

# **Governance, Audit, Risk Management and Standards Committee Agenda**

**Date:** **Tuesday 2 August 2022**

**Time:** **6.30 pm**

**Venue:** **Council Chamber, Harrow Civic Centre, Station  
Road, Harrow, HA1 2XY**

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## **Membership (Quorum 3)**

**Chair:** **Councillor Kanti Rabadia**

**Conservative Councillors:** **Philip Benjamin  
Kuha Kumaran  
Yogesh Teli**

**Labour Councillors:** **Ghazanfar Ali  
Varsha Parmar  
Antonio Weiss**

**Conservative Reserve Members:** **1. Govind Bharadia  
2. Nitesh Hirani  
3. Nicola Blackman  
4. Paul Osborn**

**Labour Reserve Members:** **1. Dan Anderson  
2. Peymana Assad  
3. Dean Gilligan**

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**Agenda publication date: Monday, 25 July 2022**

# Agenda - Part I

## 1. **Appointment of Vice-Chair**

To consider the appointment of a Vice-Chair to the Governance, Audit, Risk Management and Standards (GARMS) Committee for the 2022-2023 Municipal Year.

## 2. **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.

## 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 7 - 14)

That the minutes of the meeting held on 25 January 2022 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, 28 July 2022. 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).

8(a) Reference from Cabinet (18 July 2022) for Treasury Management Annual Outturn be reviewed (Pages 15 - 32)

9. **GARMS Committee Terms of Reference (Information Report)** (Pages 33 - 42)
10. **Corporate Annual Health and Safety Year-End Report** (Pages 43 - 144)
11. **Treasury Management Annual Report and Outturn 2021/2022** (Pages 145 - 160)
12. **Internal Audit & Corporate Anti-Fraud Plans 2022-2023 (Decision Report)** (Pages 161 - 184)
13. **External Audit Plans 2021-2022 (Information Report)** (Pages 185 - 260)
14. **Draft AGS 2021/22 (Information Report)** (Pages 261 - 282)
15. **Draft Statement of Accounts 2021-2022** (Pages 283 - 414)
16. **Any Other Urgent Business - Establishment of the Standards Working Group**  
Which cannot otherwise be dealt with.

To agree that this advisory group (the Standards Working Group) be established as required and comprise one Member from each political group on the Council and an Independent Person who will chair the meeting.

## **Agenda - Part II Q1 2022-2023 Corporate Risk Register (Information Report) (Pages 415 - 460)**

### **Corporate Risk Register**

(Note: The above reports are included in Part II of the agenda as they contain exempt information in accordance with Paragraph 1 of Part I of Schedule 12A to the Local Government Act 1972. (Information relating to a particular employee, former employee or applicant to become an employee, of, or a particular office-holder, former office-holder or applicant to become an office-holder, under the authority)

### **Data Protection Act Notice**

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

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

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# **Governance, Audit, Risk Management and Standards Committee**

## **Minutes**

### **25 January 2022**

**Present:**

**Chair:** Councillor David Perry

**Councillors:** Philip Benjamin  
Dean Gilligan  
Kairul Kareema Marikar  
Amir Moshenson  
Kanti Rabadia  
Antonio Weiss

**200. Attendance by Reserve Members**

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

**201. Declarations of Interest**

**RESOLVED:** To note the declarations as published on the Council's website prior to the meeting and the following additional declaration made by Councillor Kairul Kareema Marikar at the beginning of the meeting and during consideration of: Agenda Item 11 – Information Report - Q3 Corporate Risk Register 2021/22.

Councillor Marikar declared an interest in that she had a care business. She would have an interest if funding for social care was raised at the meeting. She would leave the meeting if the interest became pecuniary.

**202. Minutes**

A Member commented on the style of the minutes and the lack of questions having been recorded therein.

The Chair stated that the format of the minutes had not changed, the minutes were not a verbatim record of the meeting and that he was merely seeking Members' approval in that they were accurate as no corrections had been notified as requested prior to the meeting and the minutes were considered to have been approved as published on the Council's website.

The same Member was concerned that a pertinent question he had raised at the last meeting had not been answered by the Council's external auditor. The question related to the backing of the usable reserves within the financial statements in respect of the report on the Statement of Accounts 2020/21 and that he would raise this matter under a substantive items as suggested by the Chair [Minute 206 refers].

**RESOLVED:** That the minutes of the meeting held on 30 November 2021, be taken as read and signed as a correct record.

**203. Public Questions**

**RESOLVED:** To note that no public questions were received.

**204. Petitions**

**RESOLVED:** To note that no petitions had been received.

**205. Deputations**

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

**Resolved Items**

**206. Treasury Management Mid-Year Report 2021/22**

Prior to the consideration of the report, a Member (Minute 202 also refers) stated that one of his questions on the Statement of Accounts at the last meeting had not been answered by the external auditor in the written response provided after the meeting, which was also sent to all Members of the Committee. The Director of Finance and Assurance agreed to follow this up and the Member undertook to provide the relevant correspondence to her. He would continue to raise this question until he was satisfied that it had been answered.

The Committee then went to consider the substantive item.

The Committee received a Reference from Cabinet entitled 'Treasury Management Mid-Year Report 2021/22' together with the report of the Director of Finance for review. The report provided an update on the Council's Treasury Management activity in 2021/22, presented performance to 30 September 2021 in accordance with the Council's Treasury Management Practices and in compliance with the CIPFA Treasury Management Code of Practice. The Council had complied with all elements

of the Treasury Management Strategy Statement (TMSS) as the treasury management function.

The Director of Finance and Assurance introduced the report and informed the Committee that Treasury Management activity had been kept to a minimum, no borrowing had taken place and that cash balances had been managed well and in a prudent manner. In addition, the Capital Programme had been managed carefully, there was sufficient cash flow and the interest rate on small investment had been maintained.

The Director responded to questions in relation to the Treasury Management Services offered by the GLA (Greater London Authority) – page 18 of the agenda, paragraph 5 referred – and assured Members that this would be in place for 1 April 2022. It would include the Council transferring its investment balances into the GLA Group Investment Syndicate (GIS). She explained that:

- the GLA would invest the Council's cash balances which would provide a better return for the Council due to the pooling of investments. The Council would monitor its Treasury Management activity but the GLA would oversee the investments
- the Council would also be able to access borrowing if required, such as for its Regeneration Programme(s). The Council would retain its Treasury Management activities. A key factor of using the GLA Service would be to access strategic advice and support
- currently, the Council held its cash balances in bank accounts which accrued interest but by joining the TMS offered by the GLA, a better return would be available to the Council. The Council did not have the capacity to move its money frequently in order to receive a better rate of return. It was intended to initially join the TMS for a period of six months and leave if there were no benefits. It was important to note that other support would be available by joining the TMS, such as expertise and advice and the benefits were expected to outweigh the costs. The cost of joining would be in the region of £50k but, if the Council were to appoint its own TM adviser, the cost would be substantially more
- the Director noted a Member's concern that the GLA was in deficit but assured him that the money would not be going to the GLA but held as a separate fund.

Members asked additional questions of the Director of Finance and Assurance and she responded as follows:

- the Council would not be borrowing £240m as indicated by a Member but the Capital Financing Requirement (CFR) – pages 21 and 22 of the agenda – gave an indication of what the Council would have to borrow if the Capital Programme was funded through debt. The Council used some of its own cash balances to fund the Capital Programme, which was also funded by government grants and capital receipts. The use

of cash balances ensured that the Council did not have to borrow any money – external debt – to progress its Capital Programme until internal funds had been exhausted which would then require external borrowings

- authorised borrowing/limits – a series of boundaries were calculated and there was a requirement to operate within those boundaries and based on how much money was put in the capital budget. The Council needed to ensure that it could pay the money back even if the boundary was not reached. The boundary was a cap that should not be exceeded
- capital financing costs were set when the Capital Programme was agreed. There was a correlation between the setting of the Capital programme and what the Council wanted to invest in and whether it could afford to do so. Both the Council's Capital Programme and the Revenue Budget were linked in terms of affordability
- she would provide a written response in relation to Table 1 on page 19 of the agenda in respect of the capital expenditure on the Community Directorate's budget which appeared to have risen by 30% from the original estimate. She would have to peruse the Capital Monitoring Report prior to providing a response
- she would provide a fuller written response in relation to Table 2 on page 20 of the agenda which showed that the Capital Grants had fallen dramatically from their original estimate. The Director provided an example that there had been a fall in the money received from the TfL (Transport for London) for LIP (Local Implementation Plans) funding as a result of which some schemes had not progressed. A Member asked why it had been necessary for the forecast to have changed. The Director informed the Committee that the forecast had been built on the information available at the time and the revised estimate was where it was not possible for schemes to proceed. The reduction in the original and the revised estimates covered a number of schemes. She agreed to provide further information in relation to questions relating to the structuring
- she would provide Members with a profiling schedule of each individual loan from the PWLB (Public Works Loan Board) in relation to Table 9.9 on page 25 of the agenda
- the West London Waste Authority would be expected to pay back the loan referred to in paragraph 9.4, page 24 of the agenda. The Council was receiving £1.2m per year in interest. The Director undertook to provide a written response in relation to the year point in relation to the £15.8m. She explained that the capital sum of £15m was outstanding and remained the same but the Council was receiving the interest element. The principal amount would now be repaid and therefore the interest received would be less but she would clarify the situation. The term of the loan was 25 years at an interest rate of 7.604% on a reducing balance basis

- the CCTV would not be paid from the Community Budget but it would be capital investment – revenue costs from the revenue budget.

Prior to concluding the discussion on the report, the Chair reminded officers that responses were required in relation to some of the questions asked at the meeting, such as on the Community Budget, Revision of Outturn and Profiling of Debt Loan.

Having reviewed the report and in noting that responses would be received in writing from officers, it was

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

## **207. Information Report - Invitation from Public Sector Audit Appointments to opt-in to external audits from 2023 - 24 to 2027- 28**

The Committee received a report of the Director of Finance and Assurance, which provided an opportunity to consider the invitation from the Public Sector Audit Appointments (PSAA) to opt-in to the appointment of external auditors for the period 2023-24 to 2027-28.

An officer introduced the report and informed Members that:

- the length of the compulsory appointing period was for five consecutive financial years commencing 1 April 2023
- three options were set out in the report. The officer outlined each of the options, including their advantages, disadvantages and associated risks and stated that the preferred option was Option 3 – to opt-in to a sector led body using the Public Sector Audit Appointments (PSAA) due to the benefits it provided.

The Chair reminded Members that a decision to become an opted in authority had to be made at a full Council meeting in accordance with the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015 (the Regulations). He sought clarification of the role of Governance, Audit Risk Management and Standards Committee in respect of the report. The Director of Finance and Assurance stated that an informal view of the Committee was being sought which would be reported to full Council.

Members asked a number of questions in relation to the pool of accountancy firms available and their specialist areas, whether Members would have any input in the firm appointed including its capacity and staffing situation. The Director of Finance and Assurance and an officer responded as follows:

- nine large accountancy firms were expected to submit bids for the contract(s)
- as part of the process, the Council would be allocated a firm of accountants and it would be for the Council to accept or reject it and

provide reasons for its decision. If the reasons for rejecting the first allocated firm were accepted by the PSAA, then a different firm would be allocated. The Director stated that the Society of London Treasurers had received a presentation from the PSAA and that improvements had been made to the process which would also look at the staffing levels of each firm. A testing structure had been established and each firm would be required to pass the tests; otherwise, the firm would not be able to submit a tender for the contract

- the initial decision would need to be made by full Council. It should be recognised that, previously, the National Audit Office allocated a firm to each Council and that for many years, the Council had not been able to appoint its own auditor. Moreover, it was not 'healthy' to have the same firm of auditors over many years.

The Chair referred to paragraph 17 of the report and stated that he was satisfied that the procurement process was robust. The firm would need to be both competent and have the capacity to provide a good service. On behalf of his political Group, the Chair spoke in support of Option 3. A Member from the same political Group echoed the sentiments of the Chair.

The Director of Finance and Assurance assured Members that the majority of local authorities were expected to opt-in to a sector led body using the Public Sector Audit Appointments (PSAA).

Members, having considered the advantages and disadvantages, including any associated risks, of the options set out in the report

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

## **208. Exclusion of the Press 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>
11.	Information Report – Q3 Corporate Risk Register 2021/22	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).

## **209. Information Report - Q3 Corporate Risk Register 2021/22**

The Committee received a confidential report of the Director of Finance and Assurance, which set out the Council's Corporate Risk Register 2021/22 for Quarter 3 of the financial year to assist the Committee in monitoring progress on risk management in accordance with its Terms of Reference.

An officer introduced the report and responded to questions from Members. Members discussed the report at length, and it was

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

(Note: The meeting, having commenced at 6.33 pm, closed at 7.39 pm).

(Signed) Councillor David Perry  
Chair

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**Governance, Audit, Risk Management and Standards Committee – 2  
August 2022**

**Reference from Cabinet – 18 July 2022**

**37. Treasury Management Annual Report and Outturn 2021/22**

**RESOLVED:** That

- (1) the Treasury Management outturn position for 2021/22 be noted; and
- (2) the report be referred to the Governance, Audit, Risk Management and Standards Committee for review.

**Reason for Decision:** To keep Members informed of Treasury Management activities and performance for 2021/22 and promote effective financial management and comply with regulations issued under the Local Government Act 2003, the CIPFA Code of Practice on Treasury Management, and the CIPFA Prudential Code for Capital Finance, along with meeting the requirements of the Council's Financial Regulations.

**For Consideration**

**Background Documents:**

- [Cabinet Agenda – 18 July 2022](#)
- [Cabinet Minutes – 18 July 2022](#)

**Contact Officer:**

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**Report for: Cabinet**

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<b>Date of Meeting:</b>	18 July 2022
<b>Subject:</b>	Treasury Management Annual Report and Outturn 2021/22
<b>Key Decision:</b>	No
<b>Responsible Officer:</b>	Dawn Calvert - Director of Finance and Assurance
<b>Portfolio Holder:</b>	Councillor David Ashton - Portfolio Holder for Finance and Human Resources
<b>Exempt:</b>	No
<b>Decision subject to Call-in:</b>	Yes
<b>Wards affected:</b>	All wards
<b>Enclosures:</b>	Appendix 1 - Link Group Economic Commentary Appendix 2 - Borrowing Rate Summary 2021/22

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

This report sets out the Treasury Management Outturn position for 2021/22.

### **Recommendations:**

Cabinet is requested to:

1. Note the Treasury Management outturn position for 2021/22.
2. Refer this report to the Governance, Audit, Risk Management and Standards Committee for review.

### **Reason: (for recommendations)**

- a) To promote effective financial management and comply with regulations issued under the Local Government Act 2003, the CIPFA Code of Practice on Treasury Management, and the CIPFA Prudential Code for Capital Finance, along with meeting the requirements of the Council's Financial Regulations.
- b) To keep Members informed of Treasury Management activities and performance for 2021/22.

## **Section 2 – Report**

### **1.0 Background**

1.1 The purpose of this report is to present the Council's Annual Treasury Management outturn position for 2021/22 in accordance with the Council's Treasury Management Practices and in compliance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management Code of Practice. The Council has complied with all elements of the Treasury Management Strategy Statement (TMSS) as the treasury management function.

1.2 Treasury management comprises:

- Managing the Council's borrowing to ensure funding of the Council's current and future Capital Programme is at optimal cost;
- Investing surplus cash balances arising from the day-to-day operations of the Council to obtain an optimal return while ensuring security of capital and liquidity.

1.3 The annual revenue budget includes the revenue costs that flow from capital financing decisions. Under the CIPFA Treasury Management Code of Practice and the CIPFA Prudential Code, increases in capital expenditure should be limited to levels whereby increases in interest charges and running costs are affordable within the Council's revenue account.

- 1.4 The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation to ensure the security and liquidity of the Council's treasury investments.
- 1.5 The Council recognises that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of the CIPFA Treasury Management Code of Practice.

## 2.0 **Reporting Requirements**

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

**Treasury Management Strategy Statement Report** – The first, and most important report is presented to the Council in February and covers:

- The Treasury Management Strategy Statement (TMSS), which details how the investments and borrowings for capital expenditure are to be organised, including Treasury Limits and Prudential Indicators.
- The Annual Investment Strategy which forms part of the TMSS, (the parameters on how investments are to be managed).
- the MRP Policy (how capital expenditure is charged to revenue over time).

**The 2021/22 TMSS was presented to Council on 13<sup>th</sup> February 2021.**

**Mid-Year Review Report** – This is presented to Cabinet in December/January and updates Members on the Treasury Management activity of the Authority within the context of the approved TMSS. This also includes progress of the Capital Programme and reporting on Prudential Indicators to give assurance that the treasury management function is operating within the Treasury Limits and Prudential Indicators set out in the TMSS.

**The 2021/22 Mid-Year Report was presented to Cabinet on 9th December 2021**

**Treasury Management Outturn Report** – This report, typically presented to Cabinet in June/July, provides a review of the treasury management activity over the financial year and includes details of a selection of actual Prudential and Treasury Indicators and actual treasury operations compared to the estimates originally included within the TMSS.

This report fulfills this reporting requirement which is specified in section C93 (ii) in the Financial Regulations.

2.2 **Scrutiny** – The above reports are required to be adequately scrutinised, normally before being recommended to Cabinet / Council, with the role being undertaken by the Governance, Audit, Risk Management and Standards Committee (GARMS). The Council has complied with the CIPFA Treasury Management Code of Practice to the extent that all Treasury Management reports have been scrutinised, though the efficient conduct of the Council's business may require consideration by GARMS subsequent to consideration by Cabinet/Council due to the practicalities of the committee timetable.

2.3 The Council has delegated responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Section 151 Officer. The Section 151 Officer chairs the Treasury Management Group (TMG), which monitors the treasury management activity and market conditions monthly.

### 3.0 **Matters covered in the Report**

3.1 The Treasury Management Outturn Report for 2021/22 includes a summary of the actual positions in respect of the Authority's:

- Capital Expenditure, Financing and Limits
- Treasury Position as at 31st March 2022
- Summary of 2021/22 Strategy
- Economic update for 2021/22 (Appendix 1)
- Borrowing Rate Summary for 2021/22 (Appendix 2)

### 4.0 **Options considered**

4.1 The report is in accordance with the reporting requirements of the CIPFA Treasury Management Code of Practice.

### 5.0 **Treasury Management Outturn Report 2021/22**

5.1. The Treasury Management Strategy Statement, (TMSS), for 2021/22 was approved by Council in February 2021 . It stated that for the next three years the Capital Programme would continue to be funded from grants and revenue resources but that substantial borrowing would also be required.

### 6.0 **The Council's Capital Expenditure and Financing**

6.1. The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

- 6.2. The actual capital expenditure forms one of the required prudential indicators. The tables below show the actual capital expenditure for 2021/22 against that budgeted and how this was financed.

**Table 1: Capital Expenditure**

<b>Capital Expenditure</b>	<b>2020/21  Actual £'000</b>	<b>2021/22  Budget £'000</b>	<b>2021/22  Actual £'000</b>	<b>2021/22  Variance £'000</b>
Resources and Commercial Directorate	10,044	15,183	5,598	9,585
People's	1,645	28,886	2,258	26,628
Community	30,371	69,806	36,261	33,545
<b>General Fund</b>	<b>42,060</b>	<b>113,875</b>	<b>44,117</b>	<b>69,758</b>
<b>HRA</b>	<b>12,537</b>	<b>102,645</b>	<b>30,529</b>	<b>72,116</b>
<b>Total</b>	<b>54,597</b>	<b>216,520</b>	<b>74,646</b>	<b>141,874</b>

**Table 2: Financing of General Fund Capital Expenditure**

<b>Finance of Capital Expenditure</b>	<b>2020/21 Actual £'000</b>	<b>2021/22 Actual £'000</b>
<b>General Fund</b>		
Capital receipts/Right to Buy receipts	1,602	376
Capital Grants	6,562	5,449
BCiL	2,824	1,756
NCiL	272	161
Section106	880	398
Revenue	60	-
<b>External Funding</b>	<b>12,200</b>	<b>8,140</b>
<b>Net Financing need for Year</b>	<b>29,860</b>	<b>35,977</b>
<b>Total General Fund</b>	<b>42,060</b>	<b>44,117</b>

- 6.3. Further details of the capital expenditure position are included within the Revenue and Capital Outturn Report 2021/22 which is included elsewhere on this July cabinet meeting agenda.

## **7.0 The Councils Overall Borrowing Need**

- 7.1. The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR). The CFR increases within any net financing need for the year and reduces through the application of resources,

including an annual charge to the revenue budget, the Minimum Revenue Provision (MRP).

#### Gross Debt and the CFR

- 7.2. In order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external debt (borrowing plus other long term liabilities such as PFI and Finance Leases) does not, except in the short term, exceed the total CFR in the preceding year (2021/22) plus the estimates of any additional borrowing requirement for the current (2022/23) and next two financial years. The table below highlights the Council's gross debt position for 2021/22 of £439.8m against the CFR in 2021/22 of £590.4m which shows that the Council has complied with this Prudential Indicator and stayed within its CFR.

