.3
Funded basis discount rate	3.8	4.3

### Demographic assumptions

The life expectancy assumptions are based on the Fund's Hymans Robertson's Vita Curves in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long term rate of improvement of 1.25% p.a. for women and men.

Future life expectancy based on the Actuary's Fund-specific mortality review is as follows:

	Male	Female
Current pensioners	22.0 years	24.3 years
Future pensioners (assumed to be aged 45)	23.1 years	26.3 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 20: ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting Fund contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis, the Actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 19). The actuary has also valued ill health and death benefits in line with IAS 19.

31 March 2019		31 March 2020
£m		£m
(1,213)	Present value of promised retirement benefits	(1,104)
807	Fair value of scheme assets	697
<b>(406)</b>	<b>Net Liability</b>	<b>(407)</b>

As noted above, the liabilities are calculated on an IAS 19 basis and therefore will differ from the results of the 2019 triennial funding valuation because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

## IAS19 Assumptions used

	2018/19	2019/20
	% pa	% pa
Inflation/pensions increase rate assumption	2.5	1.9
Salary increase rate	2.8	2.6
Discount rate	2.4	2.3

## NOTE 21: CURRENT ASSETS

31 March 2019		31 March 2020
£'000		£'000
<b>Debtors:</b>		
526	Contributions due - employers	661
63	Sundry debtors	55
990	Cash owed to Fund	1,289
<b>1,579</b>		<b>2,005</b>

### Analysis of Debtors:

31 March 2019		31 March 2020
£'000		£'000
0	Central Government bodies	0
990	Other local authorities	1,289
4	NHS bodies	4
526	Scheduled/Admitted bodies	661
59	Other entities and individuals	51
<b>1,579</b>		<b>2,005</b>

## NOTE 21A: LONG TERM DEBTORS

There are currently no long term debtors

## NOTE 22: CURRENT LIABILITIES

31 March 2019		31 March 2020
£'000		£'000
(344)	Sundry creditors	(156)
(66)	Benefits payable	(80)
<b>(410)</b>		<b>(236)</b>

### Analysis of Creditors:

31 March 2019		31 March 2020
£'000		£'000
(5)	Central government bodies	(4)
(10)	Scheduled/Admitted bodies	0
(395)	Other entities and individuals	(232)
<b>(410)</b>		<b>(236)</b>

## NOTE 23: ADDITIONAL VOLUNTARY CONTRIBUTIONS

AVC contributions of £0.50m were paid directly to the providers during the year (2018/19: £0.51m)

Market value 31 March 2019		Market value 31 March 2020
£'000		£'000
2,011	Prudential Assurance	2,268
599	Clerical Medical	553
219	Equitable Life Assurance Society	224
<b>2,829</b>		<b>3,045</b>

## NOTE 24: AGENCY SERVICES

There were no payments of this type

## NOTE 25: RELATED PARTY TRANSACTIONS

### Harrow Council

The Fund is required under IAS24 to disclose details of material transactions with related parties. The Council is a related party to the Pension Fund. Details of the contributions made to the Fund by the Council and expenses refunded to the Council are set out below.

The Pension Fund has operated a separate bank account since April 2011. However to avoid any undue cost to the Fund some minor transactions continue to be processed through the Council's bank account. These are reconciled on a monthly basis and settlement of any outstanding balance is adjusted when the Council pays its contributions to the fund.

31 March 2019		31 March 2020
£'000		£'000
(19,770)	Employer's Pension Contributions to the Fund	(20,634)
846	Administration expenses paid to the Council	906
990	Cash held by the Council	1,289

## Governance

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



## NOTE 25A: KEY MANAGEMENT PERSONNEL

The key management personnel of the fund are the Councils' Director of Finance (S151 Officer) and the Treasury & Pension Fund Manager.

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

31 March 2019		31 March 2020
£'000		£'000
86	Short-term benefits	91
0	Termination benefits	0

## NOTE 26: CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments at 31 March 2020 totalled £65.8m (31 March 2019: £2.7m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held by Pantheon Ventures and LCIV Infrastructure Fund.

## NOTE 27: CONTINGENT ASSETS

One admitted body employer in the Fund holds an insurance bond/guarantee to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Fund and payment will only be triggered in the event of employer default.

## London Borough of Harrow Pension Fund ("the Fund") Actuarial Statement for 2019/20

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

### Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated March 2020. 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 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 at least a 72% likelihood 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 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2019. This valuation revealed that the Fund's assets, which at 31 March 2019 were valued at £851 million, were sufficient to meet 94% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £52 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers' contributions for the period 1 April 2020 to 31 March 2022 were set in accordance with the Fund's funding policy as set out in its FSS.

### Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2019 valuation report.

#### 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 2019 valuation were as follows:

Financial assumptions	31 March 2019
Discount rate	4.3%
Salary increase assumption	3.0%
Benefit increase assumption (CPI)	2.3%

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 2018 model, an allowance for smoothing of recent mortality experience and 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	22.0 years	24.3 years
Future Pensioners*	23.1 years	26.3 years

\*Aged 45 at the 2019 Valuation.

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

### Experience over the period since 31 March 2019

Markets were disrupted by COVID-19 which resulted in difficult market conditions towards the end of the financial year. As a result, the funding level of the Fund as at 31 March 2020 has reduced versus that reported in the previous formal valuation.

The next actuarial valuation will be carried out as at 31 March 2022. The Funding Strategy Statement will also be reviewed at that time.



Laura McInroy FFA

5 May 2020

For and on behalf of Hymans Robertson LLP

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

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<b>Date of Meeting:</b>	08 September 2020
<b>Subject:</b>	INFORMATION REPORT – Internal Audit and Corporate Anti-Fraud Year-End Reports 2019/20
<b>Responsible Officer:</b>	Dawn Calvert – Director of Finance and Assurance
<b>Exempt:</b>	No
<b>Wards affected:</b>	All
<b>Enclosures:</b>	Appendix1 – Internal Audit Year-end Report 2019/20 Appendix 2– Corporate Anti-Fraud Team Year-end Report 2019/20

## **Section 1 – Summary and Recommendations**

This report sets out the 2019/20 year end reports for Internal Audit and the Corporate Anti-Fraud Team and includes the Head of Internal Audit's overall audit opinion on the control environment.

The report is presented to enable the Committee to fulfil the requirements of its Terms of Reference to:

- To consider reports from the Head of Internal Audit/ Corporate Anti-Fraud Manager on the Corporate Anti-Fraud Team's performance at mid-year and at year-end; and
- To consider reports from the Head of Internal Audit on internal audit's performance at mid-year and year-end, including the performance of external providers of internal audit services.

**FOR INFORMATION**

## **Section 2 – Report**

### **Background**

- 2.1. Annually the GARMS Committee considers a mid and full year reports from Internal Audit and Corporate Anti-Fraud covering progress against the agreed plans to help fulfil it's purpose in accordance with the Committees Terms of Reference.