**Table 3: Gross Debt and CFR**

<b>CFR</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>Actual £000</b>	<b>Actual £000</b>
General Fund	422,193	439,039
HRA	150,674	151,339
<b>Total CFR</b>	<b>572,867</b>	<b>590,378</b>
<b>Gross Debt</b>	<b>439,832</b>	<b>439,832</b>
<b>Under/(Over) Borrowing</b>	<b>133,035</b>	<b>150,546</b>

#### Financing Costs to Net Revenue Stream

- 7.3. This Prudential Indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income), against the net revenue stream. The actual financing costs as a proportion of net revenue stream for 2021/22 compared to 2020/21 is included within table 4 below.

**Table 4: Financing costs as a proportion of net revenue stream**

<b>Ratio of financing costs to net revenue stream %</b>	<b>2020/21 Actual</b>	<b>2021/22 Actual</b>
General Fund	16%	15%
HRA	20%	20%
<b>Total</b>	<b>16%</b>	<b>16%</b>

#### The Authorised Limit

- 7.4. The Authorised Limit is the "Affordable Borrowing Limit" required by S3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level.

- 7.5. The Authorised Limit for 2021/22 was originally set as part of the 2021/22 TMSS at a total of £724m for borrowing and other long term liabilities. In light of the revised capital programme, as part of the 2022/23 TMSS which went to Cabinet in February 2022, the 2021/22 Authorised Limit was revised to £688m consisting of £660m (borrowing) and £28m (other long term liabilities).
- 7.6. With a gross borrowing figure of £439.8m, the table below demonstrates that during 2021/22 the Council has maintained gross borrowing within its Authorised Limit.

Table 5: Authorised Limit

<b>Authorised Limit £'000</b>	<b>2021/22</b>	<b>2021/22</b>
<b>Set as part of :</b>	<b>2021/22 TMSS</b>	<b>2022/23 TMSS</b>
Borrowing	696,115	660,621
Other long term liabilities	28,520	27,570
<b>Total</b>	<b>724,635</b>	<b>688,191</b>

#### The Operational Boundary

- 7.7. The Operational Boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the Authorised Limit not being breached.
- 7.8. The Operational Boundary for 2021/22 was originally set as part of the 2021/22 TMSS at a total of £683m. This was revised to reflect the revised capital programme as part of the 2022/23 TMSS to £648m, consisting of £630m (borrowing) and £18m (other long term liabilities).
- 7.9. With a gross borrowing figure of £439.8m, the table below demonstrates that during 2021/22 the Council has maintained gross borrowing within its Operational Boundary Limit.

Table 6: Operational Boundary

<b>Operational boundary £'000</b>	<b>2021/22</b>	<b>2021/22</b>
<b>Set as part of:</b>	<b>2021/22 TMSS</b>	<b>2022/23 TMSS</b>
Borrowing	666,115	630,621
Other long term liabilities	17,370	17,570
<b>Total</b>	<b>683,485</b>	<b>648,191</b>

## **8.0 Treasury Position as at 31 March 2022**

### Borrowing Outturn (excluding borrowing by PFI and finance leases)

- 8.1. The Council has maintained an internal borrowing strategy for a number of years, forgoing lost investment income on investments to use its cash balances to temporarily fund capital expenditure and avoid external borrowing costs. This

has proved efficient given the differential between short term investment returns and borrowing costs. Table 3 shows that internal (or under) borrowing as at 31<sup>st</sup> March 2022 was £150m (£133m as at 31<sup>st</sup> March 2021).

- 8.2. No additional external borrowing was undertaken during 2021/22, and the Authority's underlying need to borrow, measured by the increase in the Capital Financing Requirement, only showed a relatively small increase of £17.5m.
- 8.3. The borrowing portfolio remained unchanged in 2021/22, at £422m split between £348m of PWLB loans and £74m of Market loans, and at the 31<sup>st</sup> March 2022 the portfolio was running at an average interest rate of 3.46% and an average life of 36 years.

Table 7: Borrowing Portfolio

Borrowing Portfolio £'000	31-Mar-21			31-Mar-22		
	Principal	Average Rate (%)	Average Life (yrs)	Principal	Average Rate (%)	Average Life (yrs)
- PWLB	348,461	3.45%	36.04	348,461	3.45%	35.06
- Market	73,800	3.53%	41.69	73,800	3.53%	40.72
<b>Total borrowing</b>	<b>422,261</b>	<b>3.46%</b>	<b>37.02</b>	<b>422,261</b>	<b>3.46%</b>	<b>36.05</b>

- 8.4. The maturity structure of the debt portfolio remained within the Prudential Indicator limits set as part of the 2021/22 Treasury Management Strategy. The maturity structure table below includes one Lenders Option Borrowers Option (LOBO) market loan at its next call date, which is the earliest date the lender can require repayment. Table 8 reflects this position in respect of the maturity profile of the debt portfolio.

Table 8: Maturity Structure of Borrowing

Maturity structure of borrowing	Lower	Upper	Actual 31.03.21	Actual 31.03.22
Under 12 months	0%	40%	10%	6%
12 months to 2 years	0%	30%	1%	0%
2 years to 5 years	0%	30%	0%	0%
5 years to 10 years	0%	40%	5%	5%
10 years and above	30%	100%	84%	89%

- 8.5. Appendix 2 provides a summary of PWLB maturity loan certainty rates across 2021/22 over various durations from 1-50 years.

#### Investment Outturn

- 8.6. The Council made investments throughout 2021/22 in accordance with the Treasury Management Strategy approved by Full Council in February 2021.
- 8.7. Due to the internal borrowing strategy being undertaken by the Council, cash balances continued to be held on a short term basis for liquidity purposes, in Money Market Funds and banks throughout 2021/22.

- 8.8. Investment returns which had been low during 2020/21 saw little improvement in 2021/22 with an average return of 0.02% as set out in Table 9. While the Authority avoided making any investments at negative interest rates, returns from short term investments with MMFs and banks have been at or near zero and at the 31<sup>st</sup> March 2022 the biggest return within the portfolio was the 32 day notice account with Lloyds which was returning 0.03%.
- 8.9. While the Bank of England Base Rate increased from 0.10% to 0.25% in December 2021, after remaining unchanged since March 2020, the impact of this and the subsequent 0.25% increases in February 2022 and March 2022 to 0.75% didn't have an immediate impact on short term highly liquid investment returns due to the large levels of liquidity that have been held across the market throughout the pandemic. Bank Rate has continued to increase at each of Monetary Policy Committee meetings after 31 March 2022, and now stands at 1.25% with the expectation of further increases to come. This will increase investment returns in 2022/23.
- 8.10. The investment portfolio remained highly liquid throughout 2021/22. Investments increased from £82.4m to £98m over the year while the average rate of interest saw a minimal increase from 0.01% as at 31st March 2021 to 0.02% as at 31st March 2022.

Table 9: Investment Portfolio

Investment Portfolio	31-Mar-21			31-Mar-22		
	Principal (£'000)	Average Rate (%)	Average Life (days)	Principal (£'000)	Average Rate (%)	Average Life (days)
- MMFs	1,616	0.00%	1	1,617	0.05%	1
- Banks	80,838	0.01%	3	96,386	0.02%	3
<b>Total Investments</b>	<b>82,454</b>	<b>0.01%</b>	<b>3</b>	<b>98,003</b>	<b>0.02%</b>	<b>3</b>

## 9.0. Treasury Management Strategy for 2021/22

### Investment strategy for 2021/22

- 9.1. Investment returns which had been low during 2020/21, remained close to zero for much of 2021/22 with most local authority lending managed to avoid negative rates and one feature of the year was the continued growth of inter local authority lending. The expectation for interest rates within the treasury management strategy for 2021/22 (table 10) was that Bank Rate would remain at 0.1% until it was clear to the Bank of England that the emergency level of rates introduced at the start of the Covid-19 pandemic were no longer necessitated.

<sup>1</sup> Table 10: Link Asset Services Interest Rate Forecast 2021-2024 (TMSS 2021/22)

	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
10 yr PWLB	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
25 yr PWLB	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
50 yr PWLB	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60

9.2 The Government also supplied funding to local authorities to pass on to businesses. This meant that for most of the year there was much more liquidity in financial markets than there was demand to borrow, with the consequent effect that investment earnings rates plummeted.

9.3 The Authority's continuing internal borrowing strategy means that investments are kept liquid, with balances expected to be minimised through the use of reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets. External borrowing would have incurred an additional revenue cost, due to the differential between borrowing and investment rates.

#### Borrowing strategy for 2021/22

9.4 As the interest forecast in table 10 above illustrates, there was expected to be little upward movement in PWLB rates over the period from March 2021 to March 2024 based on the expectation that it would take economies, including the UK, a prolonged period to recover all the momentum they have lost in the sharp recession caused during the coronavirus shut down period

9.5 During 2021/22 the Council maintained an internal borrowing position and no new external borrowing was taken during the year. The CFR increased by a relatively small £17.5m during 2021/22, which resulted in the internal borrowing position of the Authority increasing from £133m to £150m. This additional borrowing requirement was met through increasing the internal borrowing position through the temporary use of resources available on the balance sheet rather than through additional external borrowing.

9.6 This means that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow has continued to be used as an interim measure.

9.7 The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this will be kept under review to avoid incurring higher borrowing costs in the future when the Authority may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

9.8 Link Group's economic review of 2021/22 and their associated interest rate forecasts at the start and close of the year are contained in Appendix 1.

## **10.0. Risk Management Implications**

- 10.1 This report is for noting and Cabinet are not being asked to make any decisions hence there are no direct risk management implications to this report.

## **11.0. Procurement Implications**

There are no procurement implication arising from this report

## **12.0. Legal Implications**

- 12.1 The Local Government Act 2003 requires the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. These are contained within this report. The Act requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy. This sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments. This report assists the Council in fulfilling its statutory obligation under the Local Government Act 2003 to monitor its borrowing and investment activities.

## **13.0. Financial Implications**

- 13.1 In addition to supporting the Council's revenue and capital programmes the Treasury Management interest budget is an important part of the revenue budget. Any savings achieved, or overspends incurred, have a direct impact on the financial performance of the budget

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

- 14.1 There are no direct equalities impact. Compliance with s.149 of the Equality Act is integral to all aspects decision-making.

## **15.0. Council Priorities**

- 15.1 This report deals with the Treasury Management Strategy which plays a significant part in supporting the delivery of all the Council's corporate priorities.

## **Section 3 - Statutory Officer Clearance**

**Statutory Officer: Dawn Calvert**

Signed by the Chief Financial Officer

**Date: 5/07/2022**

**Statutory Officer: Caroline Eccles**

Signed on behalf of the Monitoring Officer  
**Date: 5/07/2022**

**Chief Officer: Dawn Calvert**  
Signed by the Corporate Director  
**Date: 5/07/2022**

**Head of Procurement: Nimesh Mehta**  
Signed by the Head of Procurement  
**Date: 5/07/2022**

### **Mandatory Checks**

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

**EqlA carried out:** NO

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

**Contact:** Sharon Daniels, Head of Strategic and Technical Finance (Deputy S151), Telephone 020 8424 1332, [Sharon.Daniels@harrow.gov.uk](mailto:Sharon.Daniels@harrow.gov.uk)

**Background Papers:** None

**Call-in waived by the Chair of Overview and Scrutiny Committee - NO**

# Appendix 1: Link Group Economic Commentary

**UK. Economy.** Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16<sup>th</sup> December 2021, 0.50% at its meeting of 4<sup>th</sup> February 2022 and then to 0.75% in March 2022. In June 2022 the rate increased to 1.25%

The UK economy has endured several false dawns through 2021/22, but with most of the economy now opened up and nearly back to business-as-usual, the GDP numbers have been robust (9% y/y Q1 2022) and sufficient for the MPC to focus on tackling the second-round effects of inflation, now that the CPI measure has already risen to 6.2% and is likely to exceed 8% in April.

Gilt yields fell towards the back end of 2021, but despite the war in Ukraine gilt yields have shot higher in early 2022. At 1.38%, 2-year yields remain close to their recent 11-year high and 10-year yields of 1.65% are close to their recent six-year high. These rises have been part of a global trend as central banks have suggested they will continue to raise interest rates to contain inflation.

Historically, a further rise in US Treasury yields will probably drag UK gilt yields higher. There is a strong correlation between the two factors. However, the squeeze on real household disposable incomes arising from the 54% leap in April utilities prices as well as rises in council tax, water prices and many phone contract prices, are strong headwinds for any economy to deal with. In addition, from 1<sup>st</sup> April 2022, employees also pay 1.25% more in National Insurance tax. Consequently, inflation will be a bigger drag on real incomes in 2022 than in any year since records began in 1955.

**Average inflation targeting.** This was the major change in 2020/21 adopted by the Bank of England in terms of implementing its inflation target of 2%. The key addition to the Bank's forward guidance in August 2020 was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and *achieving the 2% target sustainably*". That mantra now seems very dated. Inflation is the "genie" that has escaped the bottle, and a perfect storm of supply side shortages, labour shortages, commodity price inflation, the impact of Russia's invasion of Ukraine and subsequent Western sanctions all point to inflation being at elevated levels until well into 2023.

**USA.** The flurry of comments from Fed officials following the mid-March FOMC meeting – including from Chair Jerome Powell himself – hammering home the hawkish message from the mid-March meeting, has had markets pricing in a further 225bps of interest rate increases in 2022 on top of the initial move to an interest rate range of 0.25% - 0.5%.

In addition, the Fed is expected to start to run down its balance sheet. Powell noted that the rundown could come as soon as the next meeting in May.

The upward pressure on inflation from higher oil prices and potential knock-on impacts on supply chains all argue for tighter policy (CPI is estimated at 7.8% across Q1), but the hit to real disposable incomes and the additional uncertainty points in the opposite direction.

More recently, the inversion of the 10y-2y Treasury yield spread at the end of March led to predictable speculation that the Fed's interest rate hikes would quickly push the US economy into recession. Q1 GDP growth is likely to be only between 1.0% and 1.5% annualised (down from 7% in Q4 2021). But, on a positive note, the economy created more than 550,000 jobs per month in Q1, a number unchanged from the post-pandemic 2021 average. Unemployment is only 3.8%.

**EU.** With euro-zone inflation having jumped to 7.5% in March it seems increasingly likely that the ECB will accelerate its plans to tighten monetary policy. It is likely to end net asset purchases in June – i.e.,

earlier than the Q3 date which the ECB targeted in March. And the market is now anticipating possibly three 25bp rate hikes later this year followed by more in 2023. Policymakers have also hinted strongly that they would re-start asset purchases if required. In a recent speech, Christine Lagarde said “we can design and deploy new instruments to secure monetary policy transmission as we move along the path of policy normalisation.”

While inflation has hit the headlines recently, the risk of recession has also been rising. Among the bigger countries, Germany is most likely to experience a “technical” recession because its GDP contracted in Q4 2021, and its performance has been subdued in Q1 2022. However, overall, Q1 2022 growth for the Eurozone is expected to be 0.3% q/q with the y/y figure posting a healthy 5.2% gain. Finishing on a bright note, unemployment fell to only 6.8% in February.

**China.** After a concerted effort to get on top of the virus outbreak in Q1 of 2020, economic recovery was strong in the rest of the year; however, 2021 has seen the economy negatively impacted by political policies that have focussed on constraining digital services, restricting individual freedoms, and re-establishing the power of the One-Party state. With the recent outbreak of Covid-19 in large cities, such as Shanghai, near-term economic performance is likely to be subdued. Official GDP numbers suggest growth of c4% y/y, but other data measures suggest this may be an overstatement.

**Japan.** The Japanese economic performance through 2021/22 is best described as tepid. With a succession of local lockdowns throughout the course of the year, GDP is expected to have risen only 0.5% y/y with Q4 seeing a minor contraction. The policy rate has remained at -0.1%, unemployment is currently only 2.7% and inflation is sub 1%, although cost pressures are mounting.

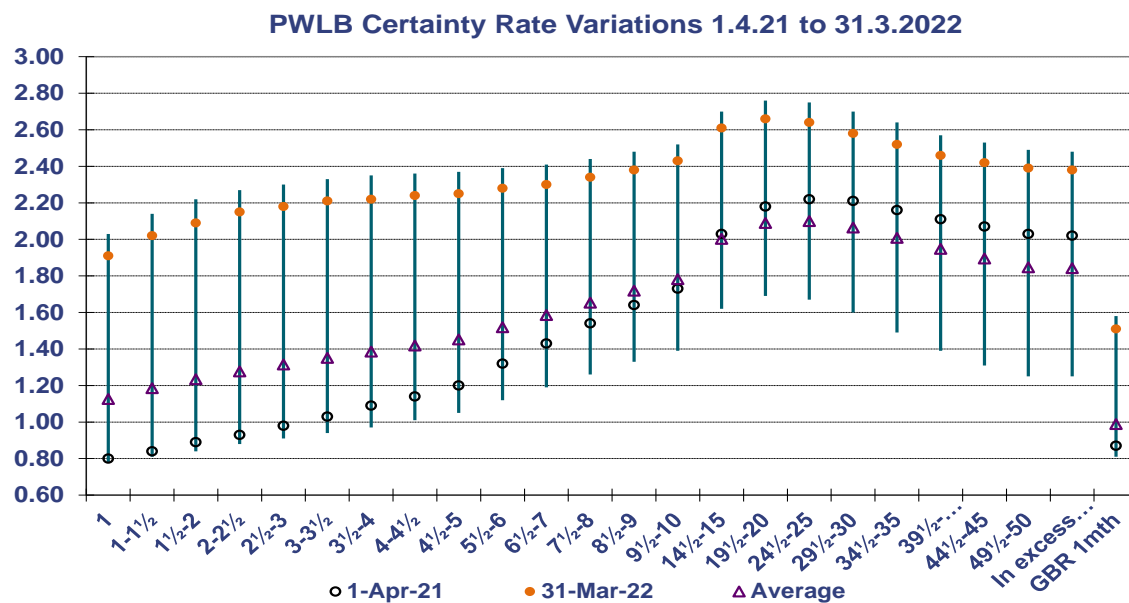
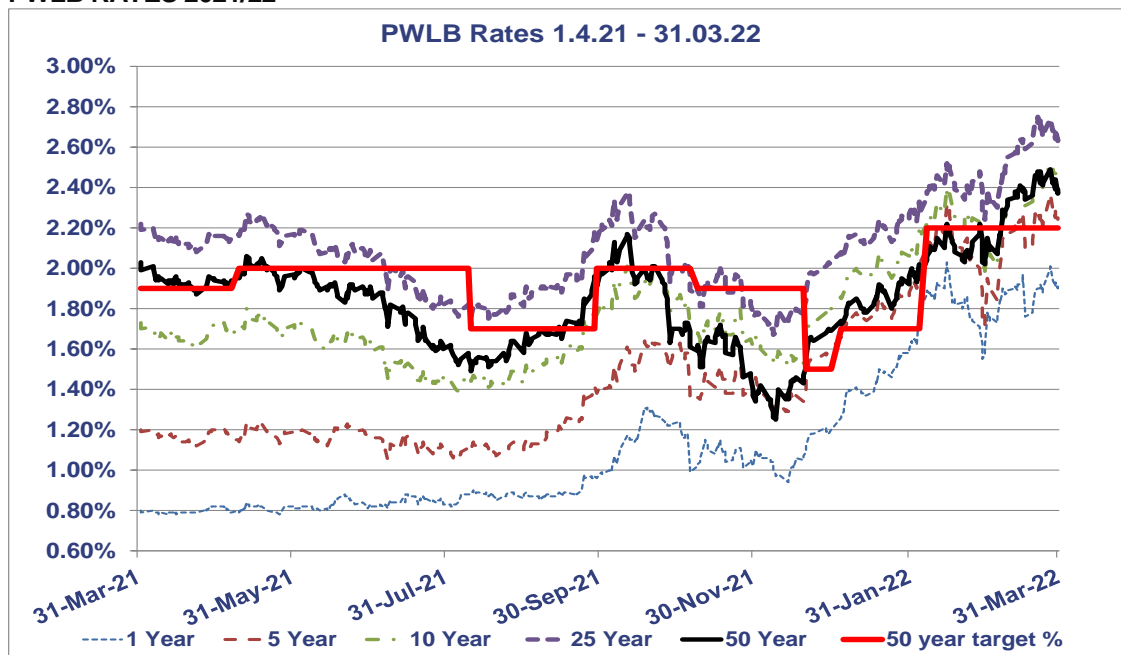
**World growth.** World growth is estimated to have expanded 8.9% in 2021/22 following a contraction of 6.6% in 2020/21.

**Deglobalisation.** Until recent years, world growth has been boosted by increasing globalisation i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last 30 years, which now accounts for 18% of total world GDP (the USA accounts for 24%), and Russia’s recent invasion of Ukraine, has unbalanced the world economy. In addition, after the pandemic exposed how frail extended supply lines were around the world, both factors are now likely to lead to a sharp retrenchment of economies into two blocs of western democracies v. autocracies. It is, therefore, likely that we are heading into a period where there will be a reversal of world globalisation and a decoupling of western countries from dependence on China (and to a much lesser extent Russia) to supply products and vice versa. This is likely to reduce world growth rates.

**Central banks’ monetary policy.** During the pandemic, the governments of western countries have provided massive fiscal support to their economies which has resulted in a big increase in total government debt in each country. It is therefore very important that bond yields stay low while debt to GDP ratios slowly subside under the impact of economic growth. This provides governments with a good reason to amend the mandates given to central banks to allow higher average levels of inflation than we have generally seen over the last couple of decades. Both the Fed and Bank of England have already changed their policy towards implementing their existing mandates on inflation, (and full employment), to hitting an average level of inflation. Greater emphasis could also be placed on hitting subsidiary targets e.g. full employment before raising rates. Higher average rates of inflation would also help to erode the real value of government debt more quickly.

## Appendix 2: Borrowing Rate Summary 2021/22

### PWLB RATES 2021/22



### HIGH/LOW/AVERAGE PWLB RATES FOR 2021/22

	1 Year	5 Year	10 Year	25 Year	50 Year
01/04/2021	0.80%	1.20%	1.73%	2.22%	2.03%
31/03/2022	1.91%	2.25%	2.43%	2.64%	2.39%
Low	0.78%	1.05%	1.39%	1.67%	1.25%
Low date	08/04/2021	08/07/2021	05/08/2021	08/12/2021	09/12/2021
High	2.03%	2.37%	2.52%	2.75%	2.49%
High date	15/02/2022	28/03/2022	28/03/2022	23/03/2022	28/03/2022
Average	1.13%	1.45%	1.78%	2.10%	1.85%
Spread	1.25%	1.32%	1.13%	1.08%	1.24%



**Report for: Governance, Audit,  
Risk Management &  
Standards Committee  
(Non-Executive)**

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<b>Date of Meeting:</b>	02/08/22
<b>Subject:</b>	GARMS Committee Terms of Reference
<b>Responsible Officer:</b>	Dawn Calvert – Director of Finance & Assurance
<b>Exempt:</b>	No (If Yes, ie report is Private & Confidential, state grounds – see Access to Information Procedure Rule 12.4 – advice can be sought from Dem Services)
<b>Wards affected:</b>	All
<b>Enclosures:</b>	Appendix 1 – GARMS Committee Terms of Reference

**Section 1 – Summary and Recommendations**

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This report sets out the GARMS Committee's Terms of Reference for information. The purpose of this report is to bring to the attention of the new members of the Committee the Committee's Terms of Reference and to act as a reminder to those who have previously served on the Committee.

## **Section 2 – Report**

### **Introduction**

- 2.1 Following the local elections in May the Governance, Audit, Risk Management and Standards Committee has a new Chair and several new members of the Committee.
- 2.2 The purpose of this report is to bring to the attention of the new members of the Committee the Committee's Terms of Reference (Appendix 1) and to act as a reminder to those who have previously served on the Committee.

### **The Committee's Terms of Reference**

- 2.3 The remit for the Governance, Audit, Risk Management and Standards Committee is set out in the Committee's Terms of Reference which was last reviewed in 2018/19.
- 2.4 The Terms of Reference states that the Governance, Audit, Risk Management and Standards Committee is a key component of Harrow Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
- 2.5 The purpose of the committee is to provide independent assurance to the members of the adequacy of Harrow Council's governance, risk management and control frameworks and to oversee the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place. It also acts as the Standards Committee.
- 2.6 The Committee's remit covers the following areas:
  - Governance
  - Risk Management
  - Countering Fraud and Corruption
  - Internal Audit
  - External Audit
  - Financial Reporting
  - Treasury Management
  - Health & Safety
- 2.7 The Committee's Terms of Reference also covers its accountability arrangements and its role with regards to Standards.
- 2.8 In terms of accountability the Committee is required to:
  - To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.

- To report to full council on an annual basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
  - To publish an annual report on the work of the committee.
- 2.9 Throughout the Terms of Reference the main emphasis is on the Committee reviewing, monitoring and confirming information presented to it with the aim of seeking assurance on the Council's governance, risk management and control frameworks.

## **Legal Implications**

There are no legal implications of this report.

## **Financial Implications**

There are no financial implications of this report.

## **Risk Management Implications**

There are no risk management implication of this report.

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

There are no equalities implications of this report.

## **Council Priorities**

There is no decision in this report and therefore no link to the Council priorities.

## **Section 3 - Statutory Officer Clearance**

This report is for information only and therefore does not require clearance by Legal, Financial or a Corporate Director.

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

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

**Background Papers:** None

## **GOVERNANCE, AUDIT, RISK MANAGEMENT AND STANDARDS COMMITTEE**

### **1. Statement of purpose**

- 1.1 The Governance, Audit, Risk Management and Standards Committee is a key component of Harrow Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
- 1.2 The purpose of the committee is to provide independent assurance to the members of the adequacy of Harrow Council's governance, risk management and control frameworks and to oversee the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place. It also acts as the Standards Committee.
- 1.3 The Governance, Audit, Risk Management and Standards Committee has the following powers and duties:

### **2. Governance**

- 2.1 To review the council's corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of governance.
- 2.2 To review the Annual Governance Statement (AGS) prior to approval and consider whether it 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.
- 2.3 To monitor the progress of agreed actions to close significant governance gaps.
- 2.4 To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- 2.5 To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
- 2.6 To review the governance and assurance arrangements for significant partnerships.

### **3. Risk Management**

- 3.1 To review the Council's risk management strategy.

- 3.2 To monitor the effective development and operation of risk management in the council via the review of the Council's Corporate Risk Register on a regular basis.
- 3.3 To monitor progress in addressing risk-related issues reported to the committee.

#### **4. Countering Fraud and Corruption**

- 4.1 To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
- 4.2 To monitor the counter-fraud strategy, actions and resources and the Council's approach to tackling fraud and corruption and promote an anti-fraud culture.
- 4.3 To review and approve the annual Corporate Anti-Fraud Team Plan.
- 4.4 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.

#### **5. Internal audit**

- 5.1 To approve the internal audit charter and support the independence of Internal Audit.
- 5.2 To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- 5.3 To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- 5.4 To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- 5.5 To make appropriate enquiries of both management and the Head of Internal Audit to determine if there are any inappropriate scope or resource limitations.
- 5.6 To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the Head of Internal Audit.
- 5.7 To approve and periodically review safeguards to limit such impairments.

- 5.8 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.<sup>1</sup>
- 5.9 To consider Red and Red/Amber assurance reports and summaries of specific internal audit reports as requested.
- 5.10 To contribute to the Quality Assurance Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
- 5.11 To consider the report on the effectiveness of internal audit contained within the AGS.
- 5.12 To provide free and unfettered access to the GARMS Committee Chair for the Head of Internal Audit, including the opportunity for a private meeting with the committee.

## **6. External audit**

- 6.1 To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by Public Sector Audit Appointments (PSAA).
- 6.2 To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- 6.3 To consider specific reports as agreed with the external auditor.
- 6.4 To comment on the scope and depth of external audit work and to ensure it gives value for money.

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<sup>1</sup> These will include:

- a) updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work
- b) annual report on the results of the internal audit Quality Assurance Improvement Programme (QAIP)
- c) statement of the level of conformance with the Public Sector Internal Audit Standards (PSIAS) and reports on instances where the internal audit function does not conform to the PSIAS, considering whether the non-conformance is significant enough that it must be included in the AGS.
- d) The opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the committee in reviewing the AGS.
- e) the level of management response to internal audit recommendations and progress on implementation of recommendations and to recommend action where internal audit recommendations are not being implemented.
- f) the action taken where the Head of Internal Audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.

- 6.5 To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.
- 6.6 To scrutinise/comment on the External Audit plan and fees.
- 6.7 To monitor progress against the External Audit plan and receive summaries of audit work completed and key recommendations.
- 6.8 To review the management response to external audit recommendations and progress on implementation of recommendations.
- 6.9 To recommend action where external audit recommendations are not being implemented.

## **7. Financial reporting**

- 7.1 To review the annual statement of accounts prior to approval and satisfy themselves that appropriate steps have been taken to meet statutory and recommended professional practices. Specifically to:
  - review the narrative report to ensure consistency with the statements and the financial challenges and risks facing the authority in the future
  - review whether the narrative report is readable and understandable by a lay person
  - review the key messages from each of the financial statements and evaluating what that means for the authority in future years
  - monitor trends and review for consistency with what is known about financial performance over the course of the year
  - review the suitability of accounting policies and treatments
  - seek explanations for changes in accounting policies and treatments
  - review major judgemental areas, eg provisions or reserves
  - seek assurances that preparations are in place to facilitate the external audit.
- 7.2 To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

## **8. Treasury Management**

- 8.1 To review the Treasury Management strategy and monitor progress on treasury management in accordance with CIPFA codes of practice.

## **9. Health & Safety**

- 9.1 To review the Council's Health and Safety arrangements and oversee progress on Health and Safety.

## **10. Accountability arrangements**

- 10.1 To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.
- 10.2 To report to full council on an annual basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- 10.3 To publish an annual report on the work of the committee.

## **11. Standards**

- 11.1 Promoting and maintaining high standards of conduct by Councillors, co-opted members and "church" and parent governor representatives.
- 11.2 Assisting Councillors, co-opted members and "church" and parent governor representatives to observe the Members' Code of Conduct.
- 11.3 Advising the Council on the adoption or revision of the Members' Code of Conduct.
- 11.4 Monitoring the operation of the Members' Code of Conduct.
- 11.5 Developing and recommending local protocols to the Council to supplement the Members' Code of Conduct.
- 11.6 Enforcing local protocols and applying sanctions in respect of breaches as appropriate.
- 11.7 Advising, training or arranging to train Councillors, co-opted members and "church" and parent governor representatives on matters relating to the Members' Code of Conduct.
- 11.8 Granting dispensations to Councillors, co-opted members and "church" and parent governor representatives from requirements relating to interests set out in the Members' Code of Conduct.
- 11.9 To keep under review and amend, as appropriate, the Protocol on Councillor/Officer Relations.

- 11.10 To keep under review the Officer Code of Conduct and, after consultation with unions representing staff, make recommendations to Council for amendment or addition.
- 11.12 To receive reports and keep a general overview of probity matters arising from ombudsman investigations, Monitoring Officer reports, reports of the Chief Financial Officer and Audit Commission.
- 11.13 To have oversight of the Council's Whistleblowing Policy.
- 11.14 To agree the policy for decisions on payments to those adversely affected by Council maladministration (under section 92 Local Government Act 2000).
- 11.15 To establish sub-committees and working groups to deal with complaints that a member or a co-opted member has failed to comply with the Council's Code of Conduct.
- 11.16 To consider any application received from any officer of the Authority for exemption from political restriction under Sections 1 and 2 of the Local Government and Housing Act 1989 in respect of the post held by that officer and may direct the Authority that the post shall not be considered to be a politically restricted post and that the post be removed from the list maintained by the Authority under Section 2(2) of that Act.
- 11.17 Upon the application of any person or otherwise, consider whether a post should be included in the list maintained by the Authority under Section 2(2) of the 1989 Act, and may direct the Authority to include a post in that list.
- 11.18 On referral from the Monitoring Officer, to decide whether to take action against a member for breach of the Code of Conduct and if so, to decide what action should be taken.

## **12. Membership rules:**

- 12.1 An Elected Mayor, the Leader or a member of the Executive may not be Members;
- 12.2 The Chair of the Committee must not be a Member of the Executive;
- 12.3 The appointment of co-opted/independent members can be considered;
- 12.4 The Independent Persons are not members of GARMS and shall be invited to meetings only if there is a Standards item on the agenda.



**Report for: Governance, Audit and Risk Management Committee**

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**Date of Meeting:** 02<sup>nd</sup> August 2022

**Subject:** Annual Health and Safety Report for 2021-2022

**Responsible Officer:** Tracey Connage, Director of HR&OD

**Exempt:** No

**Wards affected:** N/A

**Enclosures:** Appendix 1 – Analysis Report for Accidents and Incidents Quarter 1 To Quarter 4 (1st April 2021 – 31st March 2022)  
Appendix 2 – Accident/Incidents Trends  
Appendix 3 – H&S Strategy 2021-2022 and Corporate H&S Performance Plan 2021-2022  
Appendix 4 – Occupational Health Overview 2021-2022  
Appendix 5 – Terms of Reference  
Appendix 6 – Corporate Health and Safety Policy 2021-2022

## Section 1 – Summary and Recommendations

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This report summarises the Council's health and safety performance for the year 1st April 2021 to 31st March 2022, providing an update of activities and giving information on outcome measures – Covid-19 response, training, audits and accidents. This report also includes the Health & Safety Strategy, Corporate Health and Safety Performance Plan and Policy. Information about Occupational Health is additionally provided as this does not sit within the Corporate Health & Safety.

### Recommendations:

The Committee is requested to:

1. Note the Accidents and Incidents report for information
2. Note the Health & Safety Strategy and corporate health and safety plan as set out in Appendix 4
3. Note the approved Corporate Health & Safety Policy in Appendix 6
4. Note the information on Occupational Health

## Section 2 – Report

### Executive Summary

- 2.1. The Corporate Health and Safety Service has continued to develop the health and safety management system and to provide support and guidance across the organisation during the period April 2021 to March 2022.
- 2.2. This same period forms the third and final year of the April 2019 - March 2022 strategy plan which has now concluded. The successful implementation of this strategy has had a significant effect with both raising safety performance standards and providing assurances that the safety management system is fit for purpose.
- 2.3. Safety compliance data and performance measurement have undoubtedly been affected by the Covid 19 pandemic during this period but there remains strong indicators within this report to suggest the growing effectiveness of the safety management system and of improvement with associated health and safety behaviours.
- 2.4. An assurance of continued resilience with the Corporate Health and Safety Service and with the management and mitigation of foreseeable risk comes with the new Corporate Occupational Health/Safety and Wellbeing Strategy for April 2022 - March 25 which has now been developed and will be released in April 2022.
- 2.5. The key work streams during the period have been:

- Leading on plans to monitor operational and occupational risk assessments with respect to Harrow Council's Coronavirus (Covid-19) control plans which involved:
  - Developing a risk assessment template that was used across the Council and was tailored to suit specific needs in response to the Covid-19 pandemic.
  - Developing and supporting managers to undertake risk assessments

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- Gold delegated to Silver the responsibility for approving all the pandemic risk assessments as a key part of the governance on this matter. Reviewed risk assessments are recorded on a tracker and monitored by the Corporate Health and Safety Board (CHSB)
- The annual review of the Corporate Health & Safety Policy (**see Appendix 6**)
- Reviewed a number of health and safety policies and Codes of Practice.
- Provision of health and safety support, advice and guidance across resources, community and people directorates.
- Reviewed and amended of the Corporate Health and Safety Handbook.
- Continued delivery of health and safety training (Please refer to Health and Safety Training section on page 10 for detailed information)
- - 30 staff have completed level 3 health and safety (Highfield accredited)- 3-day course
  - 51 employees completed a level 3 risk assessment (Highfield accredited)-3 days course
  - 90 employees completed a training on accident reporting, undertaking audits and risk assessments using the health and safety management software (SHE Assure)
- Inspections, audits, site visits, monitoring and investigation of accidents/incidents
  - 34 audits were undertaken on schools and children centres in 2021-2022 with an average score of 70% and 82% respectively.
  - Raised action are Ongoing.

2.6. The management of the occupational health service and employee assistance programme has stayed with HR, due to direct links with employment and sickness.

2.7. Key incident indicators from the period April 2021 to March 2022 are as follows:

- No enforcement action from the HSE.
- There has been a 53% increase in the number (646) of accidents/incidents reported in comparison with the previous year. These increases are attributed to the full resumption of schools in 2021 -2022 after their partial closures during lockdowns and some staff were also able to work in offices compared to the Covid-19 pandemic period in 2020-2021 which saw schools closed to the vast

majority of children and a majority of staff working from home. This can account for the increase in the number of accidents reported.

- There has been a decrease in the number of incidents reported as a RIDDOR from data compared from last year.  
Data compared across 3 years shows 2019/20 had (9 out of 1105), 2020/21 had (15 out of 298), while 2021/22 had (13 out of 646).
- Lost time injuries (LTI<sup>1</sup>) made up 2.2% of all incidents reported within this time period. Compared with the previous year, this is a decrease (2020/21 had 13 LTI in 298 incidents, 2021/2022 had 14 LTI out of 646 incidents,). There were no lost time injuries in the People and Resources directorates. There is no quantified trend that accounts for this decrease in LTI.
- Academies and Voluntary Aided Schools do not report accident/incidents to the corporate health and safety team. Their governing bodies have a legal duty under the Health and Safety at Work etc. Act 1974 to approve the strategic vision for the school. For community schools who buy into the SLA, The Corporate Health and safety has been working in partnership with the headteachers and promoting continuous improvement in the performance of each school's health and safety arrangements. The audits program is key for promoting continuous improvement.
- The accident/incident data for community schools is generated from the incident reports on SHEAssure system. This is only available for schools that buy into the Corporate Health and Safety level service agreement.

## Background

- 2.8. This report details the annual safety review of health and safety performance to enable the Council to determine its effectiveness in managing risk and address any shortcomings.

## External Assurance

- 2.9. In 2016 an external audit was conducted, leading to a full review of all aspects of Corporate Health & Safety including the governance, resulting in an initial action plan that was taken to Corporate Strategic Board in 2017 and GARMS in 2018.

The Corporate Health and safety structure was developed to support the council and meet specific aims listed below. This will fulfil some of the areas highlighted by the external auditor in the 2016 audit:

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<sup>1</sup> LTI-Lost time Injuries

- To ensure future service is robust, fit-for-purpose, high calibre team
- Integrate all H&S functions into single corporate H&S function (CH&S)
- CH&S to be part of Corporate Resources Directorate – HR and OD
- New job profiles with essential professional qualifications and credentials

## **Improvement Plan**

- 2.10. Following the completion of the external audit in January to March 2016, a series of actions were approved by the Corporate Strategic Board in September 2017 and Governance, Audit and Risk Management Committee (GARMSC) in October 2017. Subsequently, in 2022, a three year Health and Safety strategy document including a Corporate health and safety performance plan was produced setting out the aims and objectives for the Council.
- 2.11. The action plan is monitored by the Corporate Health & Safety Board that meets on a 6 weekly basis to ensure implementation. Focus is on transparency and ensuring all are leaders and staff are aware of their responsibilities and that effective governance is in place.
- 2.12. As part of this, and in line with legislative requirements, the Corporate Health & Safety Policy for the Council has been amended and updated, and is included in Appendix 6
- 2.13. High priority will be placed on outstanding actions from the corporate health & safety performance action plan, ensuring they are implemented. In particular;
- Management self-audits
  - Introduction to incident investigation course for first line managers
  - General Health and safety audits corporately and for schools

## **Health and Safety Policy and Guidance**

- 2.14. A review of existing policies and codes of practice was undertaken this year, including the overarching health and safety policy which was signed off by the Council Leader and Chief Executive. This is to ensure Harrow Council meets its obligations under the Health and Safety at Work Act (HASAWA)1974.
- 2.15. The following documents were reviewed.
- Asbestos policy
  - Legionella Policy
  - PPE Policy
  - Lone working policy
  - Manual Handling
  - Corporate Health and Safety Policy
  - H&S Handbook

- Accident & Incident Code of practice

## Health and Safety Groups

2.16. Due to the Covid-19 pandemic, there were few opportunities for face-to-face Health and Safety meetings. The Corporate Health and Safety Board (CHSB) continued to hold meetings on Microsoft Teams, Silver group met weekly to discuss building secure risk assessment, and the Head of Corporate Health & Safety met with stake holders and unions monthly to discuss building secure risk assessment.

## Safety Culture

2.17. Due to the pandemic, there was an instruction from government which led to a majority of staff working from home. Safety circles have now restarted in some directorates. Not all directorates have carried out all quarterly safety circle meetings, principally because they are not on the corporate estates. Corporate communications and briefing on covid19 happened on a quarterly basis. School newsletters were also sent out regularly.

2.18. The Health and Safety Handbook is available to all staff. However, there has been an update to its design and contact numbers. This is in the approval stage. A copy of the handbook can be downloaded from SHEAssure document library, [reference 133](#).

## Risk Assessments, Health and Safety Visits, Inspections and Audits

2.19. Site visits, Risk Assessments, Audits, Inspections and Accident investigations have continued to be performed by the Corporate Health and Safety Service through the organisation.

2.20. Internal Health and Safety Audits were undertaken  
34 audits have been carried out in Children Centres and in Schools who buy into SLA and a couple of those who didn't buy into SLA also 20 Schools bought the SLA service in 2021-22  
An overall average score of 70% was obtained in Schools while Children Centres had an average of 82%.

26 audits were carried out in Environmental services, teams included are Facility management, Refuse, CA Site, Street Cleaning, Parks, Grounds-Maintenance, Gardening – services, Transport, Fleet -Management, Capital-Programme, Highways and in SNT.