### **Internal Audit Year-End Report (Appendix 1)**

- 2.2. Overall the Internal Audit Team has achieved 83% of the 2019/20 annual internal audit plan. This included 100% achievement of the core financial systems reviews. A total of 208 recommendations were made to management to improve internal controls of which 98% were agreed for implementation exceeding the 95% target.
- 2.3 Appendix 1 details the Head of Internal Audit Opinion, provides a summary of all the work undertaken during the year, covers the direction of assurance travel and the performance of Internal Audit against the agreed key performance indicators.

### **Corporate Anti-Fraud Report (Appendix 2)**

- 2.4 Of the 17 objectives in the CAFT Fraud Plan 2019/20, 12 (70%) were achieved, 2 partially achieved (12%) and 3 (18%) were not achieved. 4 out of the 5 key performance indicators were achieved (80%) whilst 1 (20%) was not achieved.
- 2.5 Appendix 2 provides a summary of outcomes from the work of the Corporate Anti-Fraud Team during 2019/20, details work undertaken in addition to the plan, the performance of the Anti-Fraud Team against the agreed key performance indicators and summaries fraud referrals, outcomes and savings achieved.

## **Legal Implications**

Accounts & Audit Regulations 2015

### **Internal audit**

5.(1) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

## **Financial Implications**

There are no financial implications to this report – both the Internal Audit and Corporate Anti-Fraud service were delivered within budget for 2019/20.

## **Risk Management Implications**

The main risk relating to the performance of the internal audit service is that insufficient work is undertaken during the year to enable an overall audit opinion to be produced by the Head of Internal Audit. This risk is mitigated by producing an annual plan, performance management of the team and performance management reporting to the GARMS Committee.

## **Equalities implications / Public Sector Equality Duty**

N/A

## **Council Priorities**

- 1. Improving the environment and addressing climate change**
- 2. Tackling poverty and inequality**
- 3. Building homes and infrastructure**
- 4. Addressing health and social care inequality**
- 5. Thriving economy**

The work of the Internal Audit service and the Corporate Anti-Fraud Team supports the delivery of the Council's priorities by providing assurance on the effectiveness of risk management, control and governance processes, and making recommendations to improve these processes, increasing the likelihood of the achievement of the priorities and by identifying and stopping fraud that would detrimentally impact on the resources available to achieve the priorities

## **Section 4 - Contact Details and Background Papers**

**Contact:** Susan Dixson, Head of Internal Audit & Corporate Anti-Fraud,  
Tel: 0208 424 1420

Justin Phillips, Corporate Anti-Fraud Service Manager  
Tel: 0208 424 1609

**Background Papers:** None

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**Internal Audit Year-End Report**

**2019/20**

**CONTENTS:**

**Introduction**

**Head of Internal Audit Opinion**

**Summary of Findings**

**Direction of Assurance Travel**

**Performance of Internal Audit**

**Appendices:**

1. Opinion Types/Limitations and Responsibilities
2. Audit Report Assurance Levels

## Introduction

This report outlines the internal audit work carried out for the year ended 31/03/20. The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (i.e. the organisation's system of internal control). This is achieved through a risk-based plan of work, agreed with management (Corporate Strategic Board) and approved by the Governance, Audit, Risk Management & Standards Committee (Harrow Council's Audit Committee), designed to provide a reasonable level of assurance, subject to the inherent limitations described below and set out in Appendix 1. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.

The Internal Audit Plan 2019/20 was based on a level of internal audit input of 795 days, of which 798 days were delivered.

Internal audit work was performed in conformance with the Public Sector Internal Audit Standards.

## Head of Internal Audit Opinion

**Good with improvements required in a few areas:** The outputs from the programme of work completed by Internal Audit, based on the agreed risk-based Internal Audit Plan, demonstrate that the Council's framework of governance, risk management and control is generally good with 94% of reports issued being amber, amber/green or green assurance. One red assurance report has been issued identifying significant weakness and/or non-compliance in the framework which could potentially put the achievement of objectives in this area at risk and one significant governance gap was identified as part of the annual review of governance process. However overall, the direction of assurance travel over the past three years is positive with fewer red and red/amber assurance reports issued each year. Improvements have been recommended in areas where weaknesses were identified of which 98% have been agreed by management. See Summary of Findings section.

## Framework for the Opinion

The opinion is based on:

- All audits undertaken as part of the 2019/20 Internal Audit Plan (except Core Financial Systems audits);
- Audits of Core Financial Systems undertaken in Q1/Q2 of 2020/21 (part of the 2020/21 plan);
- Recommendations made accepted/not accepted by management;
- Recommendations implemented by management at follow-up;
- Re-assessed assurance ratings at follow-up in respect of audits from previous periods.
- The annual review of governance process.

## Key Factors for the 2019/20 Opinion

The key factors that contributed to the opinion are summarised as follows:

- 96% of assurance reviews undertaken during 2019/20 were given an amber, an amber/green or a green assurance (6% higher than 2018/19);
- 82% of controls reviewed within the Council's core financial systems were operating fully/substantially with 18% operating partially (8% lower than 2018/19);
- 97% of controls self-assessed by management within the Council's core financial systems were operating/substantially operating with 3% partially operating (4% higher than 2018/19);
- 98% of overall recommendations made during 2019/20 were agreed by management for implementation (the same as 2018/19);
- 68% of recommendations were implemented/substantially implemented (6% lower than 2018/19), 21% were in progress (2% higher than 2018/19) and 11% (4% higher than 2018/19) were planned at time of follow-up thus it is expected that in due course 100% will be implemented (the same as 2018/19);
- 100% of follow-up reviews attained an amber, amber/green or green assurance rating (the same as 2018/19), all, bar one resulted in an improved assurance rating with;
- The annual review of governance identified one significant governance gap (one more than 2018/19).

## Summary of Outputs

The year-end internal audit report is timed to inform Harrow's Annual Governance Statement. A summary of key outputs/findings from the programme of internal audit work for the year is recorded in the table below:

Key Outputs	
Description	Detail
<b>Audit reports</b> 33 internal audit reviews were undertaken resulting in an audit report.	<ul style="list-style-type: none"> <li>• 13 green, 11 amber/green, 8 amber and 1 red assurance reports were issued;</li> <li>• 59 high risk, 106 medium risk and 43 low risk recommendations were made to improve weaknesses identified in governance, risk management or control.</li> </ul>
<b>Significant weaknesses</b> 2 Red assurance reports were issued during 2019/20 identifying significant weakness and/or non-compliance of control which could potentially put the achievement of objectives in these areas at risk.	Red assurance report: <ul style="list-style-type: none"> <li>• IR35 – in draft</li> </ul>
<b>Other audit work</b> A number of other pieces of audit work have been undertaken as part of the 2019/20 Internal Audit Plan that did not result in a traditional audit report but none the less added value to the Council's governance, risk management and control framework.	<ul style="list-style-type: none"> <li>• Corporate Governance, outputs = the annual review of governance evidence table, management assurance statements, share service/partnership evidence based governance self-assessments and the 2019/20 Annual Governance Statement;</li> <li>• Risk Management, outputs = Corporate Risk register for Q1, Q2, Q3 and Q4 of 2019/20;</li> <li>• Information Governance Board, outputs = pro-active audit input and advice on information governance policy, procedures, issues and data breaches;</li> <li>• Build a Better Harrow Governance, outputs = continued pro-</li> </ul>

	<p>active input into the development of the governance structure and the development of the corporate project management process;</p> <ul style="list-style-type: none"> <li>• SFVS, outputs = review of the school self-assessments against the school financial Value Standard and an assurance report for the Chief Finance Officer;</li> <li>• Families First (Troubled Families Grant), outputs = validation of the Q1 &amp; Q4 grant claim;</li> <li>• Professional Advice, outputs = the provision of independent professional internal audit advice on a range of topics</li> </ul>
<p><b>Annual review of governance</b></p> <p>The annual review of governance is primarily undertaken to provide evidence to support the production of the Annual Governance Statement and consists of a review of governance arrangements against the CIPFA Good Governance Framework and the Council's own governance structure. During the course of this work one significant governance gap was identified that will be reported in the Annual Governance Statement and the previous significant governance gap identified that spanned 2016/107 – 2018/19 has now been closed.</p>	<ul style="list-style-type: none"> <li>• The significant governance gap identified is in relation to Corporate Health &amp; Safety spanning 2016/17 – 2018/19 has been closed during 2019/20 by embedding best practice both corporately and within directorates.</li> <li>• A new governance gap has been identified during 2019/20 in relation to the Depot Redevelopment Project as a significant overspend has been projected along with the identification of several breaches of the Council's Financial Regulations and Contract Procedure Rules. Poor governance contributed to the overspend and the delay in reporting it corporately. A report on the full extent of the governance issues, recommendations to improve the governance weaknesses and agreed management action will be presented to the GARMS Committee meeting in October 2020.</li> </ul>
<p><b>Follow up</b></p> <p>So far during the year we have undertaken follow up work on the implementation of previously agreed actions.</p>	<ul style="list-style-type: none"> <li>• 14 follow-ups have been completed during 2019/20 (5 more than 2018/19). All, bar one, follow-up resulted in an improved assurance rating with 100% attaining an amber, amber/green or green assurance rating;</li> </ul>
<p><b>Good practice</b></p> <p>We also identified a number of areas where few weaknesses were identified.</p>	<ul style="list-style-type: none"> <li>• The Council's core financial systems continue to be well controlled with the combined approach of periodic full audit reviews and annual evidence based self-assessments working well;</li> <li>• Overall schools also continue to demonstrate a strong level of control over their finances and budgets along with good governance procedures.</li> </ul>

## Internal Audit Work Conducted: Results of Individual Assignments (resulting in an audit report)

The table below sets out the results of the internal audit work:

Review	Assurance Rating		Number of Recommendations		
			H	M	L
<b>Corporate Compliance Checks</b>					
Contract Procedure Rules	AMBER		1	2	0
IR35	RED		22	1	0
<b>Corporate Risk Based Reviews</b>					
GDPR c/f 2018/19	AMBER	GREEN	0	1	0
IT System Security – PAWS	AMBER		8	5	0
<b>Payroll (CFS)<sup>1</sup></b>					
Payroll (CFS) <sup>1</sup>	GREEN		0	4	0
Council Tax (CFS)	AMBER	GREEN	1	0	3
Corporate Accounts Receivable (CFS)	GREEN		0	0	0
Corporate Accounts Payable (CFS)	GREEN		0	1	0
Business Rates (CFS)	AMBER	GREEN	2	0	0
Capital Expenditure (CFS)	AMBER	GREEN	1	0	0
Housing Benefit (CFS)	GREEN		0	0	0
Housing Rents (CFS)	GREEN		0	1	0
Treasury (CFS)	GREEN		0	0	0
Debt Collection	AMBER	GREEN	1	4	0
Cashiers	AMBER		2	1	3
<b>Directorate Risk Based Reviews</b>					
<b>Community</b>					
Empty Property Grant	AMBER		2	4	4
Property Acquisition	GREEN		0	1	4
HMO Management & Enforcement	AMBER		4	10	1
Parking Operations	AMBER		5	10	1
<b>People</b>					
Camrose Primary Governance & Fin Controls	AMBER	GREEN	0	9	4
Norbury Primary Governance & Fin Controls	AMBER	GREEN	1	4	2
Whitchurch Primary School Gov & Fin Controls Enhanced	AMBER		7	16	3
Pinner Wood Primary School	AMBER	GREEN	1	3	2
Newton Farm Primary Budgetary Control	GREEN		0	1	0
Longfield Primary Budgetary Control	GREEN		0	1	2
St Teresa's Primary Budgetary Control	GREEN		0	1	3
Grimsdyke Primary Finance & Governance	GREEN		0	0	2
Cannon Lane Primary Finance & Governance	AMBER	GREEN	0	3	1
First Response Team	AMBER	GREEN	0	7	0
Youth Offending Team	AMBER	GREEN	0	6	1
Adult Social Care – Personal Budgets	GREEN		0	0	2
IT System Security – Mosaic	GREEN		0	3	2
Schools SLA c/f 2018/19	AMBER		1	7	3
<b>TOTAL</b>			59	106	43

Final red and red/amber assurance reports are presented to the GARMS Committee individually for review and comment with relevant managers attending the meetings. The red reports shown in the above table are still in draft so have not yet been presented.

<sup>1</sup> Reviews of Core Financial Systems (CFS) undertaken as part of the 2019/20 plan relate to 2018/19 and were used to support the 2018/19 Head of Internal Audit's Opinion – reviews of Core Financial Systems undertaken as part of the 2020/21 plan were used to support the 2019/20 Head of Internal Audit's Opinion detailed within this report.

## Results of Other Audit Work on the 2019/20 Plan

Work Undertaken	Results/Output
Corporate Governance	Each year the Council undertakes a robust review of its governance arrangements to meet the requirements of the CIPFA/SOLACE Framework <i>Delivering Good Governance in Local Government</i> and to fulfil its statutory duty as outlined in the Accounts and Audit Regulations 2015. For 2019/20 the annual review process consisted of an evidenced based self-assessment undertaken by members of the Corporate Governance Working Group co-ordinated and reviewed by Internal Audit, a management assurance exercise completed by each Directorate, and a review of the governance of shared service and partnership arrangements. The result of this work is fed into the production of the Annual Governance Statement.
Risk Management	
Information Governance Board (IGB)	The Head of Internal Audit's attendance to the Information Governance Board enables pro-active audit input and advice on information governance policy, procedures and issues to be provided.
Build a Better Harrow Governance	On- going input to the development of governance arrangements
SFVS Assurance Statement	Schools are required to undertake an annual self-assessment against the Schools Financial Value Standard and the Council's Chief Finance Officer (CFO) is required to provide details of the schools completing/not completing the assessment and confirm that a system of audit for schools is in place that gives adequate assurance over their standards of financial management and the regularity and propriety of their spending. To support the CFO in this Internal Audit reviewed the 35 self-assessments undertaken by schools and prepared a report detailing the level of assurance obtained from these – high assurance for 8 schools; good assurance for 19 schools ;adequate assurance for 3 schools and limited assurance for the remaining 4 schools. The report also covered how the assurance would be taken into account for audit planning purposes and provided an overview of the completion process.
Families First (Troubled Families Grant)	Two claims were submitted during the year in May 2019 and March 2020. For each Grant Submission, a 10% sample of the cases were reviewed by Internal Audit to ensure that: <ul style="list-style-type: none"> <li>• the cases are eligible for claim;</li> <li>• the criteria and the outcomes are accurately identified and evidenced where applicable;</li> <li>• the case has not been re-opened for further work;</li> <li>• the closure report on the Mosaic system clearly identifies the outcomes achieved; and</li> <li>• the spreadsheet has been checked for duplicates.</li> </ul>
Professional Advice	A range of professional advice has been provided to managers during 2019/20 including on Adult Social care Debt; Facilities Management; Joint Venture Governance; School Whistleblowing; Regeneration Manager's Pay; School conflict of interest.
Budget Process	Ongoing support and advice to the S151 Officer
SAP Replacement Project	Ongoing support and input