2.21. 119 new risk assessments were recorded and uploaded on SHE assure system.

2.22. 112 risk assessments have been amended within this period.

2.23. Fire Risk Assessments were completed:

47 FRAs on corporate buildings

437 Council Housing Fire Risk Assessment completed.

33 FRA's was Received from schools. .

2.24. 54 Council Housing Fire Safety Audits completed

2.25. Asbestos re-inspection survey was carried out on 50 corporate buildings, 10 community schools and schools with an asbestos SLA. 431 Asbestos Surveys were also completed in Council Housing.

2.26. Senior management safety tours were substituted with COVID building risk assessment due to the pandemic. Heads of Services, senior managers, divisional directors, and the silver group were all part of the review process and offered amendments on the RA process. The Building Risk Assessment covers key areas required for compliance, hence it can serve as a safety tour.

2.27. Management Self Audits - Due to the pandemic and government guidelines on a majority of staff working from home, this particular objective was not met.

## Occupational Health

2.28. Health Management Limited (HML) continues to provide the occupational health service and the employee assistance programme (EAP). The service is overseen by HR. The services continued to carry out online appointments during the Covid pandemic.

2.29. The Occupational Health Service continues to provide adequate health surveillance, return to work rehabilitation, health promotion and reduction of work-related sickness absence. 59 staff members have currently had the Hep B vaccination, there was no target set with numbers of staff to have the vaccination.

2.30. **Appendix 4** provides a breakdown of Occupational Health referrals for information

2.31. The Employee Assistance Programme (EAP) has continued to be promoted throughout the year. Employees can freely obtain a range of services including specialist counselling and financial advice.

## **Promotion of Health, Safety and Wellbeing**

2.32. Public Health is still leading on the Council's Outbreak Control Plans for COVID-19 and have provided the Council with advice over this.

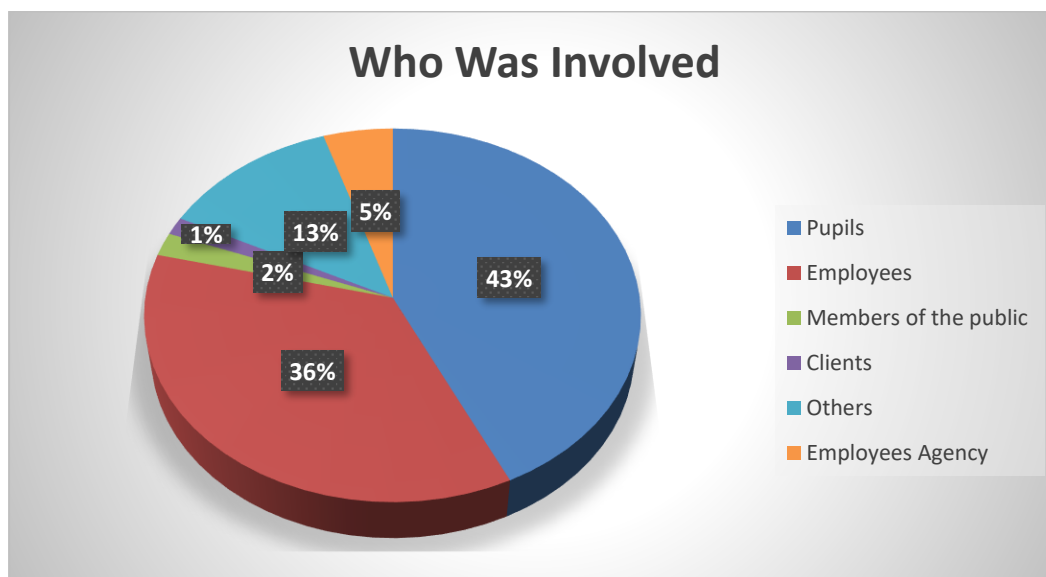
2.33. Practical initiatives and steps have also been taken to support staff's mental health and wellbeing such as support resources on the intranet and the Wellbeing Wednesdays when there is a variety of activities, bereavement drop-in sessions and other events on the wellbeing calendar

2.34. As planned a Health and Wellbeing Strategy was put together to support staff mental health. The Council has trained 37 Wellbeing champions in total. 9 from Communities, 3 from People and 15 from Resources .

## **Incidents reported**

2.35. Incident performance is monitored by the Corporate Health and Safety Board (CHSB) every six weeks. The data is considered both in terms of volume and through key performance indicators which allow consideration of the number of employees and number of employee hours worked

2.36. There have been 232 employee related incidents in this period (this includes all near misses and not just accidents), which is 36% of all incidents/accidents reported. 8 these incidents have required reporting to the Health and Safety Executive as a RIDDOR. This has resulted in loss of 129 working days.

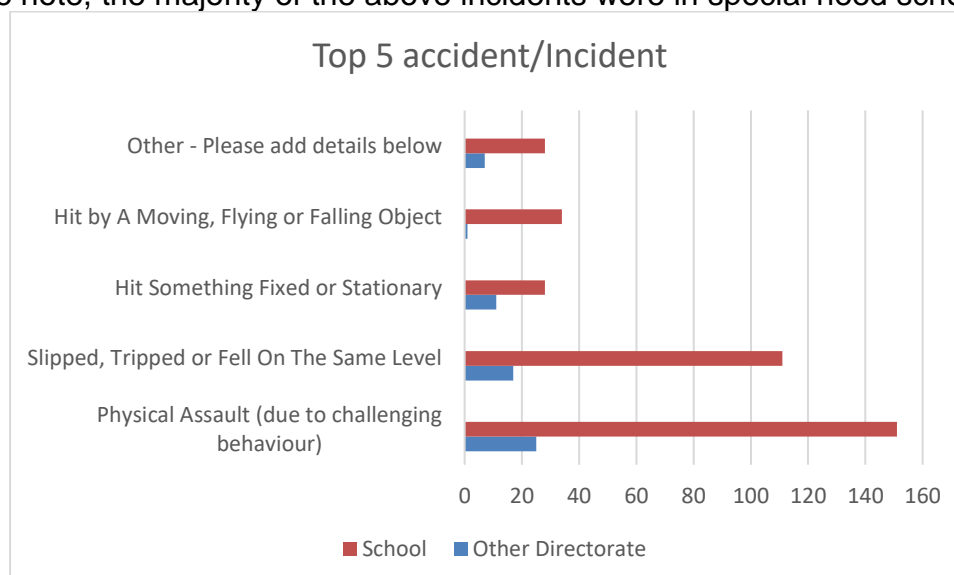


2.37. Incidents to non-employees where it relates to the organisation's activities or the use of its facilities has also been recorded. 51% of these incidents relates to pupils, agency employees, member of the public and clients. Others contribute just 13%.

2.38. This year the top 5 accident types across the corporate estate, including schools which have signed up to the Service Level Agreement with Corporate Health & Safety, were –

- Physical Assault (Due to challenging behaviour) 176,
- Slipped, Tripped and fell on the same level 128
- Hit Something Fixed or Stationary (39).
- Hit by a moving, Flying or falling object 35
- Other – Please add details 35

Please note, the majority of the above incidents were in special need schools.



- 2.39. Across the Council, 13 RIDDOR types of incident were recorded. 9 of those were employee incidents while 4 related to Others (Pupils, Clients). A further breakdown is included in **Appendix 1**
- 2.40. **Community directorate accounted for 13% out of 646 incidents recorded for the year 2021/22.** Of the 85 incidents recorded, 5 of the most frequently reported incidents were Slips, Trips and Falls, Physical assault (due to challenging behaviour), Incident with Verbal Abuse, Incident with threatening behaviour, and Hit something fixed or stationary. The severity of a high proportion of the incidents reported is minor.
- 2.41. **Peoples directorate accounted for 10% out of 646 incidents recorded for the year 2021/22.** Of the 62 incidents recorded, 5 of the most frequently reported incidents were Physical contact (Not Assault), Physical assault (due to challenging behaviour), Slips, Trips and Falls, Self Harm, and Hit Something Fixed. The majority of these incidents were in children and young people services-. The severity of a high proportion of the incidents reported is minor
- 2.42. **Resources directorate accounted for 0.2% out of 646 incidents recorded for the year 2021/22.** The 1 incident recorded was slips, trips and fell on same level.
- 2.43. **Schools accounted for 77% out of 646 incidents recorded for the year 2021/22.** Of the 498 incidents recorded, 5 of the most frequently reported incidents were Slips, Trips and Falls, Physical assault (due to challenging behaviour), Hit by a moving, flying or falling object, hit a fixed object and Others. The majority of these incidents were in special education. The severity of a high proportion of the incidents reported is minor.

## Health and Safety Training

- 2.44. The Training programme has continued to be delivered by the Corporate Health and Safety Service, but within the bigger remit of the Training Academy since 2017
- 2.45. The Commercial Safety Team has worked with the Training Academy to ensure it is an accredited training centre for Highfield and Chartered Institute of Environmental Health (CIEH); offering accredited and bespoke courses across all areas of health & safety, food safety and public health matters.
- 2.46. These courses are available on the training calendar and the service will continue to monitor incidence performance, using the improved SHE Assure software arrangements, against delivered training to identify positive impacts and areas where further training is necessary

2.47. Trainings completed in this timeframe include.

- 30 supervisors and first line managers completed level 3 health and safety (Highfield accredited)- 3-day course
- 51 employees completed a level 3 risk assessment (Highfield accredited)-3 days course
- 90 employees completed a training on accident reporting, undertaking audits and risk assessments using the health and safety management software (SHE Assure)

2.48. Plans are underway to ensure first line managers and supervisors attend the 1-day Introduction to Incident Investigation course. This will be carried out by Highfield at the training academy

2.49. It has been noted that the provision of an online induction training course through the learning pool has aided the greater completion of the course.

2.50. Work is taking place with the Learning and Development Team to improve the induction training as well as the mandatory online health & safety training course.

## Legislation Update

2.51. The period 2021/22 saw some changes in legislation, guidance, codes of practice, health & safety updates and general safety notices as follows:

- **COVID-19: people with COVID-19 and their contacts (24 February 2022) updated on 1 April 2022** - There is no longer a legal requirement for people with coronavirus (COVID-19) infection to self-isolate, however for those with any of the main symptoms of COVID-19 or a positive test result, the public health advice is to stay at home and avoid contact with other people. There is separate guidance for those [working in health and social care settings](#)
- **PPE Regulations 1992 (amended 2022)** - Employers with both employees and limb (b) workers will assess the risk and ensuring suitable PPE is provided, when needed, to all people that fall under the definition of worker. The PPE provided must be compatible, maintained and correctly stored. All workers must use the PPE properly following training and instruction in its use from their employer. If the PPE you provide is lost or becomes defective, your worker should report that to you.  
Employers with only limb (b) workers will need to ensure that workers are provided with PPE free of charge, where required. This means assessing the residual risk once all other measures (such as engineering controls) have been taken
- **Preventing and mitigating COVID-19 at work: policy brief, 19 May 2021-**  
Workplaces outside of healthcare facilities can be also settings for transmission of COVID-19. Outbreaks of COVID-19 has been reported in various types of workplaces and job categories. This joint WHO/ILO policy brief provides a summary of the evidence

for transmission of COVID-19 in general workplaces and an overview of WHO and ILO recommendations for prevention and mitigation of COVID-19 and for protecting health and safety at work in the context of the pandemic.

- **15<sup>th</sup> March 2022 – Mandatory Vaccination revoked** - On this date, the government revoked regulations which required workers in Care Quality Commission regulated care homes to be vaccinated against Covid-19 as a condition of employment from 11 November 2021. The statutory requirement for other health and care workers to be vaccinated was due to be introduced on 1 April 2022 but was also revoked
- **ISO 45003:2021 - Occupational health and safety management** - This document gives guidelines for managing psychosocial risk within an occupational health and safety (OH&S) management system based on ISO 45001. It enables organizations to prevent work-related injury and ill health of their workers and other interested parties, and to promote well-being at work.  
It is applicable to organizations of all sizes and in all sectors, for the development, implementation, maintenance and continual improvement of healthy and safe workplaces
- **The Ammonium Nitrate Materials (High Nitrogen Content) Safety (Amendment) Regulations 2022-** The Secretary of State, in exercise of the powers conferred by sections 15(1) and (2), and 82(3)(a) of, and paragraphs 1(4) and 2(1) of Schedule 3 to, the Health and Safety at Work etc. Act 1974([1](#)), following consultation with the Health and Safety Executive, the Office for Nuclear Regulation and such other bodies as appeared to the Secretary of State to be appropriate in accordance with section 50(1AA)([2](#)) of that Act, makes the following Regulations.
- **The Radiation Emergency and Consultation Regulations 2021** - The Secretary of State makes these Regulations in exercise of the powers conferred by section 15(1) and (3)(a) of, and paragraph 20 of Schedule 3 to, the Health and Safety at Work etc. Act 1974([1](#)) ("the 1974 Act").  
The Secretary of State makes these Regulations independently of any proposals made by the Health and Safety Executive, as provided by section 50(1)(b) of the 1974 Act having consulted, in accordance with section 50(1AA) of that Act([2](#)), the Executive, the Office for Nuclear Regulation and such other persons as appeared to the Secretary of State to be appropriate.
- **The REACH etc. (Amendment) Regulations 2021** - The Secretary of State makes these Regulations in exercise of the powers conferred by section 8(1) of, and paragraph 21 of Schedule 7 to, the European Union (Withdrawal) Act 2018(1).
- The requirements of paragraph 3(2) of Schedule 7 to that Act (relating to the appropriate Parliamentary procedure for these Regulations) have been satisfied.

## Stakeholder Feedback

- 2.52. The Corporate Health & Safety Board is now chaired by the Director of HR and OD. It was formally chaired by the Corporate Director Community.
- 2.53. The Corporate Health & Safety Board includes both recognised Trade Unions, who continue to be proactive in their approach to health & safety. The terms of reference for this Board is shown in **Appendix 5**
- 2.54. Collaboration with the trade unions by sharing of relevant documents and addressing raised concerns has no doubt impacted positively on the implementation of health and safety within the Council. One notable area is the access to risk assessments, safe systems of works, safety tours, policies, procedures and all other documents available on the SHEAssure software which is the Council's health and safety management software.

## **Management Assurance**

- 2.55. Monitoring of health and safety performance within the organisation will continue to sit with the Corporate Health & Safety Board, which will provide updates to the Corporate Strategic Board.
- 2.56. Quarterly updates around performance, Health and safety strategy & Corporate Health and safety performance plan, accident/incidents data, and policies have been presented to the Corporate Strategic Board.

## **Plans for April 2022 - March 2023**

- 2.57. The key actions for 2022/23 include the following:
- To implement a new corporate health and safety structure that supports the whole of the Council with qualified health and safety professionals.
  - The introduction of agile and flexible working will impact the implementation of health and safety. New policies have been developed and safe working procedures will be developed to reflect new work systems, the display screen equipment (DSE) assessment will be monitored to ensure compliance across the council.

- Corporate Health and Safety will continue to lead on plans to monitor operational and occupational risk assessments with respect to Harrow Council's Coronavirus (Covid-19) control plans.
- Reviewed risk assessments on the tracker will continue to be monitored by the Corporate Health and Safety Board.
- Corporate take up of the Assure SHE Software as the recognised software system for all health and safety matters including reporting of incidents especially work-related incidents that happen while working from home. Focus will be placed on training individuals and teams on the use of SHE Assure software.
- Health and safety support and advice within Harrow Council.
- Training programme across the Council to ensure all receive the necessary training, this training will be delivered by the training academy, Highfield.
- Implementation of the Health and Safety Strategy and the Corporate Health and Safety Plan

## **Legal Implications**

2.58. The Health and Safety at Work etc Act 1974 requires employers to ensure, so far as is reasonably practicable, the health, safety and welfare at work of all his employees, and to prepare (and review) a policy in relation to it.

2.59. There has been no enforcement action from the HSE in this time frame.

## **Financial Implications**

2.60. There is a revenue budget of £213k (net) to support health and safety function across the organisation.

2.61. There have been no enforcement action/fines in this time frame.

## **Risk Management Implications**

2.62. Risks included on corporate or directorate risk register? **Yes**

2.63. Separate risk register in place? **Yes**

2.64. The relevant risks contained in the register are attached/summarised below

The following key risks should be taken into account when agreeing the recommendations in this report:

Risk Description	Mitigations	RAG Status
Failure to fulfil the Council's Health & Safety duties leading to a harmful event for individual/individuals for whom the Council is responsible leading to litigation	Continual monitoring of key measures listed in the corporate risk register 2022/23 to manage risk to ensure they are being implemented and are effective. Review of the H&S service and also its structure to enable it to be sustainable in the long term for future council requirements Implementation of the further actions listed in the corporate risk register.	

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

2.65. Protected characteristics are constantly measured as part of any health & safety system, especially aspects of age and disability.

## **Council Priorities**

2.66. The delivery of health and safety management is integral to and supports the achievement of all Corporate Priorities.

## **Section 3 - Statutory Officer Clearance**

**Chief Officer:** Tracey Connage



Signed by the Divisional Director HR O&D

**Date: 23<sup>rd</sup> June 2022**

## **Mandatory Checks**

**Ward Councillors notified:**

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

**Contact:** John Griffiths, Health and Safety Compliance Manager.

### **Background Papers:**

- Analysis Report for Accidents and Incident Report
- Health & Safety Strategy & Corporate Health & Safety Performance Plan,
- Occupational Health Overview
- Corporate Health and Safety Policy

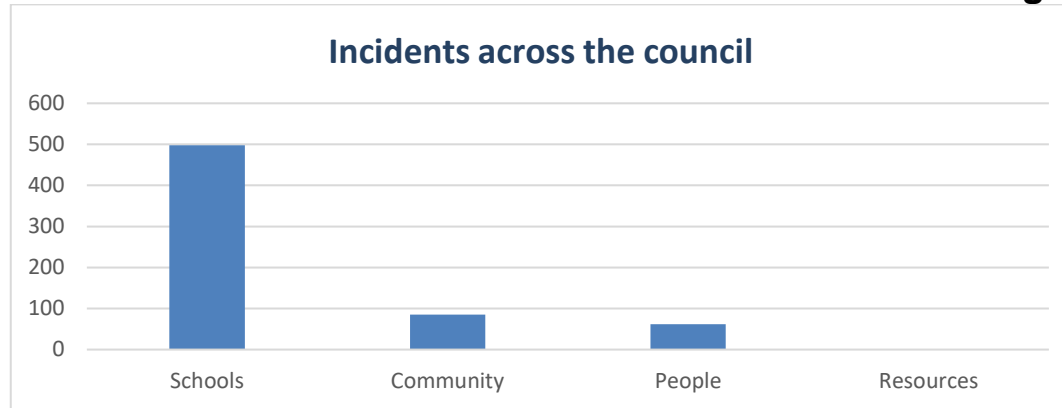
If appropriate, does the report include the following considerations?

- |                 |    |
|-----------------|----|
| 1. Consultation | NO |
| 2. Priorities   | NO |

## APPENDIX 1

### Accident / Incident Analysis Report for Quarter 1 to Quarter 4 (1<sup>st</sup> April 2021 – 31<sup>st</sup> March 2022) - All Directorates

#### Number of Incidents recorded across the council-Including Schools

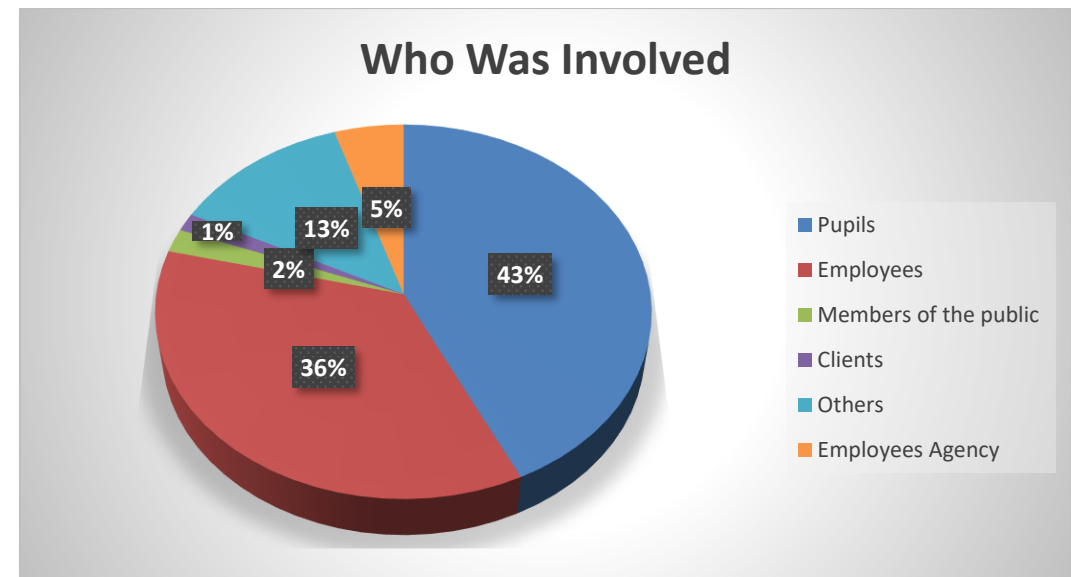


In 2022, the total incident count across the council was 646 which is an increase of 348 (53%) from the previous year. These increases are attributed to the resumption of schools in 2021 -2022 and some staff were able to work in offices as well when compared to the Covid-19 pandemic period in 2020-2021 which led to schools shutting down and majority of staff working from home. This can account for the increase in the number of accidents reported

Schools had the highest number of incidents with 498 records, Community had 85 incidents while people and resources had 62 and 1 respectively.