## Follow Up Work Conducted

### Introduction

In order for the Council to derive maximum benefit from internal audit, agreed actions should be implemented. Whilst management is responsible for implementing recommendations, in accordance with the internal audit plan, follow-ups of recommendations are undertaken for all reports on the Council's core financial systems and all but Green assurance reports of other systems. The table below summarises the follow up work performed during 2019/20.

Review	Original Assurance Rating		Re-Assessed Assurance Rating		No. of agreed recs	Status of agreed actions				
	I	SI	PI	PL		NI				
Regeneration Programme (2 <sup>nd</sup> f/up)*	RED	AMBER	AMBER	GREEN	29	21	0	3	5	0
Planning	AMBER		GREEN		19	13	1	4	1	0
SNT (2nd f/up)**	RED		AMBER		16	3	6	4	3	0
Museum & Great Barn	RED		AMBER		29	21	0	3	5	0
Empty Property Grant – vfm	AMBER		AMBER	GREEN	4	3	0	0	1	0
Helix Centre – Budgetary Control	AMBER		GREEN		4	3	0	0	1	0
CAR	GREEN		GREEN		4	3	0	1	0	0
CAP	GREEN		GREEN		3	2	0	0	1	0
Parking Whistleblowing	RED		AMBER	GREEN	14	6	3	5	0	0
Harrow Arts Centre	AMBER		GREEN		16	16	0	0	0	0
Residential Adult Care	RED		AMBER	GREEN	31	13	0	18	0	0
Major Works Leaseholders	AMBER	GREEN	GREEN		7	5	1	1	0	0
Pinner Park School – Gov & Fin Controls	AMBER	GREEN	GREEN		10	6	0	2	2	0
Council Tax KC	AMBER	GREEN	AMBER	GREEN	4	2	0	1	1	0
<b>TOTALS</b>					190	117	11	42	20	0
<b>PERCENTAGES</b>						62%	6%	21%	11%	0%

### Summary

68% of recommendations were implemented/substantially implemented at the time of follow-up, with a further 21% in progress and 11% planned. All of the recommendations were still considered appropriate by management and thus it is expected that in due course 100% will be implemented.







All, bar one, follow-ups undertaken resulted in an improved assurance rating with 100% attaining an amber, amber/green or green assurance rating.<sup>2</sup> The one follow-up that did not result in an improved assurance rating was the Council Tax Key Control review, this was because the one high risk recommendation had not been implemented at the time of follow-up.

<sup>2</sup> The impact of recommendations implemented, substantially or partially implemented at follow-up on the expected controls are assessed to provide the re-assessed assurance rating and assumes that previous controls that were operating and still operating. It should be noted the correlation between control weaknesses and recommendations is not 1:1 i.e. one weakness identified may result in a number of recommendations being made and alternatively a number of weaknesses identified may result in only one recommendation being made.

# Direction of Assurance Travel

## Introduction

Whilst the audit days in the Internal Audit Plan have remained broadly consistent over the last 3 years the number of pieces of audit work contained in the plan varies year on year depending on the estimated audit days required to complete individual assignments. Direction of travel is therefore based on percentages rather than number of assignments.

Assurance Ratings (including follow-ups)	Direction of Assurance Travel between 2019/20 & 2018/19	Number/% of Reports + Follow-Ups		
		2019/20	2018/19	2017/18
<b>GREEN</b>	Up 	19 (40%)	14 (33%)	26 (48%)
<b>AMBER</b>   <b>GREEN</b>	Up 	17 (35%)	9 (22%)	14 (26%)
<b>AMBER</b>	Down 	10 (21%)	14 (33%)	6 (11%)
<b>RED</b>   <b>AMBER</b>	Down 	0	2 (5%)	3 (6%)
<b>RED</b>	Down 	2(4%)	3 (7%)	5 (9%)
<b>% of Amber, Amber/Green or Green</b>	Up 	46 (96%)	37 (88%)	46 (85%)

## Summary

One of the key factors used in the Head of internal Audit Opinion is the percentage of assurance reviews undertaken during the year that were given an amber, an amber/green or a green assurance. The direction of travel for this factor between 2018/19 and 2019/20 is positive showing a 8% increase.



# Performance of Internal Audit

## Introduction

A number of Key Performance Indicators (KPIs) were agreed as part of the 2019/20 Internal Audit Plan and performance against these is set out in the table below:

	Internal Audit Performance Indicator	Target	Mid-Year	Year-End	Comments
1	Recommendations agreed for implementation	95%	97%	98%	<b>Exceeded</b> 1 high risk recommendation was not agreed. 3 recommendations (1 high, 1 medium, 1 low) were partially agreed.
2	Follow up undertaken	100%	100%	50%	<b>Not Met</b> 11 of 22 follow-ups were completed.
3	Plan achieved for key control reviews	100%	100%	100%	<b>Met</b> 3 full reviews and 6 evidence based self- assessments undertaken
4	Plan achieved overall (key indicator)	90%	44%	84%	<b>Not Met</b> 59 of 70 workstreams on the plan completed.
Corporate Performance Indicator					
1	Implementation of recommendations	90%	62%	68% <b>Lower than usual</b>	<b>Exceeded (in due course)</b> 68% of recommendations were implemented/substantially implemented, 21% were in progress and 11% were planned at time of follow-up thus it is expected that in due course 100% will be implemented.

## Summary

Of the 4 internal audit performance indicators 1 was exceeded, 1 was met and 2 were not met.

This is the second year running that the target for follow-ups has not been met, this is due to the Assistant Auditor post being vacant thus requiring Auditors to undertake this work in addition to completing their allocated portion of the Internal Audit Plan. As priority is given to completing planned reviews over follow-up of reviews previously completed this had a continued detrimental impact on the achievement of this target. To address this the audit strategy for follow ups will be reviewed for the 2020/21 plan.

The target to achieve 90% of the overall plan has been missed by 6% and this is largely down to the impact of the Covid-19 Pandemic and an Auditor post becoming vacant in the April 2020 reducing the team's capacity by 20%. Each year work from the previous year's plan is completed in the Q1 of the current year alongside specific work in the current plan (reviews of the core financial systems and the annual governance review). This work was disrupted due to officers, both in the audit team and teams being audited, not having access to IT initially, having IT problems, reduced capacity or working on P1 services. The deadline to complete the work was extended to August to minimise this impact.

Internal audit reports are given a **red**, **red/amber**, **amber**, **amber/green** or **green** assurance rating.

**Red** reports will indicate systems/functions/establishments with a low overall percentage of controls in place that represent a high risk to the authority needing immediate attention to improve the control environment;

**Red/amber** reports will indicate systems/functions/establishments that represent a high to medium risk to the authority needing immediate attention to improve the control environment;

**Amber** reports will indicate a fair level of controls operating that represent a medium risk in need of attention to prevent them becoming high risk;

**Amber/green** reports will indicate medium to low risk in need of attention to prevent them becoming high risk and

**Green** reports will indicate a high level of controls operating, including all critical controls, that represent low risk areas

A formula for converting audit findings into a **red**, **red/amber**, **amber**, **amber/green** or **green** rating has been developed as follows:

**Red** reports will essentially be those where there is **one or more** of the following:

- A low overall percentage of controls in place (0-50%)
- An absence of critical controls (reflected as high risk recommendations)
- A significant deterioration in control systems
- Poor progress with implementation of previous recommendations

**Red/Amber** reports will be those that have 51-60% of controls operating and no more than 40% of controls absent are critical (40% of recommendations made).

**Amber** reports will be those that have 61-70% of controls operating and no more than 25% of controls absent are critical (25% of recommendations made).

**Amber/Green** reports will be those that have 71-80% of controls operating and no more than 10% of controls absent are critical (10% of recommendations made).

**Green** reports will be those having 81-100% of controls operating including all critical controls and no absence of critical controls (no high risk recommendations).

Controls operating and substantially operating will be combined to give the overall assurance rating.

# **HARROW COUNCIL**

## **Corporate Anti-Fraud Team Year End Report**

**2019/20**

### **CONTENTS:**

**Introduction**

**203 Summary of Outcomes**

**Outcomes against the Plan**

**Performance of Anti-Fraud Team**

**Fraud referrals, outcomes and savings summary**

## Introduction

This report outlines the corporate anti-fraud work carried out for the year 2019-20. The plan is risk based and developed through consultation internally and drawing upon external sources of data to ensure that where possible best practice is followed (see CIPFA Fraud Code Self-Assessment below) and fraud resources are targeted at those areas of the authority deemed to be of highest risk to fraud with the greatest potential negative financial impact and/or reputational damage. The plan is approved by the Governance, Audit, Risk Management & Standards Committee (GARMS) annually and mid-year and year end progress reports provided against the plan to provide a level of assurance around the authorities' fraud risk resilience capability.

## Summary of Outcomes

A summary of key outputs from the programme of corporate anti-fraud work for the year is recorded in the table below. Of the 17 work streams contained within the plan, 12 (70%) were achieved, 2 (12%) were partially achieved and 3 (18%) were not achieved. 4 out of the 5 key performance indicators were achieved (80%) whilst 1 (20%) was not achieved.

	Fraud work stream	2019-20 Year end outcome
1	<p><b>Corporate fraud risk assessment</b></p> <p>Identify and assess Harrow's fraud risk exposure affecting the principle activities in order to fully understand changing patterns in fraud and corruption threats and the potential harmful consequences to the authority and our customers</p>	<p><b>Objective achieved</b></p> <p>This task is undertaken annually which feeds into the development of the annual plan for the following year. The adjusted annual plan for 2020-21 will be presented to the Committee in October 2020.</p>
2.	<p><b>CIPFA Fraud Code Self-Assessment</b></p> <p>Undertake an annual self-assessment against the CIPFA Code of Managing the Risk of Fraud &amp; Corruption</p>	<p><b>Objective achieved</b></p> <p>78% compliance with the code has been achieved which is a good level of compliance with the code which remains unchanged from 2018/19. Consideration will be given to drafting an action plan for Committee to consider on whether to implement if the authority is to continue to improve above 78% compliance</p>
3	<p><b>Corporate fraud risk register</b></p> <p>Review and facilitate the updating of the fraud risk register annually where significant fraud and corruption risks are identified, mitigated and monitored</p>	<p><b>Objective not achieved</b></p> <p>This was not achieved due to a lack of capacity, but this is mitigated somewhat with the corporate fraud risk assessment work completed annually that feeds into the development of the annual plan.</p>
4	<p><b>Corporate Anti-Fraud &amp; Corruption Strategy</b></p> <p>Review the Corporate Anti-Fraud &amp; Corruption Strategy 2016-19 that links to Harrow's corporate priorities, the overall goal of improving resilience to fraud and corruption and fully reflecting the fraud and corruption risks faced by the authority. Timing of the review will depend on the completed review/refresh of the Fighting Fraud &amp; Corruption Locally Strategy that is being undertaken in 2019/20 by the FFCL Board</p>	<p><b>Objective not achieved due to timing of FFCL strategy release</b></p> <p>The Counter Fraud and Corruption Strategy for Local Government was published in April 2020 by the Fighting Fraud &amp; Corruption Locally (FFCL) Board, but due to Covid-19 the official launch was delayed to October 2020. A review of Harrow's Corporate Anti-Fraud &amp; Corruption Strategy will be undertaken in 2020-21 so that it aligns to the new strategy.</p>