#### Classification by Who was Involved

Pupils incidents topped the charts with 277 reported incidents, incidents involving Employee had 232 records while agency employees 32, Member of the public 13, Client 10, and others had 77. Others refer to incidents where a volunteer, tenant, Service Users, work placement, contractors, no one involved and young people.



Row Labels	Count of RIDDOR Reportable
Slipped, Tripped or Fell on The Same Level	4
Injured While Handling, Lifting Or Carrying	1
Hit by A Moving, Flying or Falling Object	2
Foreign Object in Eye	1
Physical Contact (Not Assault)	2
Physical Assault due to challenging behaviour	2
Incident Involving a Vehicle	1
Grand Total	13

RIDDOR Type of Incident	Directorate	What Happened	Reason		Employee	Employee-Agency	Others
<p>00</p> <p><b>Slipped, Tripped or Fell on The Same Level</b></p>	School	A child was running on the MUGA and tripped by himself and landed on his right arm/wrist.	The pupil was off work for more than 7days				1
	Community	A Cleaner misjudged the top stair he slipped and fell to the bottom of the 1st floor stair landing. Causing a break in one of the bones in his left arm elbow	IP was off work for up to 7 days and sustained a fracture				1
	School	A cleaner caught her foot in a dip in the ground. She fell and hurt her hand/wrist	IP was off work for up to 7 days		1		
	Community	A Driver was walking on the pavement and slipped, she could not catch herself. She fell to her knees and hands then onto her hip	IP was off work for more than 7 days		1		
	School	An employee helped to raise a member of staff from his chair and lowered him to	The IP was off work for more than 7days		1		

RIDDOR Type of Incident	Directorate	What Happened	Reason		Employee	Employee-Agency	Others
		the floor. The employee started to feel lower back pain.					
	School	A ball hard hit a teaching assistant on her forehead above her left eye.	IP was off work for more than 7 days		1		
	School	Hinge fell off exit door hitting a 5year old pupil.	The Pupil was taken directly to the hospital and incident resulted to a fracture				1
<b>Physical Assault due to challenging behaviour</b>	School	A teaching assistant was punched on the left cheek/nose area, face by my right eye (left a red mark) by a student	The IP was off work for more than 7days		1		
	Community	A member of my staff was assaulted by a tenant while on an inspection of the property which we call void inspection as tenant had moved to permanent accommodation	IP was off work for up to 7 days		1		
<b>Physical Contact (Not Assault)</b>	School	A child caught an employee nose which resulting to bleeding heavily.	IP was off work for more than 7 days		1		
	School	2 Children both collided into each other and bumped their heads which led to a bump appearing on a childs forehead.	This is a RIDDOR because the pupil was off school for more than 7 days				1
<b>Foreign Object in Eye</b>	School	A school support staff was using the sanitiser by the photocopier, it did not come out of the nozzle correctly and squirted in her right eye	The IP was off work for more than 7days		1		
<b>Incident Involving a Vehicle</b>	Community	A third-party vehicle reversed into the moped driven by the Civil Enforcement Officer.	IP was off work for more than 7days			1	
					8	1	4

## Lost Time Incidents for Q1-Q4 -Employees and Agency Employees

Person Injured		Days Lost
Employees	9	66
Employees-Agency	2	9
		75

### Accident Incident Rate

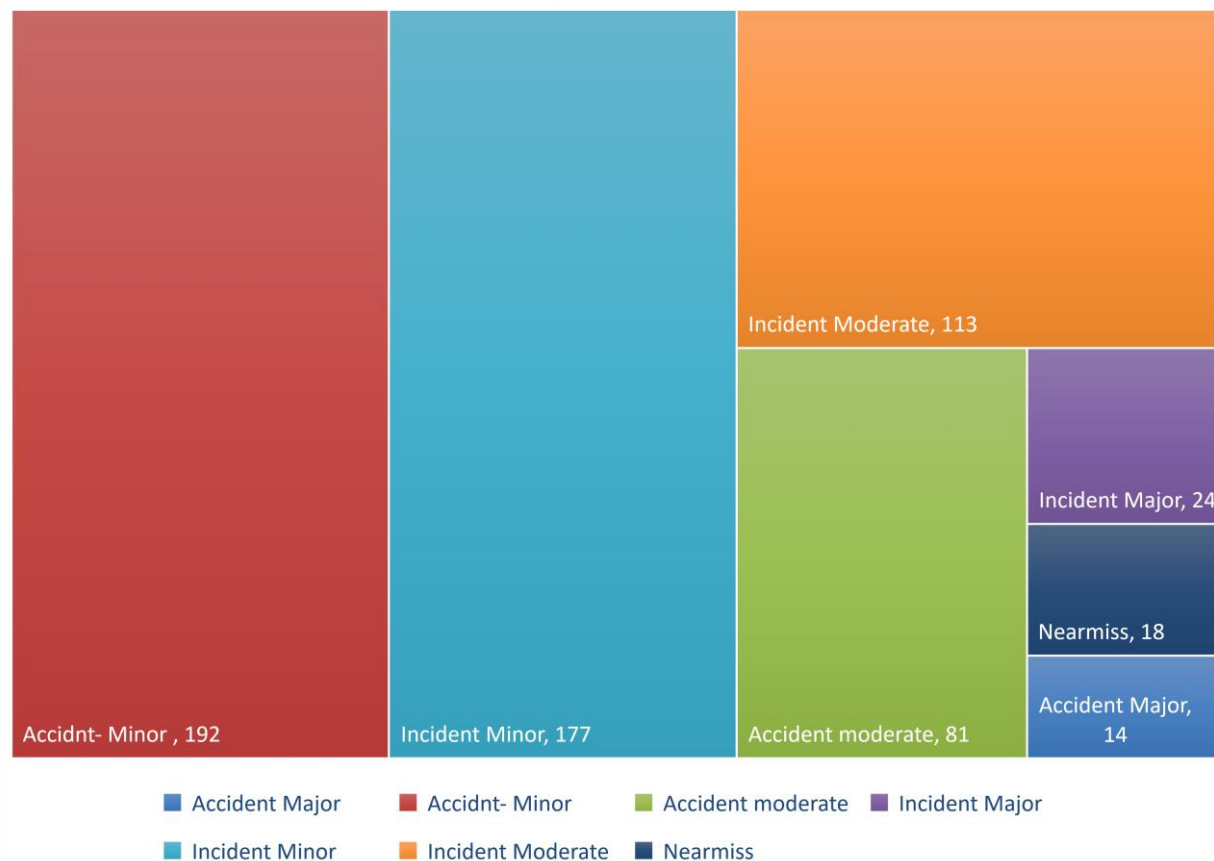
Accident Incidence Rate=No of defined accidents per thousand employees

Note, the defined accidents is the number of employee incidents

$$\frac{\text{No of defined accidents}}{\text{Average number of employees}} \times 1000 \left( \frac{238}{4650} \times 1000 = 51.18 \right)$$

62

### Incident severity of Incidents for Q1-Q4



57.12% of incidents which occurred in this time period were minor incidents and accidents and resulted in cuts, bumps, minor scratches and grazes. Most were treated with first aid. Near misses have been investigated. Major accidents all occurred in schools and were incidents such as a pupil was hit by a moving vehicle, sports injury, staff injured while lifting/handling, slips, trips and falls.

## Categories of Accidents/Incident across the Council-Including Schools

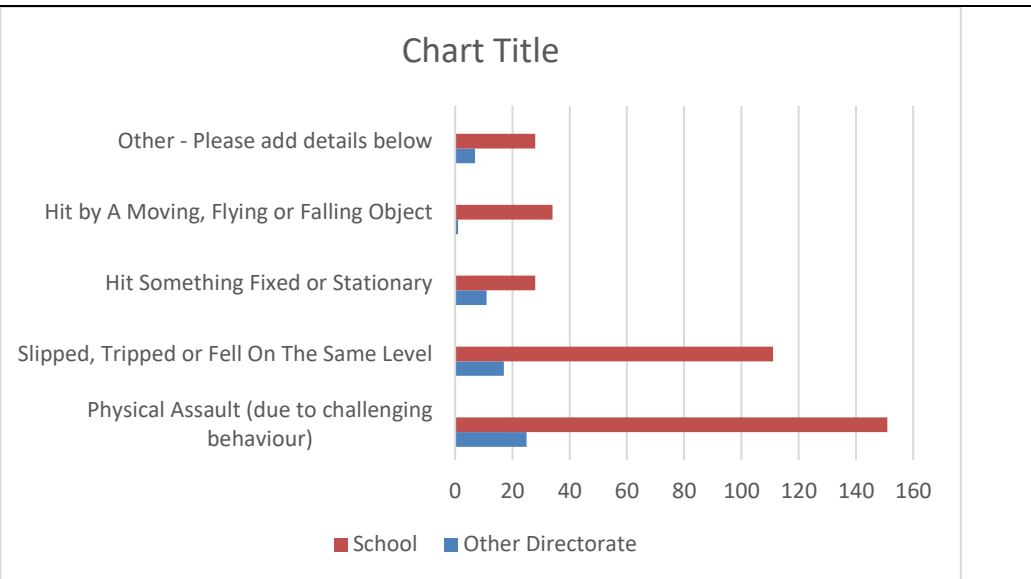
Categories of Accidents/Incidents	Count
Allergic Reaction/Anaphylaxis	3
Burns	4
Choking / Asphyxiation	5
Contact with Sharp Object	8
Contact With Electricity	1
Dangerous Occurrence	4
Electrical Fault	1
Feeling faint / Unconsciousness	1
Fell from A Height (State Height in Notes)	21
Foreign Object in Ear	1
Foreign Object in Eye	3
Fatality	1
Hit by A Moving Vehicle	1
Struck by A Moving, Flying or Falling Object	35
Hit Something Fixed or Stationary	39
Incident exposure (removal of clothing)	1
Incident Involving a Vehicle	6
Incident with Faulty Equipment	1
Incident with Threatening Behaviour	12
Incident with Verbal Abuse	14
Incident With Burglary/Theft	1
Injured While Handling, Lifting or Carrying	11

Categories of Accidents/Incidents	Count
Insect or Animal Bite	4
Medical Emergency	5
Near Miss	12
Nosebleed	1
Not applicable	6
Other - Please add details below	35
Physical Assault (due to challenging behaviour)	176
Physical Contact (Not Assault)	42
Physical injury from an unknown origin	2
Physically Assaulted by A Person	11
Property Damage	5
Safeguarding Incident	5
Security Breach	1
Seizure	5
Self-harm	22
Slipped, Tripped or Fell On The Same Level	128
Sports Injury	14
Smoke/Smoke Inhalation	2
Trapped	1
Work-related Injury	3
<b>Grand Total</b>	<b>646</b>

## Frequently Reported Accidents/Incidents across the council-Including Schools

Physical Assault (due to challenging behaviour) was most frequently reported. Slipped, Tripped or Fell On The Same Level had been the most frequently reported in the previous year. In 2020/21, Challenging behaviour type of incident was changed to physical assault due to challenging behaviour. These incidents are mostly seen with special needs schools like woodlands and kingsley or special needs transport in community and Firs in people services.

In the Least frequently reported incidents category were Contact With Electricity, Electrical Fault, Feeling faint / Unconsciousness, Foreign Object in Ear, Hit by A Moving Vehicle, Incident With Burglary/Theft, Nosebleed, Fatality, Security Breach, and Trapped.

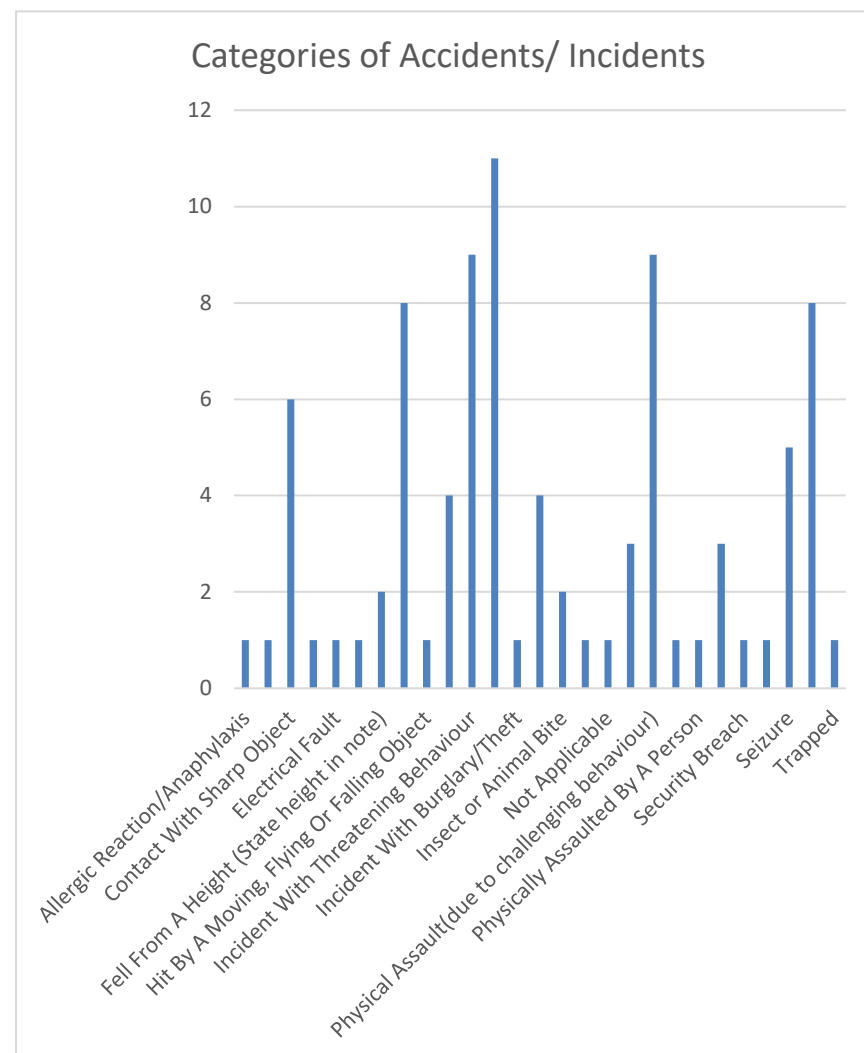


Types of Incidents/Incidents	Other Directorates	Schools	Grand Total	
Physical Assault (due to challenging behaviour)	25	151	176	86% of these incidents occurred at Schools. 14% at community and People services. It has been noted that 65% of these incidents occurred in woodland schools as this is a special need school. Majority of these incidents. The severity of majority of these incidents were minor incidents.
Slipped, Tripped or Fell On The Same Level	17	111	128	87% of these incidents occurred in schools, -woodlands and Kinsley had accounted for most as they are special schools, 14% in community relating to housing and environmental services, in people service which is mainly FIRS and 1 incident was in Resources Directorate. Severity of this incident resulted mainly in minor incidents
Hit Something Fixed or Stationary	11	28	39	72% of these incidents occurred in schools-woodlands and Kinsley accounted for most as they are special schools. 29% in community mainly housing and environmental services, and in people services-FIRS. Severity of this incident resulted mainly in minor incidents
Hit by A Moving, Flying or Falling Object	1	34	35	97% of these incidents were at schools and 3% in community. None of these type of incident was found in peoples directorates. Severity of this incident resulted mainly in minor incidents

Other - Please add details below	7	28	34	80% occurred in schools, 8% in community Directorates, and 12% of these incident occurred on Peoples services. Severity of this incident resulted mainly in minor incidents
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## Accident / Incident Analysis Report for Quarter 1 to Quarter 4 (1<sup>st</sup> April 2021 – 31<sup>st</sup> March 2022) - Community

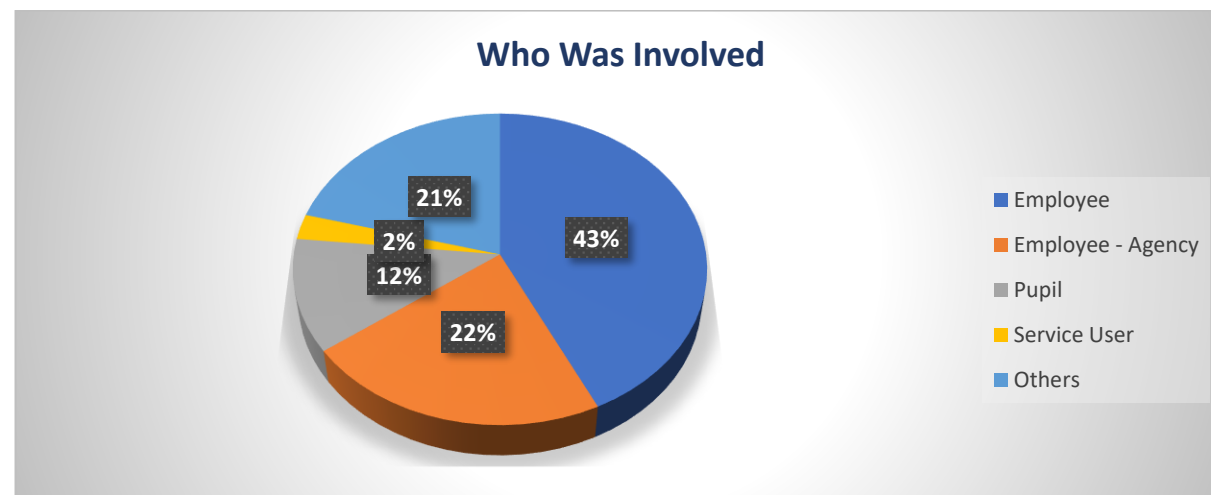
Categories of Accidents/Incidents	Count
Allergic Reaction/Anaphylaxis	1
Burns	1
Contact With Sharp Object	6
Dangerous Occurrence	1
Electrical Fault	1
Fatality	1
Fell From A Height (State height in note)	2
Hit Something Fixed Or Stationary	8
Hit By A Moving, Flying Or Falling Object	1
Incident Involving a Vehicle	4
Incident With Threatening Behaviour	9
Incident With Verbal Abuse	11
Incident With Burglary/Theft	1
Injured While Handling, Lifting Or Carrying	4
Insect or Animal Bite	2
Medical Emergency	1
Not Applicable	1
Other - Please add details below	3
Physical Assault (due to challenging behaviour)	9
Physical Contact (Not Assault)	1
Physically Assaulted By A Person	1
Safeguarding Incident	3
Security Breach	1
Self-harm	1
Seizure	5
Slipped, Tripped Or Fell On The Same Level	8
Trapped	1
<b>Grand Total</b>	<b>85</b>



<b>Top 5 Accidents/Incidents - Community</b>		
Incident With Verbal Abuse	11	73% of incidents were in Housing services, and 27% were in Libraries. No injuries were recorded. This resulted in Moderate, major and minor incidents.
Incident With Threatening behaviour	9	78% of incidents were in Housing services, while 22% were in environmental service Special Needs Transport. No injury was recorded. This resulted in Minor and moderate incidents.
Physical Assault (due to challenging behaviour)	8	75% of these incidents occurred in Special Needs Transport, while 25% was in Housing services. They resulted in bruises, Aches, Scratch, No injury, and eye injury
Slipped, Tripped Or Fell on same level	8	37% of these Incidents happened in Libraries, 50% was in Environmental services, and 13% in housing services. Injuries include fracture and bruising/sweels/bumps,
Hit Something Fixed Or Stationary	8	50% of these Incidents happened in Libraries, 25% was in Environmental services, and 12.5% in housing services and 12.5% in community. Injuries include Pain, Ache, bruising, fracture, and head injury.

## Classification by Who was Involved

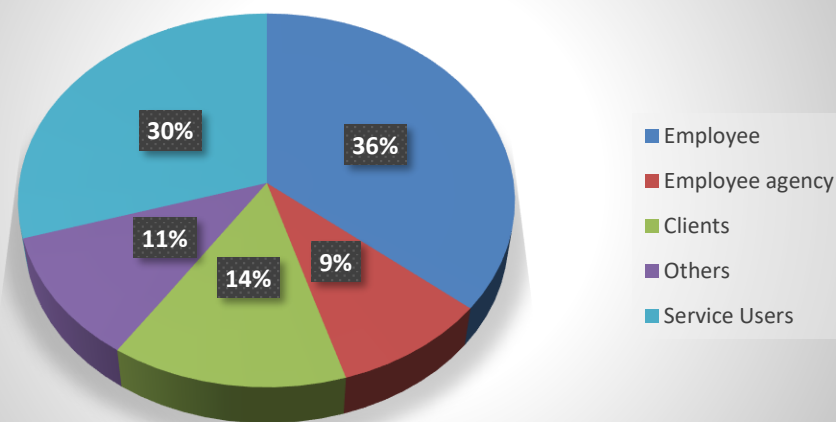
Who was involved	Count of Who Was Involved
Employee	33
Employee - Agency	17
Pupil	9
Service User	2
Others	16
<b>Member of the public</b>	8
<b>Grand Total</b>	<b>85</b>



Note: Others here refers to clients, Volunteers and Tenants.