	Fraud work stream	2019-20 Year end outcome								
5.	<p><b>Establish a fraud loss methodology</b></p> <p>Develop and implement a fraud loss value methodology to apply consistently to significant fraud risk exposures enabling fraud losses to be measured accurately</p>	<p><b>Objective not achieved</b></p> <p>This was not achieved due to a lack of capacity on the team. The team uses best practice and established methodologies for most areas of fraud investigated, but not all. Consideration will be given to completing this task 2019-20</p>								
6.	<p><b>National Fraud Initiative co-ordination role</b></p> <p>Co-ordination of the 2018/19 National Fraud Initiative (NFI) data match processing including:-</p> <ul style="list-style-type: none"> <li>Supporting service areas to ensure matches are processed in a timely manner and that suspected fraud is referred for investigation</li> <li>Processing matches which are the responsibility of the CAFT (Housing matches)</li> <li>Investigate potential fraud cases referred and recommend sanction and/or corrective action on cases as appropriate</li> </ul>	<p><b>Objective achieved</b></p> <p>Services have processed all high risk matches after they were released to the authority in February 2019. A brief summary of progress is detailed below:-</p> <table border="0"> <tr> <td data-bbox="722 634 1247 784"> <p><b>Housing Benefit</b></p> <p>Total matches 2639 Total processed 127 In progress 0 Value of fraud &amp; error identified £122,216.06</p> </td> <td data-bbox="1274 634 1682 784"> <p><b>Creditors historical</b></p> <p>Total matches 5495 Total processed 93 In progress 0 Value of fraud &amp; error identified £0</p> </td> </tr> <tr> <td data-bbox="722 818 1150 967"> <p><b>Creditors standing</b></p> <p>Total matches 435 Total progressed 28 In progress 0 Value of fraud &amp; error identified £0</p> </td> <td data-bbox="1274 818 1780 967"> <p><b>Council Tax Reduction Scheme (CTRS)</b></p> <p>Total matches 1889 Total processed 46 In progress 0 Value of fraud &amp; error identified £13,197.81</p> </td> </tr> <tr> <td data-bbox="722 1002 1150 1151"> <p><b>Housing Tenants (CAFT matches)</b></p> <p>Total matches 169 Total progressed 168 In progress 0 Value of fraud &amp; error identified £0</p> </td> <td data-bbox="1274 1002 1682 1151"> <p><b>Personal budgets</b></p> <p>Total matches 87 Total progressed 73 In progress 13 Value of fraud &amp; error identified £0</p> </td> </tr> <tr> <td data-bbox="722 1218 1129 1367"> <p><b>Procurement</b></p> <p>Total matches 124 Total processed 50 In progress 0 Value of fraud &amp; error identified £0</p> </td> <td data-bbox="1274 1218 1766 1367"> <p><b>Pensions</b></p> <p>Total matches 219 Total processed 219 In progress 0 Value of fraud &amp; error identified £6,522.36</p> </td> </tr> </table>	<p><b>Housing Benefit</b></p> <p>Total matches 2639 Total processed 127 In progress 0 Value of fraud &amp; error identified £122,216.06</p>	<p><b>Creditors historical</b></p> <p>Total matches 5495 Total processed 93 In progress 0 Value of fraud &amp; error identified £0</p>	<p><b>Creditors standing</b></p> <p>Total matches 435 Total progressed 28 In progress 0 Value of fraud &amp; error identified £0</p>	<p><b>Council Tax Reduction Scheme (CTRS)</b></p> <p>Total matches 1889 Total processed 46 In progress 0 Value of fraud &amp; error identified £13,197.81</p>	<p><b>Housing Tenants (CAFT matches)</b></p> <p>Total matches 169 Total progressed 168 In progress 0 Value of fraud &amp; error identified £0</p>	<p><b>Personal budgets</b></p> <p>Total matches 87 Total progressed 73 In progress 13 Value of fraud &amp; error identified £0</p>	<p><b>Procurement</b></p> <p>Total matches 124 Total processed 50 In progress 0 Value of fraud &amp; error identified £0</p>	<p><b>Pensions</b></p> <p>Total matches 219 Total processed 219 In progress 0 Value of fraud &amp; error identified £6,522.36</p>
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		<p><b>Payroll</b>  Total matches 199  Total processed 183  In progress 0  Value of fraud &amp; error identified £0</p> <p><b>Private residential care homes</b>  Total matches 47  Total processed 45  In progressed 0  Value of fraud &amp; error identified £12,086.70</p> <p><b>Waiting list</b>  Total matches 316  Total processed 303  In progress 0  Value of fraud &amp; error identified £706,320<sup>1</sup></p> <p>There have been 11 NFI fraud referrals to the CAFT since April 2019, 7 have been closed no further action, 2 were closed as positive outcomes (CTRS cases) and 2 cases are still under investigation.</p> <p><b>Overall cumulative fraud savings attributed to this work stream is £940,842.93</b></p>	<p><b>Right to Buy</b>  Total matches 3  Total processed 3  In progress 0  Value of fraud &amp; error identified £0</p> <p><b>Residents parking permits</b>  Total matches 8  Processed 1  In progress 0  Value of fraud &amp; error identified £0</p> <p><b>Blue badge parking permit</b>  Total matches 507  Total processed 391  In progress 116  Value of fraud &amp; error identified £80,500<sup>2</sup></p>
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<sup>1</sup> Notional cost of removing 1 case from the waiting list following a match is £3240 as per Cabinet Office guidance

<sup>2</sup> Notional cost of recovering a blue badge out of circulation registered to a deceased individual is £575 as per Cabinet Office guidance

	Fraud work stream	2019-20 Year end outcome
7.	<p><b>London Counter Fraud Hub (LCFH)</b></p> <p>Explore the membership of the London Counter Fraud Hub (LCFH) which may result in the authority participating in a pan London data matching exercise focusing on Council Tax Single Person Discount, Business rates and Housing Tenancy fraud.</p>	<p><b>Objective achieved</b></p> <p>LCFH has now been rebranded the CIPFA Counter Fraud Hub and there have been some minor changes to the membership conditions. Nevertheless, it is unlikely that the authority will commit to joining whilst the projected return on investment does not make financial sense.</p>
8.	<p><b>Participate in a Cifas 6 month pilot membership</b></p> <p>Join a 6 month pilot membership of Cifas which is the UK's leading fraud prevention service that facilitates the sharing of fraud data for the prevention and detection of crime across the public, private and third sectors.</p>	<p><b>Objective achieved</b></p> <p>Cifas is a not for profit organisation run for members to securely exchange information about known frauds affecting their business to enable other members to protect themselves from fraud and corruption. Membership of Cifas allows organisations to both file frauds that reach an evidence threshold and to search the database at any time during a customer relationship to see if they are known to other members as fraudsters.</p> <p>The authority was one of a few pilot sites launched in April 2019 and whilst accessing Cifas data has undoubtedly added value to the CAFT investigations in terms of intelligence gathering, there have been some challenges around sharing data and ensuring that data subjects are made aware that the authority is working with Cifas.</p> <p>The CAFT is at present using the Cifas database to sift all cases that are referred for investigation (reactive) but the intention is to use the database more proactively and a) batch match sets of data on a risk basis to target areas of high fraud risk and b) to expand the access to Cifas to other services in the authority. Discussions were well advanced with both Insurance and Procurement services at the end of the year, but this has since stalled due to the Covid-19 emergency. The expansion of the Cifas system internally will be continued in the 2020-21 plan.</p> <p>Given the long lead in time and nature of fraud investigation work, a decision was made by the pilot authorities and Cifas that the initial pilot period would be extended to March 2021 to allow a greater opportunity of casework throughput and for positive outcomes to be identified.</p>



9.	<p><b>Corporate anti-fraud awareness</b></p> <p>Raise awareness of fraud and corruption risks both within the authority and in the community through the publication of fraud successes in local and national media, including the use of all forms of social media including the following actions:-</p> <ul style="list-style-type: none"> <li>• Embed fraud E-learning to existing employees</li> <li>• Chief Executive Newsletters and general internal communications bulletins in relation to articles on fraud and corruption</li> <li>• Issuing management reports detailing investigation outcomes and recommendations for improving fraud risk controls are implemented if agreed according to risk (KPI5)</li> <li>• Deliver fraud workshops/CAFT attendance at team meetings for high fraud risk areas as appropriate</li> <li>• Publicity through all forms of media on successful fraud cases, fraud initiatives and related prosecution outcomes</li> </ul>	<p><b>Objective partially achieved</b></p> <p><b>E-learning</b> The fraud e-learning package has been heavily promoted through internal communications and the course content has recently been updated to reflect current fraud risks facing Local Authorities.</p> <p><b>Chief Executive Newsletters</b> There have been no Chief Executive Newsletters, internal communications or bulletins in relation to fraud articles up to the mid-year point.</p> <p><b>Management reports and briefing notes</b> In total, 27 fraud risk recommendations contained within investigation reports and briefing notes have been made to management with 26 being agreed for implementation. <b>KPI5 target 70%, achieved 96% (26/27).</b></p> <p><b>Fraud Workshops</b> CAFT have not delivered any fraud workshops this year.</p> <p><b>Publicity</b> Harrow Council featured in a Cifas article about <u>Single Person Discount fraud</u> in September 2019</p>
10.	<p><b>Fraud liaison</b></p> <p>Explore, develop and maintain effective liaison with investigation teams in other boroughs and external agencies and ensure that membership and interest</p>	<p><b>Objective achieved</b></p> <p>The authority renewed its membership of the National Anti Fraud Network (NAFN) for its essential role in intelligence gathering and the London Borough of Fraud Investigators Group (LBFIG). NAFN is an essential conduit for accessing 3<sup>rd</sup> party information sources which is vital for supporting investigation work.</p>