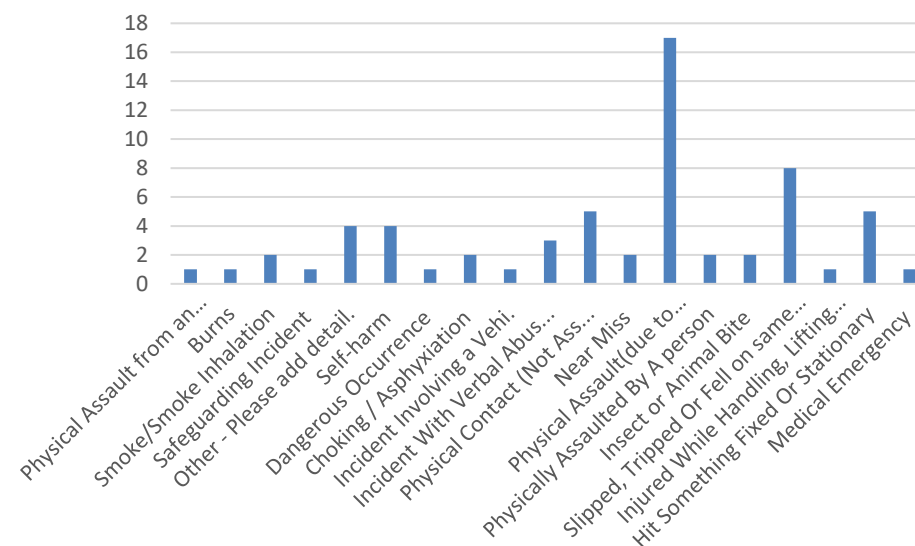
## Accident / Incident Analysis Report for Quarter 1 to Quarter 4 (1st April 2021 – 31st March 2022) - People

### Who was Involved



23 employee incidents were recorded, 6 involved agency employees, 9 with clients, 19 were service users and 7 were others which includes One Involved, Member of the public, and young persons.

### Categories of Accident/Incident



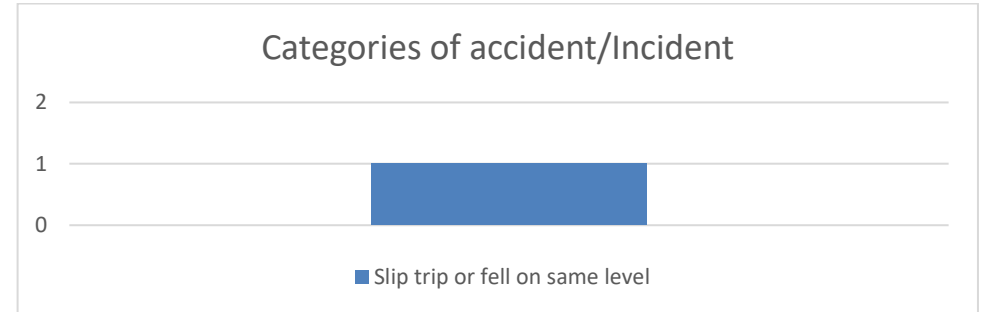
### Top 5 Accidents/Incidents - People

Top 5 Accidents/Incidents - People		
Physical Assault (due to challenging behaviour)	17	47% of these incidents occurred in Children and Young Peoples Service-The Firs, and 53% occurred in adult social services. They resulted in minor and moderate incident
Slipped, Tripped or Fell on same level	8	60% of these incidents were in Children and Young Peoples Service, while 40% was in Adult Social Service. These resulted in minor and moderate accident.
Physical Contact (Not Assault)	5	100% of these incidents occurred at Children and Young Peoples Service, Injuries were mainly bruising and Minor grazing,
Hit Something Fixed Or Stationary	5	60% of these incidents were in The Firs, and 40% was in New Bentley NRC. Injury recorded was bruising.
Self-harm	4	75% of these incidents were in Children and Young Peoples Services-The Firs and 25% in adult social service. These resulted in minor and moderate incident/accident.

## Accident / Incident Analysis Report for Quarter 1 to Quarter 4 (1st April 2021 – 31st March 2022) – Resources

### Categories of Accidents/Incidents across Resources

Accident/Incident Categories	Count
Slipped, Tripped Or Fell On The Same Level	1
Grand Total	1



Accidents/Incidents - Resources		
Slipped, Tripped Or Fell On The Same Level	1	100% of Slips, Trips and Falls happened in Legal and democratic services and resulted in bruising

### Classification by Occupation

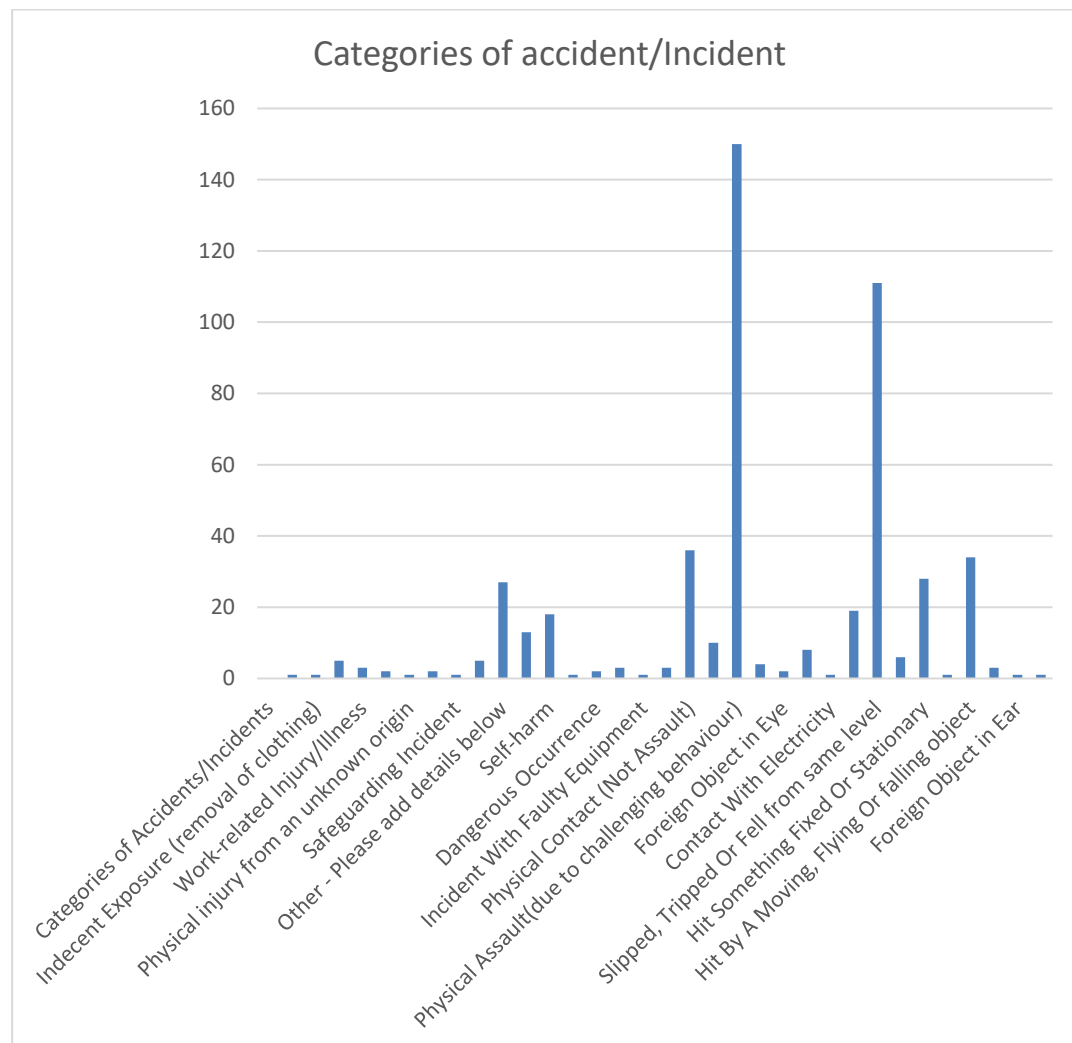
Row Labels	Count of Who Was Involved
Employee	1
Grand Total	1



## Accident / Incident Analysis Report for Quarter 1 to Quarter 4 (1st April 2021 – 31st March 2022) – Schools

### Categories of Accidents/Incident across Schools

Categories of Accidents/Incidents	Count of Type of Incident
Foreign Object	1
Indecent Exposure (removal of clothing)	1
Not Applicable	5
Work-related Injury/Illness	3
Allergic Reaction/Anaphylaxis	2
Physical injury from an unknown origin	1
Burns	2
Safeguarding Incident	1
Property Damage	5
Other - Please add details below	27
<b>Sports Injury</b>	<b>13</b>
Self-harm	18
Nosebleed	1
Dangerous Occurrence	2
Choking / Asphyxiation	3
Incident With Faulty Equipment	1
Incident With Threatening behaviour	3
Physical Contact (Not Assault)	36
Near Miss	10
Physical Assault(due to challenging behaviour)	150
Contact With Sharp Object	4
Foreign Object in Eye	2
Physically Assaulted By A person	8
Contact With Electricity	1
Fell From A Height (State height in notes)	19
Slipped, Tripped Or Fell from same level	111
Injured While Handling, Lifting or carrying	6
Hit Something Fixed Or Stationary	28
Hit By A Moving Vehicle	1



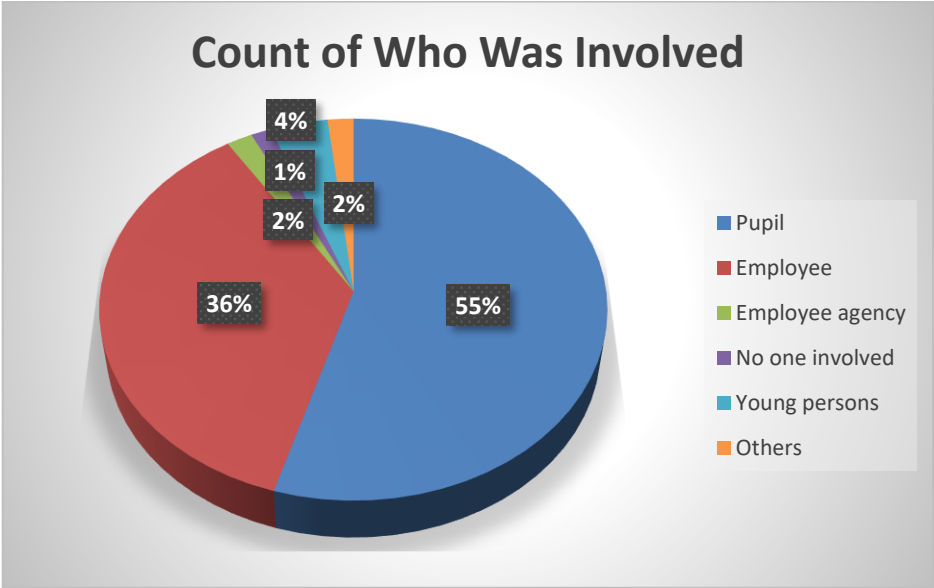
Hit By A Moving, Flying Or falling object	34
Medical Emergency	3
Foreign Object in Ear	1
Feeling faint / Unconsciousness	1

Top 5 Accidents/Incidents in Schools	Type of Incident	
Physical Assault (due to challenging behaviour)	150	76% of these incidents occurred in Woodland schools as this is a special needs school. 7% of these incidents occurred in Kingsley High School, 5% in St. Josephs Catholic School and 12% occurred in Longfield, Camrose, cedar, Whitmore High School, West Lodge Primary School, Vaughan Primary School, and Roxbourne Primary School. These resulted to minor, major, and moderate incident/accident.
Slipped, Tripped Or Fell from same level	111	21% of these incidents occurred in Woodlands School ,10% in Whitmore High School ,27% in Longfield Primary School ,6% of these incidents occurred in Glebe Primary School, and the rest of 36% occurred in Camrose Primary School, Cedars Manor School, Elmgrove Primary School, Kenmore Park Infant & Nursery, Newton Farm Nursery Infant, Roxbourne Primary School, St. Anselm Primary School, t. John Fisher School, Vaughan Primary School, West Lodge Primary School. These resulted in minor, Nearmiss, Insignificant and major incidents.
Physical Contact (Not Assault)	36	36% of these incidents occurred in Woodlands Schools, 25% in Whitmore High School, West Lodge Primary School, Vaughan Primary School, Roxbourne Primary School, Longfield Primary School, Glebe Primary School, Cedars Manor School, and St. Joseph's Catholic School. These resulted to minor, major, and moderate incident/accident
Hit By A Moving, Flying Or falling object	34	28% of these incidents occurred in Woodlands Schools, 17% in Longfield Primary School, and 45% where in Whitmore High School, West Lodge Primary School, Vaughan Primary School, Elmgrove, Cedar, Kingsley, Stag, Roxbourne Primary School, St John fisher, and St Teresa. These resulted in minor, Nearmiss, and Insignificant incidents/accident.
Other - Please add details below	27	63% of these incidents occurred in Woodlands School, Whitmore, and 37% were in Vaughan Primary School, St Teresa, St. Bernadettes Primary School, Elmgrove, Kingsley, and Cedars school. Minor, moderate and Major incidents/accidents.

Classification by Occupation - Schools

Who was Involved	Count of Who Was Involved
Pupil	272
Employee	181
Employee agency	9
No one involved	7
Young persons	20
Others	9
Grand Total	498

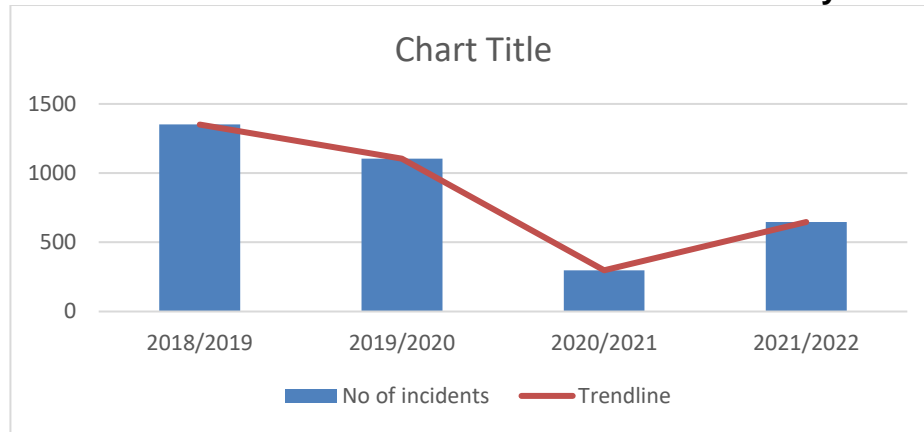
Note: Others refers to contractors and member of the public.



## APPENDIX 2 – TRENDS

We will be comparing accident/incident data across Harrow Directorates over a period of 4 years (2018/2019, 2019/2020, 2020/2021 and 2021/2022)

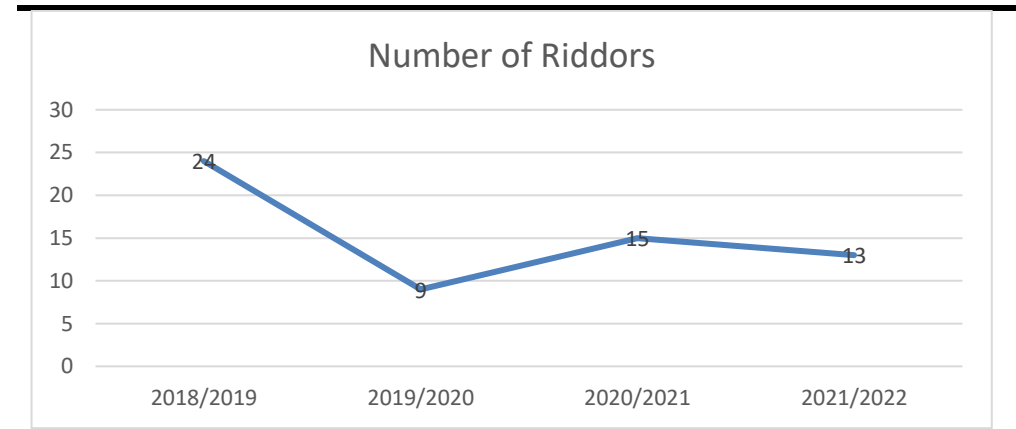
### 1. Accident/Incident Records across the council over 4 years



An increase in accident reporting can be observed from this data compared to last year. These increases are attributed to the resumption of schools in 2021 -2022 and some staff were able to work in offices as well when compared to the Covid-19 pandemic period in 2020-2021 which led to schools shutting down and majority of staff working from home. This can account for the increase in the number of accidents reported

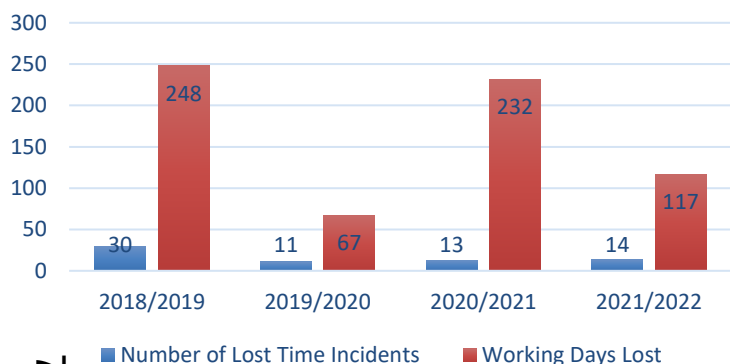
### 2. RIDDORS

There has been a decrease in the number of incidents reported as a RIDDOR compared to last year. Data compared across 4 years shows that in 2018/19 had 0.2%(24 out of 1351), of all reported incidents were RIDDORS, and 2019/20 had 0.8%(9 out of 1105), 2020/21 had 5%(15 out of 298) while 2021/2022 had 2%(13 out of 646).

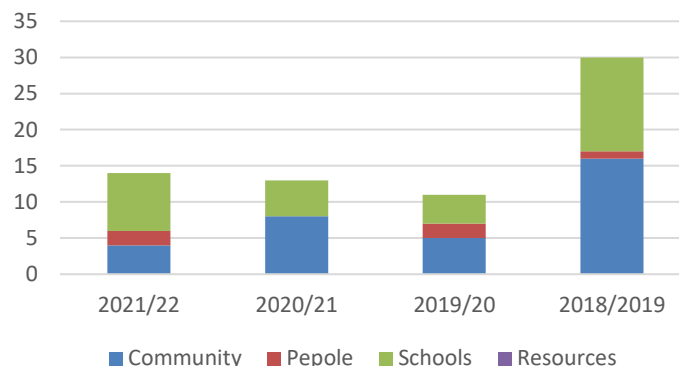


**3. Lost Time Injuries-** Number of Lost time injuries saw a slight increase, the number working days lost has decreased from last year. The directorate mostly impacted by lost time incidents is schools with 73 cases, community was with 40 cases. We also had very few cases in people and none in resources.

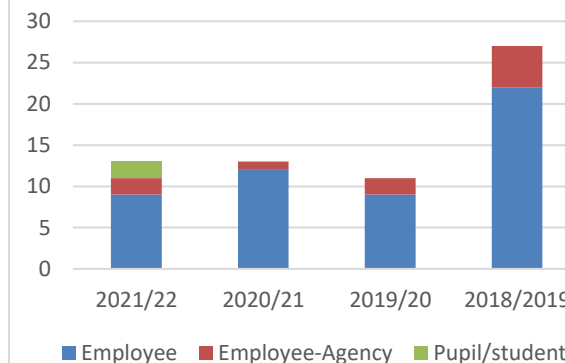
Lost Time Injuries



Directorate Affected



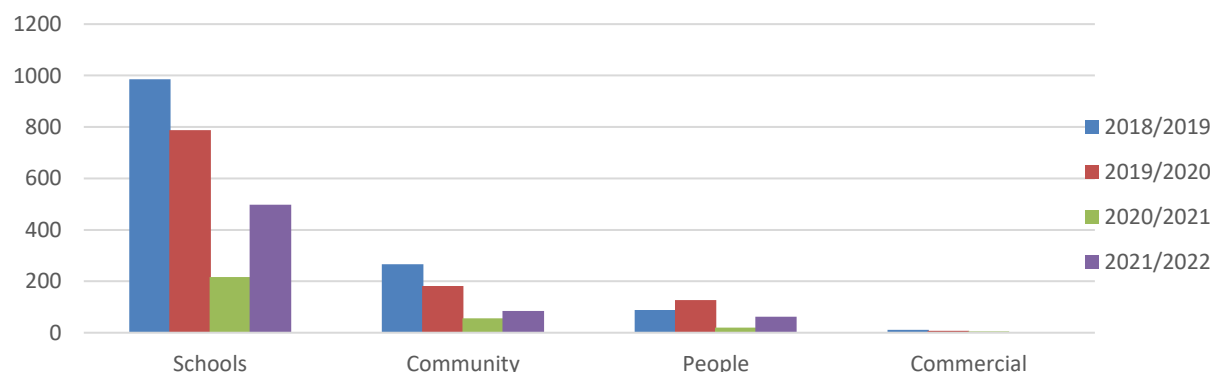
Who was Involved



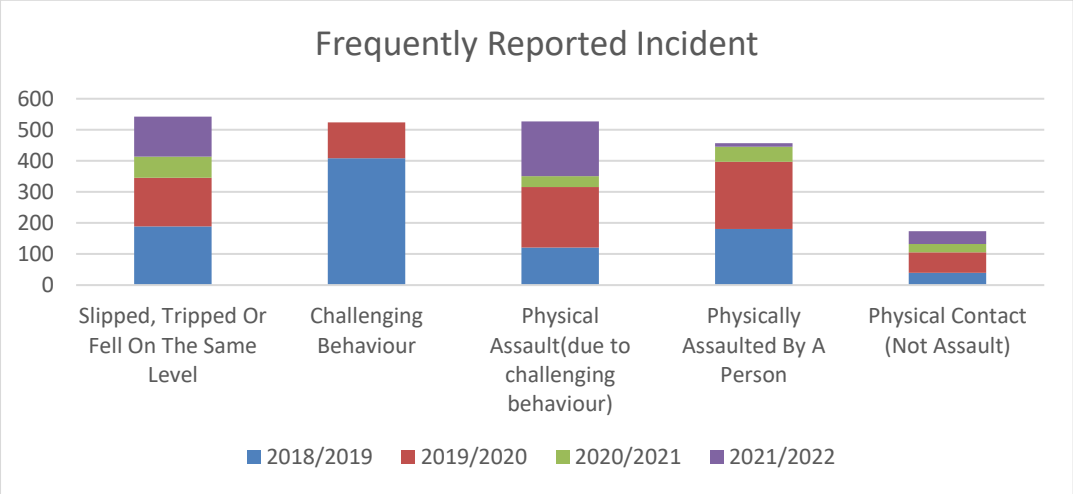
#### 4. Yearly Comparison across the 4 directorates

Schools had the highest reported incidents in 2018/19 with 986 records. There was an increase in community directorates this year, this was due to covid pandemic in 2020/2021 which resulted into restrictions which made people work from home. Commercial directorate constantly has the least number of reported incidents. People directorate saw an upward trend in 2018, 2019 and 2021/2022 however, in 2020/2021 a decrease of 117 is noted, that was no doubt due to the Covid pandemic and the stay at home orders.

Yearly Comparison across the 4 Directorates



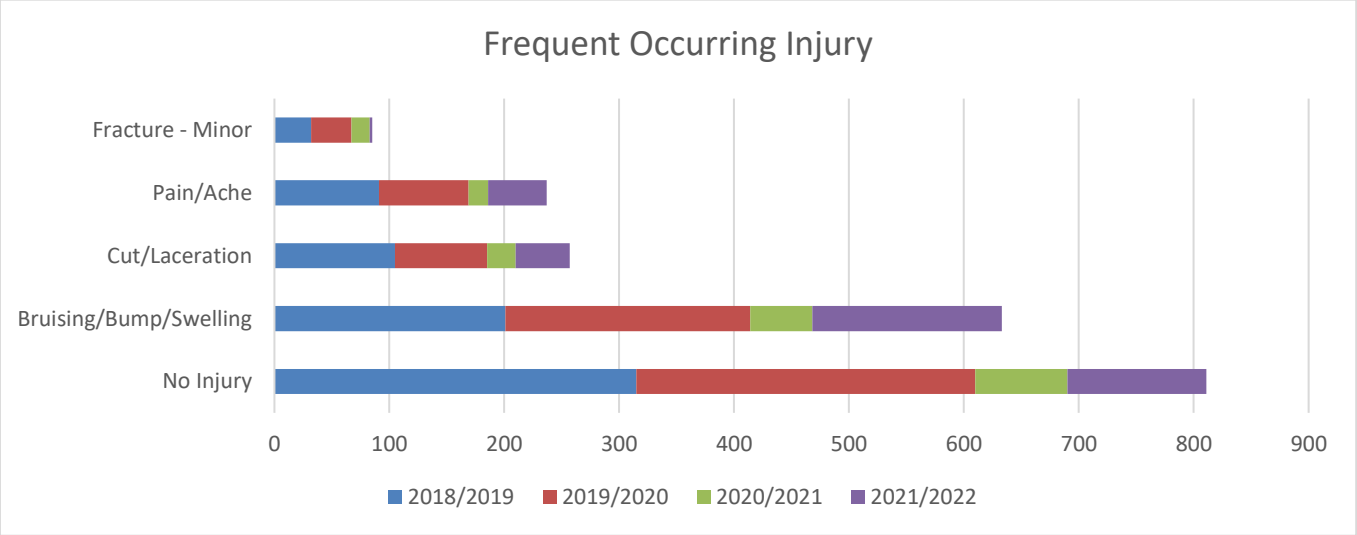
5.Top 5 Frequently Reported Incidents



Challenging behaviour was most frequently reported in 2017, 2018 and 2019 across the system with 2018 having the highest number recorded. Physical Assault(due to challenging behaviour) has been consistent across the directorates however, in 2021/2022, it became the most reported incident type, although, fewer incidents were reported compared to 2018 & 20219. It was higher when compared to last year because in 2020/21 there was a general low record of incidents owing to the Covid Pandemic Physically Assaulted By A Person is lowest in this year. In the Least frequently reported incidents category were Contact With Electricity, Electrical Fault, Feeling faint / Unconsciousness, Foreign Object in Ear, Hit by A Moving Vehicle, Incident With Burglary/Theft, Nosebleed, Fatality, Security Breach, and Trapped.

6.Top 5 Frequently Occuring Injuries

Over the 4-year period, 40% (811) of incidents resulted in no injuries and is the top injury reported. Bruising/bumps/swelling accounted for 31% (633) of injuries. Cuts/Laceration made for 13% (257), Pain/Ache was 12% (237) while Minor Fractures accounted for 4% (85).



## 7. Who was Involved



Across the 4 years, the chart shows that majority of the incidents recorded involved employees and pupils. Contractors consistently have low rate and in the four years, 2021/22 had the lowest rate with 2. 2020/22 has the lowest rate of incidents In general as this was as a result of schools shutting down and majority of staff worked from home. Although, staff who worked from home at that period were encouraged to report work related incidents that happen at home, there were very few instances of that report.

## **APPENDIX 3 – H&S Strategy 2021-2022 And Corporate H&S Plan 2021-22**

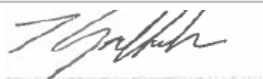

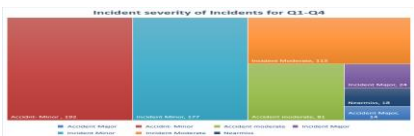


# OCCUPATIONAL HEALTH AND SAFETY STRATEGY

**2021 – 2022**  
**Corporate and Council Housing**

## Provision of service of:

- Health & Safety
- Fire Safety
- Asbestos Management,
- Occupational Health Management
- Employees Assistance

	Name	Signature	Date
Prepared by:	John Griffiths		01/03/2020
Checked by:	Richard Lebrun		06/08/2020
Approved by:	Tracey Connage of HR&OD		07/08/2020
Document Title:	OCCUPATIONAL HEALTH & SAFETY STRATEGY 2019 - 2022		

Version Number:	1	Date of Next Review:	01/04/2022
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# Occupational Health and Safety Strategy

## CONTENTS

<b>MANAGEMENT SUMMARY</b>	<b>2</b>
<b>INTRODUCTION</b>	<b>3</b>
<b>1.0 BACKGROUND</b>	<b>4</b>
1.1 The Current Situation	4
<b>2.0 CORPORATE HEALTH AND SAFETY GOVERNANCE OVERVIEW</b>	<b>6</b>
<b>3.0 PRIORITIES AND AIMS 2019 - 2022</b>	<b>9</b>
3.1 Monitoring Progress Against Aims & Priorities	11
<b>4.0 HEALTH AND SAFETY MANAGEMENT SYSTEMS</b>	<b>12</b>
<b>5.0 AUDITS (TEAM, PREMISE &amp; PROCESS AUDITS)</b>	<b>15</b>
<b>6.0 SELF-AUDITS AND SAFETY TOURS</b>	<b>16</b>
<b>7.0 SERVICE DELIVERY</b>	<b>16</b>
7.1 Health and Safety, Fire and Asbestos Services	16
7.2 Occupational Health Service	18
<b>8.0 RESOURCE ALLOCATION</b>	<b>18</b>
<b>9.0 CORPORATE HEALTH AND SAFETY PERFORMANCE PLAN 2021/22</b>	<b>19</b>

## **MANAGEMENT SUMMARY**

It is essential to the achievement of our strategy for Health and Safety to ensure that access to the right knowledge, skills, and support is available to staff not only when, but also before, they need it, and that this is widely communicated and understood to achieve a culture of health and safety excellence. Key to achieving this is the actions and support of the Corporate Health and Safety Team through continuous improvement and maintenance of the safety management system (SMS) by qualified and competent safety practitioners.

In line with best practice the strategy and model for the safety management system follows the precepts laid down in the Health and Safety Executives guidance 'Managing for health and safety (HSG (65))'. The strategy therefore is based on the principles of the Plan, Do, Check, Act approach and aims to achieve a balance between the systems and behavioural aspects of management. It also builds in health and safety management as an integral part of good management generally, rather than as a stand-alone system.

To achieve this, in addition to providing systems for policies, organisation planning, arrangements, training, communication and measurement there are clear objectives and monitoring of performance by the Corporate Health and Safety Team through health and safety management plans and proactive audit programmes.

In addition, the strategy looks to ensure all Directors, Managers, Department Management Teams and Service Managers lead by example by demonstrating best practice in health and safety management and ensuring whenever possible, that all management decisions further health and safety objectives.

This strategy is intended to incorporate the whole Council; it is about effective partnerships between managers, staff and trade unions that are all crucial to successful health and safety management. Poor health and safety management is rarely the result of malicious intent. Support by professional safety practitioners, training in health and safety skills and risk management are key to achieving a strong health and safety culture which benefits all staff, service users, pupils, visitors and contractors who work in our premises, and improves the quality of our service.

This strategy is intended to create a safety culture that places a high level of importance on safety beliefs, values and attitudes that is positively shared by the majority of people with the organisation or workplace. A positive safety culture can result in improved workplace health and safety and organisational performance



## **INTRODUCTION**

The Health and Safety at Work etc Act 1974 places overall responsibility for health and safety with the employer. In this case the employer is Harrow Council and the expectation is that health, safety and wellbeing are, in turn, the responsibilities of the Chief Executive and Board of Directors. In respect of matters pertaining to Health, Safety, Welfare, Asbestos Management, Wellbeing and Occupational Health; the Chief Executive of Harrow Council is the Duty Holder.

Where suitable and sufficient competent advice and support is not available in organisations there will be clear failings in meeting legal requirements and hence considerable exposure to risk of prosecution to individuals and the organisation. Furthermore, there is additional exposure to moral failings, the cost of expensive litigation and reputational damage.

The Council's corporate Health and Safety Team provides a Health & Safety, and Fire advisory service. Asbestos Management is managed by facilities management that facilitates risk reduction and helps develop or sustain inbuilt safety management. This should form part of the organisational management system that enables achievement of legal requirements. Specifically, as experienced practitioners, the teams are used to dealing with the processes undertaken by the local authority; they are experienced in the application and requirements of legislation and how it can be effectively applied judicially in this arena. In addition, provision of a comprehensive occupational health service with employee counselling and support service enables the Council to facilitate the well-being of all their employees.

The Council achieves its obligations in a number of ways that includes; a comprehensive system of occupational health support, employee counselling service, asbestos plans and surveys, safety processes, policies, guidance etc. Moreover, they can provide the, more intangible, experienced competent advice tailored to support the organisation.

This document sets out the strategy for Health and Safety, asbestos management and Fire Safety for Harrow Council for the three years between 2019 and 2022. It aims to build on the work already achieved to date in improving the health and safety management systems across the Council and thereby reduce illness, ill-health damage and loss, whilst continuing to deliver services to the people within the London Borough of Harrow.

## **1.0 BACKGROUND**

In recent years legislation has reinforced the need for organisations to ensure effective management of safety, health, wellbeing, fire and asbestos. The Health and Safety Offences Act 2008, has increased penalties and provides courts with greater sentencing powers for those who break health and safety law. The Corporate Manslaughter and Corporate Homicide Act 2007 has meant organisations can be found guilty of corporate manslaughter as a result of serious management failures resulting in a gross breach of a duty of care.

Statutory obligations for health and safety arrangements can be found in the Health and Safety at Work etc Act 1974 and Management of Health and Safety at Work Regulations 1999 - specifically regulations 5 and 7 that refer to the need for competent advice and ensuring a suitable and sufficient safety management system exists (see also the Health and Safety Executive (HSE) HSG 65 Guidance).

The HSE, although the enforcing authority, are keen to point out that the many employers who do manage health and safety and wellbeing well, have nothing to fear from legislative requirements.

Harrow Council achieves high standards through the use of an occupational health provider and established in-house services for health and safety. Harrow Councils Corporate Health and Safety Team consist of a three professional experienced, qualified safety practitioners. The team are fully aware of the impact and need for competent advice to ensure effective delivery of a health and safety management system.

### **1.1 The Current Situation**

Corporate Health and Safety sits within the Community and Public Protection Service, being three members of staff with responsibility for the overseeing of the corporate health and safety system and provision of advice.

Occupational Health remained part of the function of the Human Resources Team, including the provision of service by Health Management Ltd (HML) which oversees fitness to work and vaccinations.

In terms of the Corporate Health and Safety Board, this is chaired by the Corporate Director for Community.

The Corporate Director for Community launched a refresh of health and safety within the council, setting up a new meeting hierarchy that put the frontline staff at the heart of health and safety in their areas through the use of safety teams.

The safety teams are a joint worker management team that assists the employer in creating and maintaining a safe workplace. The goal of the team is to enhance the ability of workers and employers to resolve safety and health concerns reasonably and co-operatively.

The strategy seeks to replicate joint worker safety across all directorates and all levels of the council.

The Council Corporate Health and Safety Team have three health and safety advisers that provide an advisory service that covers corporate and schools.

Together the team provides a comprehensive Safety Management System that provides organised processes with planning, policies, monitoring and ongoing review; a wide range of advice, guidance and assistance that includes: management of Asbestos, Occupational Health, Well Being, Health and Safety, Welfare and Fire Safety across the whole Council.

The Corporate Health and Safety Team comprehensive Safety Management System ensures that the Council reduces health and safety risks across the board. This, in turn ensures we meet with statutory obligations, minimise costs from losses or civil litigation and fulfil our moral obligations to all those affected by our undertaking which includes; employees, contractors, school pupils, those who visit, play or use corporate premises, or live in Council Housing. We do this by:

- Ensuring that health and safety remains a vital part of standard management practice across the Council and provide planning for this to be achieved;
- Providing information, advice and training to all employees to help them stay safe at work and understand their own responsibilities to themselves and others;
- Developing strategic and operational initiatives and reviews that properly address any Health, Safety or Fire related risks associated with Council Housing, Council operations, schools and premises;
- Ensuring provision of an Occupational Health Service for all employees;
- Ensuring that risk assessment remains the process by which hazards are identified and risks arising are eliminated or adequately controlled;
- Monitoring standards by undertaking; audits, inspections, asbestos surveys, investigating significant accidents and incidents and providing interpretation of Health and Safety legislation that impacts on the Council;
- Management that ensures protection from exposure to asbestos in or near any of our premises.
- Monitoring of contractors for Health and Safety particularly with regard to Council Housing.
- At the start of each new financial year set out a Corporate Health and Safety Plan detailing the planned programme of auditing that designated safety advisers will undertake.

In all cases, the primary intention is to utilise resources in a way that assists with the development and implementation of systems that proactively reduces risk and gives feedback on performance **before** an accident, incident or ill health.

## **2.0 Corporate Health and Safety Governance Overview**

The Council Corporate Health & Safety Policy clearly sets out roles and responsibilities to meet the needs of health and safety.

To ensure a successful culture is the responsibility of all management. To this end, all Heads of Service shall be the primary lead for health & safety in their services, with a nominated person acting as safety representative for that service. This is in conjunction with any Union Health & Safety representative.

Safety circles have been introduced as a means of communication and tackling safety issues at the most appropriate level. They will be chaired by the Safety Circle Lead and involve staff and representatives of all of the services represented. Heads of Service should ensure that suitable representatives are nominated and that all risk areas covered. These meetings shall take place as a minimum every 2 months.

The purpose of these meetings is to:

- Involve managers and employees in achieving a safe and healthy workplace.
- Review safety-related incidents, audits
- Review management and Corporate H&S audits of the workplace, communicate identified hazards, and recommend immediate methods for eliminating or controlling them.
- Introduce and assist with workplace safety and health initiatives and recommend improvements to management.

The Safety Circle is a space to share information and discuss specific risks in the service areas represented and maintain a record of issues raised and actions completed.

All actions shall be recorded on the SHE Assure software, with clear timescales. A review will take place at the directorate management meeting to ensure actions are being followed up and information fed into the directorate risk registers monthly.

Updated risk registers and any areas of key risks are raised quarterly to the Directorate Joint Committee for discussion, including with Unions. Decisions to escalate to the Corporate Health & Safety Board shall be made at this point. All actions recorded on the SHE Assure software.

The Corporate Health & Safety Board will meet on a quarterly basis and will:

- Sign off all health & safety risk registers;
- discusses areas of concern and

- agrees items for future agenda items / areas of concern for DMTs and Safety Circles

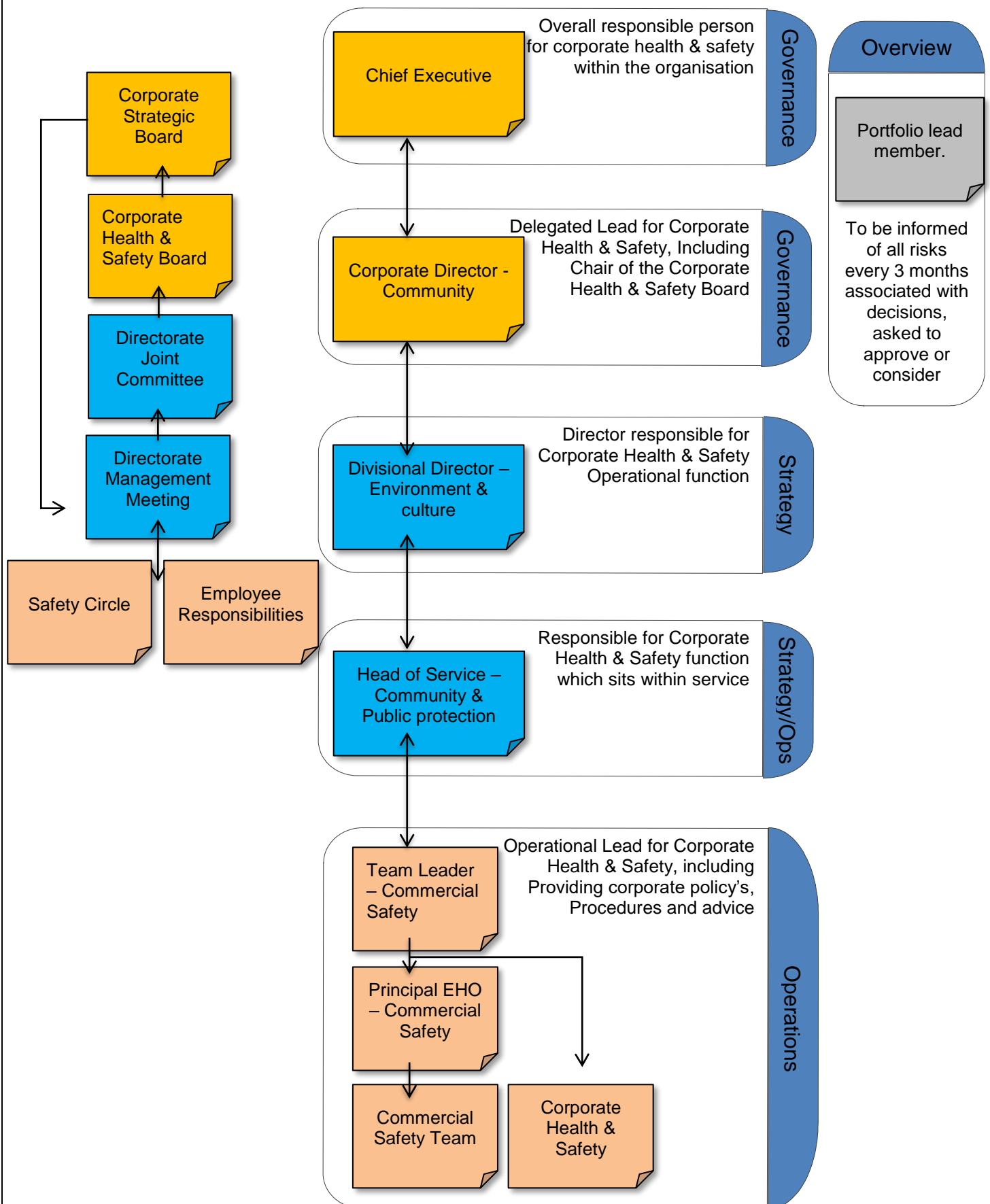
Minutes of Corporate Board sent to Corporate Strategic Board and loaded onto SharePoint software. CSB will have the overview of corporate Health & Safety and Occupational Health / Wellbeing, and co-ordinate joint approach.