<p>continues in the London Borough of Fraud Investigators Group (LBFIG), The National Anti-Fraud Network (NAFN), The Chartered Institute of Public Finance and Accountancy (CIPFA) and the proposed London Counter Fraud Hub</p>	<p>Officers in the team have also attended a number of Counter Fraud Conferences during the year which is important to keep up to date of current fraud trends and emerging fraud risks.</p> <p>Established partnerships with the Border Force, HMRC, the Home Office, the Metropolitan Police and other enforcement agencies have proven essential to current investigation work.</p> <p>The authority joined Cifas in April 2019. See section 8.</p>
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	Fraud work stream	2019-20 Year end outcome
11.	<p><b>Internal datamatching</b></p> <p>Design and deliver an anti-fraud campaign using the iDIS data matching tool for the purposes of detecting, preventing and pursuing fraud and corruption</p>	<p><b>Objective achieved</b></p> <p>A housing tenancy fraud datamatch against credit bureau data was undertaken in Q3 where all current housing tenants were matched against credit bureau data to identify</p> <p>a) those tenants that were credit active at addresses other than the tenancy, b) those tenants that had no active credit footprint at the tenancy, and c) those where individuals other than the tenant were credit active at tenancy indicating a sublet.</p> <p>A total of 73 investigations were launched involving the case types mentioned above but no tenancy fraud has been identified to date with only 1 case still live under investigation</p>
12.	<p><b>Housing fraud</b></p> <p>Assess and investigate allegations of fraud and abuse in the housing system working in partnership with Housing Resident Services, Housing Needs and Harrow's RSL's including:</p> <ul style="list-style-type: none"> <li>• Seek to recover 10 social housing units subject to fraud &amp; misuse (KPI1)</li> <li>• Prevent housing application fraud through a proactive fraud risk based targeted review of those customers in emergency accommodation (placed outside of the borough)</li> <li>• Prevent fraudulent Right to Buy (RTB) applications through targeted application validation with a fraud check on 90% applications referred to the CAFT at offer stage (KPI2)</li> <li>• Maximise the use of powers contained within the Prevention of Social Housing Fraud Act 2013</li> </ul>	<p><b>Objective partially achieved</b></p> <p><b>Tenancy recoveries work stream</b> Working in partnership with Housing Resident Services and Harrow's Registered Social Landlords (RSLs), 6 social housing tenancies were recovered resulting in notional fraud savings of £558,000.</p> <p><b>KPI1 target 10, achieved 6 (60%)</b></p> <p><b>Savings subtotal achieved £558,000</b></p> <p><b>Housing applications work stream</b> Housing Applications proactive exercise was commenced in Q4 (desk based intelligence) but the visiting schedule was not possible to due to Covid-19. Consideration will be made in the 2020-21 plan to complete this work.</p> <p>A total of 13 housing application referrals have been received by the team during the year and 2 positive outcomes have been achieved where applications were rejected on the basis that the applicant had provided false or misleading information.</p> <p><b>Savings sub total achieved £99,000</b></p> <p><b>RTB work stream</b> Working in partnerships with Leasehold Services, HB Public Law Services and Housing Management, 6 RTB applications were intercepted saving the authority £658,000 in terms of purchase discount losses prevented.</p>

<p>(PoSHFA) in terms of gathering evidence, investigation and prosecution of offenders and recovery of unlawful profit</p>	<p>These outcomes are due to applicants failing anti-money laundering checks (proving the source of funds) or following CAFT consultation with the lenders, the mortgage offer being withdrawn. The team is continuing to make use of the National Hunter system allowing the authority to communicate with lenders lawfully for the prevention and detection of crime and referring cases where appropriate to the National Crime Agency (NCA).</p> <p><b>KPI2 target 90%, achieved 100%</b></p> <p><b>Savings subtotal achieved £658,000</b></p> <p><b>PoSHFA 2013 Powers work stream</b> The authority has utilised powers contained within the above act through requests to the National Anti Fraud Network (NAFN) regularly during the year.</p> <p>If approved by NAFN, this enables the authority to access personal financial data held by the banks on individuals on cases of suspected tenancy sub-let, RTB and housing applications where there is doubt over the accuracy of the subject's account of events</p> <p><b>Overall fraud savings attributed to this work stream is £1,315.000</b></p>
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	Fraud work stream	2019-20 Year end outcome
13	<p><b>Internal fraud &amp; corruption</b></p> <p>Risk assess 80% allegations of internal fraud and corruption as a priority and deploy resources on those cases where there is corroborative evidence within an average of 5 working days of receipt of the information (KPI3).</p>	<p><b>Objective achieved</b></p> <p>Of the 8 internal fraud referrals received all 8 were risk assessed and resources allocated in 5 working days.</p> <p><b>KPI3 target 80%, achieved 100%.</b></p> <p>There have been 2 positive outcomes during the year.</p> <p>An employee was arrested in April 2018 and dismissed in June 2018 following misuse of a company purchase card resulting in salary savings of £19,890. This was reported previously to the Committee. On 16<sup>th</sup> July 2019, they were convicted at Willesden Magistrates Court of fraud amounting to £494.42 and sentenced to 200 hours of unpaid work to be complete within 12 months and a compensation order to repay the full loss amount to the authority.</p> <p>In the second case, a former employee already dismissed and successfully prosecuted for fraud was the subject of a successful Proceeds of Crime Act (POCA) order where the court made an order that the value of the authority pension was to be paid across to the authority to pay towards the debt. The pension value was £75,102.10</p> <p><b>Overall fraud savings attributed to this work stream is £75,596.52 plus £80 costs</b></p>
14	<p><b>Revenues/Business Rates/Council Tax Support fraud</b></p> <p>Work in partnership with Revenues and Benefits to investigate allegations of fraud and abuse on a risk basis of the Council Tax, Council Tax Support and Non Domestic Rates Systems, including exemptions, discounts and reliefs, apply appropriate sanctions where fraud is proven and assist in the recovery of fraud related losses</p>	<p><b>Objective achieved</b></p> <p>The team processed 9 referrals of Council Tax discount/exemption fraud, CTRS fraud and NNDR fraud. There have been 14 positive outcomes during the year primarily identified from linked investigations into tenancy fraud where the tenant was in receipt of a benefit/exemption/reduction but no longer occupied the address as their principle home.</p> <p>CTRS/CTB overpayments £21,871.67 HB overpayments £126,782.97</p> <p><b>Overall fraud savings attributed to this work stream is £148,654.64</b></p>
15	<p><b>Social care fraud</b></p> <p>Work in partnership with the People Directorate to investigate allegation of fraud and abuse of the social care system</p>	<p><b>Objective achieved</b></p> <p>There have been 6 positive outcomes involving social care cases; 2 involving residential care, 3 involving personal budget cases and 1 case involving a No Recourse to Public Funds (NRPF) case.</p>

	<p>including but not limited to:-</p> <ul style="list-style-type: none"> <li>• Personal budget applications, assessment and monitoring of spend</li> <li>• A proactive fraud risk based exercise in relation to those individuals being financially supported in long term residential care</li> </ul>	<p>A personal budget investigation uncovered false documentation that an individual had submitted to continue to receive care for their son, but the reality was that the care was not taking place. The investigation is now complete and a reassessment of the applicant has resulted in the individual being invoiced for in excess of £100,000. A decision on further punitive action is pending.</p> <p>In case two, the personal budget was being misused by an individual and funds spent on items outside of the agreed care plan. There is an overpayment in excess of £17,000 on this case. The final case involved an individual that failed to disclose capital for the purposes of the financial assessment which would have meant that they would not have received any financial support had it been declared. This overpayment amounts to in excess of £26,000.</p> <p>The proactive fraud risk based exercise in relation to residential care financial assessments commenced in Q4 of 2018/19 continued in 2019/20 and of the 20 cases reviewed, 2 are currently live under investigation with suspicions that the applicant / representative have failed to disclose capital/assets impacting the financial assessment.</p> <p>The other long term residential care case is a historical investigation where a family member deliberately deprived the applicant of capital which would have impacted the financial assessment. The overpayment of care fees in this case is in excess of £100,000. The authority obtained a charging order in January 2020 and next steps were to apply for an order of sale in order to recover the losses.</p> <p>The one 'no recourse to public funds' (NRPF) case was investigated where the applicant had failed to disclose to the authority that their immigration status had changed so continued to receive financial support from the authority whilst claiming state benefits too. This amounted to a loss of £2626 which is being recovered.</p> <p><b>Overall fraud savings attributed to this work stream is £274,953.76</b></p>
16	<p><b>Partnership working</b></p> <p>Responding to requests for information in a timely manner from our law enforcement partners e.g Police, HMRC, Other LA's etc</p>	<p><b>Objective achieved</b></p> <p>The team handled many requests for information from other law enforcement agencies to support their work and have maintained a positive working relationship with the Department for Work &amp; Pensions, the Metropolitan Police and other forces in the UK, the UK Border Agency, Registered Social Landlords and other Local Authorities.</p>
17	<p><b>Risk assess allegations of fraud and</b></p>	<p><b>Objective achieved</b></p>

<p><b>corruption</b></p> <p>Risk assess 80% of allegations of fraud and corruption and deploy resources on those cases deemed sufficiently high enough fraud risk within an average of 10 working days of receipt of the information. (KPI4)</p>	<p>Of the 205 referrals received during the year, 201 (98%) were risk assessed and resources deployed to those cases accepted for investigation within 10 working days.</p> <p><b>KPI4 target 80%, achieved 98%</b></p>
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# Performance of Corporate Anti-Fraud Team

## Introduction

A number of Key Performance Indicators (KPIs) were agreed as part of the 2019/20 Corporate Anti-Fraud Plan and performance against these is set out in the table below:

No.	CAFT Key Performance Indicators 2019/20	Target	Mid-year	Year-end	Comments
1.	Recovery of 10 social housing units subject to fraud and misuse	100%	40% (4/10)	60% (6/10)	<b>Not achieved</b> 6 social housing units were recovered during the year. The proactive exercise run in Q3 provided disappointing results which was a contributing factor to this outcome.
2.	Fraud validation checks undertaken on Right to Buy applications referred to the CAFT at offer stage and before completion	90%	100% (14/14)	100% (27/27)	<b>Achieved</b> 27 Right to Buy applications received by the team during in the year, all had anti money laundering checks carried out before purchase or were in progress before a decision made to accept or deny the purchase.
3.	Internal fraud and corruption referrals risk assessed and resources deployed in 5 working days	80%	100% (6/6)	100% (8/8)	<b>Achieved</b> Of the 8 internal fraud and corruption referrals received by the team, all 6 (100%) were risk assessed and resources deployed within 5 working days
4.	Fraud and corruption referrals risk assessed and resources deployed in 10 working days	80%	96% (66/69)	98% (201/205)	<b>Achieved</b> Of the 205 referrals received by the team during the year, 201 (98%) were risk assessed and resources deployed within 10 working days.
5.	Fraud risk recommendations agreed for implementation	70%	94% (15/16)	96% (26/27)	<b>Achieved</b> Of the 27 fraud risk recommendations made by the team in reports and briefing notes, 26 (98%) were agreed for implementation by management



## Fraud referrals, outcomes and savings summary

Fraud Risk Area	19/20 Q1 & 2	19/20 Q3 & 4
<b>Housing application fraud</b> Referrals Positive outcomes Savings	11 0 0	2 2 £99,000 (2 x applications rejected)
<b>Blue badge</b> Referrals Positive outcomes Savings	10 1 (successful prosecution) £980 (£500 notional outcome, £250 court costs, £200 fine and £30 victim surcharge)	6 0 0
<b>Fraud other</b> Referrals Positive outcomes Savings	3 0 0	1 0 0
<b>No Recourse to Public Funds</b> Referrals Positive outcomes Savings	2 1 £2626	1 0 0
<b>Revenues/CT/CTRS/HB</b> Referrals Positive outcomes Savings	4 10 £90,290.55 (mainly linked housing fraud investigations)	5 4 £58,364.05 (mainly linked housing fraud investigations)
<b>Internal</b> Referrals Positive outcomes Savings	7 1 (successful prosecution of former employee for purchase card misuse)	2 1

	£579.42	£75,102.1 (Proceeds of crime act award against former employee)
<b>Right to Buy</b> Referrals Positive outcomes Savings	14 4 £439,500 (4 x RTB applications rejected)	20 2 £218,500 (2 x RTB applications rejected)
<b>Social care/grants</b> Referrals Positive outcomes Savings	6 4 £248,326.12 (2 x residential care cases, 2 x personal budget cases)	2 1 £26,627.64 (1 personal budget case)
<b>Tenancy</b> Referrals Positive outcomes Savings	18 4 £372,000 (4 x tenancies recovered)	99 2 £186,000 (2 x tenancies recovered)
<b>NFI</b> Positive outcomes Savings	379 £894,857.34 (see section 6 for detail. Mid year 19/20 running total)	22 £45,985.59
<b>Totals</b>  <b>Referrals</b> <b>Positive outcomes</b> <b>Fraud Savings</b>	<b>75</b> <b>404 (inc NFI cases)</b> <b>£2,049,159.43</b>	<b>138</b> <b>34 (inc new NFI cases)</b> <b>£709,579.38</b>

## 2019-20 Year End Financial Summary

The level of fraud and corruption identified impacting the authority for 2019-20 amounts to in excess of £2.7 million which represents an approximate return on investment for the team's running costs of just over 10:1