CSB retains overall governance of corporate health & safety, ensuring the aims and objectives are being met. They shall discuss any areas of concern and identify any issues they want to know more about or provide direction where needed.

Any actions resulting from CSB shall be recorded on the Assure SHE software and fed back to DMTs for action.

The Corporate Health & Safety Team shall oversee the process including being the administrators of the Assure SHE software. They shall also provide the relevant statistics and information to inform safety circles, directorate meetings and the corporate health and safety board

## Meeting Structure



### **3.0 PRIORITIES AND AIMS FOR 2019 - 2022**

Over many years the Corporate Safety Team has committed time and resource towards developing a comprehensive set of Corporate Health and Safety policies and supporting guidelines which are kept under review and audited against. These systems and procedures enable departments, in turn, to ensure the development of the necessary health and safety documentation that meets as minimum, statutory obligations together with corporate policies. To build on this, the following priorities are highlighted for the next three years:

**a) *Maintaining and improving the Council's safety management system***

Through supporting the Executive Management Team, Departmental Management Team, managers, with review and monitoring process which support initiatives, remediation and decision making.

**b) *Completing a series of audits, risk assessments and surveys***

This includes schedules for the following health, safety and fire processes:

- Internal fire and health & safety audits on identified teams, premises and processes for corporate and council housing buildings
- Audits in schools and children centres.
- Fire Risk Assessments for corporate, schools and council Housing.
- Fire Risk Audits for Corporate buildings.

**c) *Maintaining an Asbestos survey programme***

To locate, assess and monitor the condition of asbestos containing materials within the council's corporate and Council Housing portfolio with schedules which includes:

- Corporate Asbestos survey programme
- Council Housing Asbestos survey – common parts (statutory) and void dwellings
- Schools asbestos survey programme (statutory)
- Asbestos awareness training
- Reactive response to Refurbishment & Demolition surveys and incidents

**d) *To support managers and staff in achieving suitable levels of health & safety competency;***

Effective management of health and safety involves people using their skills and knowledge to work safely. A fundamental requirement is for all managers to undertake British Safety Council Training to provide them with a solid grounding in the requirements of Occupational Health and Safety legislative requirements. Undertaking computer based training modules will ensure

knowledge is continually professionally developed and reinforced. This will in turn help ensure managers have the basic skills to identify the health and safety competency needed by their staff.

***e) To ensure the Occupational Health Service continues to provide adequate health surveillance, return to work rehabilitation, health promotion and reduction of work-related sickness absence;***

The Council will continue to work in close partnership with its appointed Occupational Health Service provider to ensure the most efficient use of service resources.

***f) To build on the communication and consultation arrangements to ensure staff are fully involved and committed to achieving acceptable health and safety standards;***

To achieve success in health and safety management, there needs to be effective communication up, down and across the Council. Front line staffs are involved in communication primarily through the risk to their health and safety identified in their risk assessments, and the preventive and protective measures necessary to control risk. This is supported with safety circles, tool box talks that reinforce a process for direct consultation. Further to this, other means of communication include newsletters, and the council intranet.

At a more strategic level; all Directorates are to have effective health and safety committees with Executive Director Representation on the Corporate Health and Safety Committee. Representatives of each Directorate are expected to attend a Corporate Health and Safety Committee that now has a corporate lead (Corporate Director of Community) and steer on health and safety.

***g) To encourage greater visible and active leadership on health and safety matters by managers;***

Active leadership is essential if the Council is to foster a positive health and safety culture. The Corporate Health and Safety Team have promoted this through making available British Safety Council training courses for both Senior Managers/Directors and those who managed staff.

***h) To align health and safety more closely with the overall Risk Management arrangements;***

The Council's Risk Management Strategy aims to establish a culture where risks are understood and managed. Health and Safety management aims to ensure risks to health and safety are identified and managed. While Risk Management covers all business risks and is focused on the major risks to the

Council, there are areas where the two strategies meet. Health and safety processes and arrangements should therefore be seen and understood as supporting the Risk Management Strategy. Significant health and safety issues identified during risk management assessments will therefore be communicated to the executive board.

***i) To ensure good health and safety practice in our relationships with partners;***

As well as setting out to improve our own health and safety performance, the Council will work with its partners to improve health and safety overall in the delivery of its services. The aim will be to share knowledge and experience and at the same time provide managers overseeing contracts with feedback on safety standards.

### **3.1 Monitoring Progress against Aims & Priorities**

A number of proactive measurement activities take place to monitor safety performance for the Council. These measures are set out with performance targets in the Corporate Health and Safety Management Plan which is agreed by Executive Management Team at the start of the financial year.

The key measures against which progress will be assessed in meeting the strategic aims and priorities are;

- Number of audits and compliance levels achieved
- Number of Fire Risk Assessments and actions completed
- Number of Asbestos surveys completed
- Number of Asbestos re-inspections completed

Other methods of monitoring the success of the safety management system are:

- Review of accidents and statistics and related sick leave.
- Number of staff undergoing health and safety training
- Computer Based Training completed
- Senior managers safety tours completed
- Manager's self- audits completed.
- Health and Safety performance reports
- Action status of items on risk registers

## **4.0 HEALTH AND SAFETY MANAGEMENT SYSTEMS**

The Management of Health and Safety at Work Regulations 1999 – Regulation 5 - requires Harrow Council to have arrangements in place for managing health and safety. Like any management system, it is essential that the Council collects information on the system implemented if it is to be able to make judgements about its adequacy and performance.

The system followed by the Corporate Health and Safety Team is based on that described in HS(G)65 *Successful Health and Safety Management*. Diagram 1 illustrates the system showing the main topic headings and the communication flows by which continuous improvement in health and safety management is achieved. Health and safety audits aim to verify compliance with each aspect of the management system:

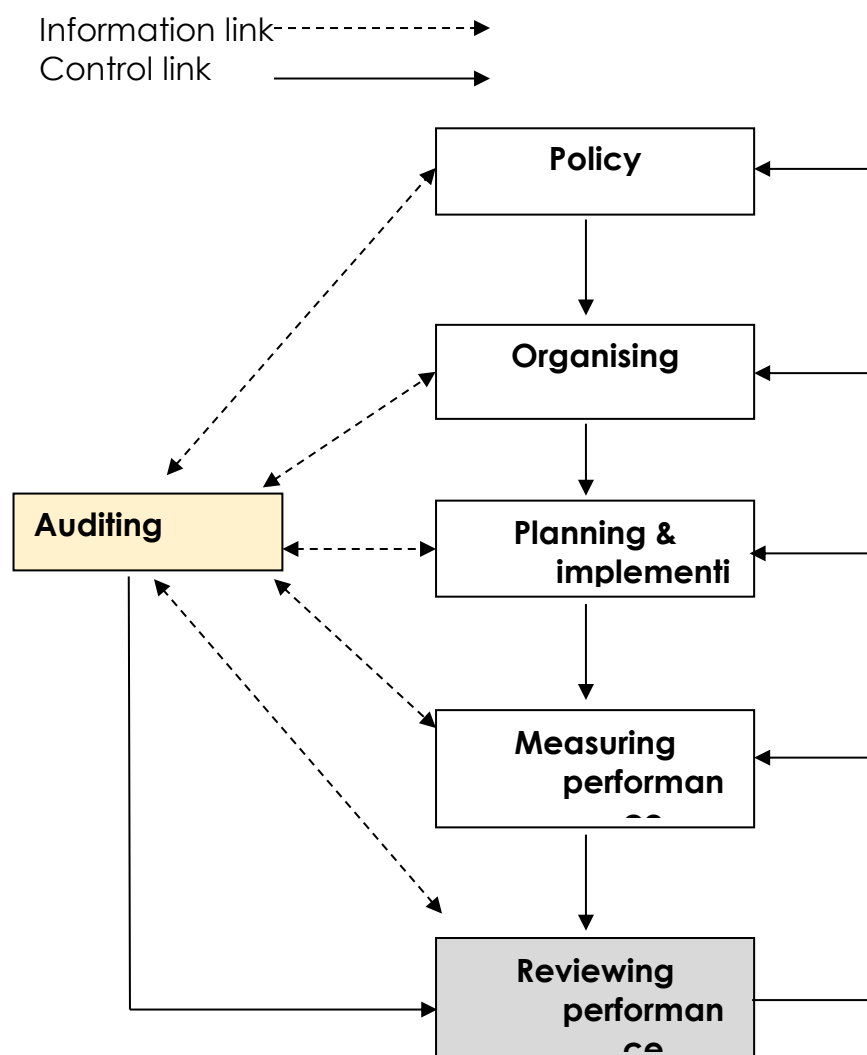


Diagram 1: HS(G)65 Health and Safety Management System Elements

## **POLICY**

Effective health and safety policies set a clear direction for the Council to follow. They contribute to all aspects of business performance as part of a demonstrable commitment to continuous improvement. The Council already has a well-developed set of Corporate Policy Arrangements that are available on the council SHE software system and this is subject of a rolling programme of review.

## **ORGANISING**

The Council needs to ensure that it has an effective management structure and arrangements are in place for delivering its health and safety policies. To achieve success, all staff will need to be motivated and empowered to work safely and to protect their long-term health, not simply to avoid accidents. The Council is currently embarking on developing a safety circle safety culture, ensuring robust health and safety management supports this programme and will better shape the way it deals with health and safety issues in the future. The activities necessary to promote a positive health and safety culture are;

### **Control**

Everyone working in the organisation can contribute to controlling health and safety risks. Control is achieved by getting the commitment of employees to clear health and safety objectives. Managers will need to take full responsibility of controlling factors that could lead to ill health, injury or loss thereby helping to create a positive atmosphere and encouraging a creative and learning culture.

### **Co-operation**

Participation is essential to control risks effectively. By encouraging employee 'ownership' of health and safety policies this will assist with their better understanding that the organisation as a whole, and people working in it, benefit from good health and safety performance.

The Council has a legal obligation to consult with all employees about those health and safety issues in the workplace that affect them. The Council has already fostered good relationships on health and safety matters with its recognised trade unions.

### **Communication**

All managers need to lead by example. Their visible commitment to, and involvement in, health and safety management should be obvious and consistent. They will need to provide regular and reliable information on health and safety to everyone who needs it.

### **Competence**

If Council employees are to make a maximum contribution to health and safety, the Council will need to have in place robust arrangements to ensure that they are competent. Health and safety is already a mandatory competency for all employees.

### **PLANNING AND IMPLEMENTING**

This element concerns the adoption of a planned and systematic approach to implementing the health and safety policy through an effective health and safety management system. The aim is to minimise risks. This strategy provides the framework, against which the Council will judge the adequacy of its health and safety management systems to ensure,

- The mitigation of risks;
- The ability to react to changing demands;
- Sustainability of a positive health and safety culture.

### **MEASURING PERFORMANCE**

The Council needs to measure what it is doing to implement its health and safety policy and to assess how effectively risks are controlled. There are many different types of monitoring, but they can generally be categorised as either 'proactive or reactive'.

- **Proactive** methods monitor the operation of management arrangements and workplace precautions and tend to be preventative in nature, for example; routine inspections and surveys of premises, plant and equipment by staff;
- **Reactive** methods monitor evidence of poor health and safety practice but can also identify better practices that may be transferred to other parts of the organisation, for example, investigating accidents and incidents, monitoring cases of ill health and sickness absence records

Where services are delivered on behalf of the Council via contractor relationships, these activities should also be subject to continual health and safety performance monitoring and review. In such circumstances, the level, nature and frequency of monitoring undertaken will be based on an assessment of risk. Evidence of such systems will be required to enable demonstration of due diligence.

### **REVIEWING PERFORMANCE**

All control systems tend to deteriorate over time. To provide essential feedback and information to managers, on how effectively plans and the components of the health and safety management systems are being implemented, professional safety and health advisers from the Corporate Health and Safety Team carry out a regime of regular auditing and performance review of **premises, teams and processes**. The findings on

success and failure are then fed back in to the system and should be acted upon to enable continuous improvement to be made.

## 5.0 AUDITS (TEAM, PREMISE & PROCESS AUDITS)

### 5.1 Team Audits:

Team audits are necessary to verify that appropriate safe systems of work are operating across the division. These audits focus in on staff training, team risk assessments and safe systems of work.

The categorisation of teams will be based on:

- **The activities of the team/service** – front facing staff interacting with the public are generally deemed to be at a higher risk to workplace aggression especially when working alone. Similarly, teams using dangerous equipment e.g. chainsaws, abrasive wheels or engaged in high risk activities such as working at height.
- **Where there is thought to be an absence of suitable team assessments and safe systems of work** the team will be targeted.
- **Any other significant hazards** that may be identified.

### 5.2 Premise Audits:

Premise audits are required to ensure compliance of buildings and assets. These audits focus on statutory requirements and industry good practice relating to aspects of Corporate Landlord. Every corporate building will be audited within an 18 month circle.

The categorisation of premises will be based on;

- **The physical location;**  
The location category will be based on known untoward activity in the area of the premises, its remoteness and proximity to essential emergency services.
- **The use and occupiers of the premise/site,**  
Use of the building/premises will be based on a sliding scale from office use, being inherently safe, to depots being dangerous because of transport movement. Sites made available to the public especially where there is no onsite supervision will similarly tend to present a higher risk due to factors like vandalism. The amount and variety of mechanical systems in the building will also need to be taken into account, that is water, sanitation, washing systems, air conditioning, (all potential legionella hazards), lifts (goods & passenger) will raise the risk profile on the basis that the more systems the more maintenance is required.
- **Sites where vulnerable persons reside** (i.e. Residential Care and Sheltered Housing Schemes) will need higher levels of oversight,
- **Any other significant hazards that may be identified.**

### **5.3 Process Audits:**

Process audits enable us to identify systemic problems within managed processes and enable effective remediation of risk across boundaries.

The categorisation of processes will be based on;

- **Where there is reliance on contractors to fulfil essential aspects;** for example repair and maintenance contracts,
- **The overall success of the process is dependent on input from several teams;** for example the maintenance of play areas.

## **6.0 SELF-AUDITS AND SAFETY TOURS**

The program of audits carried out by the Corporate Health and Safety team is supported with 'Self-audits' by Managers and 'Safety Tours' by Senior Managers.

The managers 'Self-audit' comprises of question sets and requires reference to sample inspection of documents and a physical inspection of the premises. The senior managers 'Safety tours' are a more general approach relying on observation and talking to staff.

Both audits aim to breach the gap and ensure that all areas of the Council are examined each year. Further information can be found under the Corporate Health and Safety Assure SHE system.

## **7.0 SERVICE DELIVERY**

Corporate Health and Safety Team services will be delivered by fully trained, qualified, experienced competent persons with a detailed knowledge of legislative requirements, good practice and understanding of fire safety, Asbestos Management, Occupational Health Management, Employee Counselling and Health & Safety Law. The teams are able to provide support on wellbeing, health and safety issues that can be applied so not as to be onerous in its application to achieve service aims.

### **7.1 Health and Safety, Fire and Asbestos Services include:**

- **Auditing** - Essential in the first instance to identify shortfalls and recommend course of action to ensure an effective safety management system. The Safety Management System provides robust and comprehensive audits for Premises, Teams and Processes.

- **Policies and Arrangements** – Developed, updated and reviewed Council Corporate Policies, Processes, Guidance & Briefing Notes providing suitable and sufficient, arrangements, information for Managers and Premises controllers to follow for practical application.
- **Risk Assessments** - A comprehensive set of risk assessment processes (including DSE, work, Stress, Manual Handling, New and Expectant Mothers, etc) that are in line with HSE approved systems together with model assessments and advice on their use. The team will also support and assist managers with the production of specific risk assessments.
- **Fire Risk Assessments** - For Council Housing, experienced qualified fire risk assessor will undertake predominantly Type 1 Fire Risk Assessments over a cyclical programme. High priority buildings, Sheltered Housing Schemes, Community Halls and Converted Street Properties) being risk assessed annually whilst Medium/low priority (purpose built blocks are assessed over a two year cycle. Type 4 assessments in high rise void properties will be undertaken as and when suitable properties become available.
- **Advice/Professional support and guidance** - by expert officers for Health, Safety, Asbestos and Fire related issues.
- **Asbestos Management** – The council facilities management team will provide management policy and guidance, awareness training and offer help in the application of recommended and required management processes.
- **Asbestos register** - Access to an on-line asbestos management suite that holds records and surveys for properties surveyed by specialist asbestos surveyors, via facilities management, Council Housing employ an asbestos surveyor.
- **Asbestos Surveying service and Management Plan.** It is a requirement of the Control of Asbestos Regulations 2012 that premises set out in a detailed plan how asbestos is managed. The Council as the Duty holder has this work carried out by a licenced asbestos contractor.
- **Training** - Provision of health and safety and asbestos training from a range of courses by competent staff. Asbestos awareness training is a requirement of the Control of Asbestos Regulations 2012. This is provided to all those in control of premises and those who may be designated as carrying out any work with asbestos or with the planning or arrangement of that work.
- **Access to a Computer Based Training (CBT)** - A wide range of modules including asbestos management, fire safety, health and safety awareness

etc. This is provided to reinforce knowledge and act as an easily accessible way to complete refresher training.

- **Accident/ Incident Reporting** - Provision of an on-line system for reporting and maintaining records (Assure SHE software). The reporting system acts as a tool to provide data, graphs and statistics that enables analysis of trends to aid with risk mitigation, defence in litigation and reduces insurance costs.
- **Accident/ Incident Investigation** - All accidents that may be deemed necessary for an officer to conduct a full accident/incident investigation can be advised and supported to ensure a professional approach and documentation.
- **Support, advice and liaison with enforcing authorities are provided.** Experience has shown that liaison with enforcing authorities using safety professionals has resulted in positive outcomes.
- **Site Inspection/ Visit** – A Health and Safety professional are available to attend sites to monitor and advice on specific issues.
- **Violence at work and Lone working systems** – The team will work alongside management in providing a suitable lone working solution.

## **7.2 Occupational Health Service**

The Occupational Health Service provides:

- A Consultant-led team focus on early intervention, executing tried-and-tested approaches that will help to safeguard employees' health and get them back on their feet as quickly as possible.
- Strategies to assist with managing employees more decisively.
- Development of coordinated plans so staff can return to work as soon as possible.
- Employees can visit the Occupational Health providers clinics where required.

## **8.0 RESOURCE ALLOCATION**

A key area of support of the Corporate Health & Safety Team is to undertake external monitoring of the implementation of departmental safety management arrangements. Each Directorate receives a level of professional support from the team of Safety Advisers. The amount of resource allocated to each Directorate is based on the level of risk associated with the undertakings of teams.

A significant amount of work is outsourced to contractors. This equally requires safety monitoring to ensure not only legislative compliance but avoidance of reputational damage. One particular area requiring significant monitoring across the Council concerns compliance with Client duty holder responsibilities under the Construction (Design and Management) Regulations 2015, which takes in construction, repair and maintenance work.

## **9.0 CORPORATE HEALTH AND SAFETY PERFORMANCE PLAN 2021/22**

# Corporate Health & Safety Management Performance Plan 2021 – 2022

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Prepared by:	John Griffiths Corporate Health & Safety and Compliance Manager
Approved by:	Corporate Health and Safety Board (CHSB)
Divisional Director Signature	Tracey Connage of HR&OD 
Date	1 <sup>st</sup> April 2021

Section	Objective	Start Date	End Date	Lead	Target	Achieved		Remarks
						Six Months	End Period	
Safety Management								
Senior Managers Safety Tours  (Linked to priorities and Aims (A,B,D,G,H,I))	(a) Conduct safety tours of premises/ sites within areas of responsibility, a <b>minimum of four</b> a year (quarterly), to ensure the safety and upkeep of the workplaces.	April 2021	March 2022	Directors/HOS	100%	50% - On Target	100 - Completed	This was substituted with COVID building risk assessment due to Pandemic. Head of services, senior management, divisional directors and silver group was all part of the review process and amendments of the RA process.
	(b) Record the results of safety tours and submit quarterly returns on Pro-forma to Divisional Director. Each Director to discuss at their DMT’s Any outstanding remedial actions from the safety tour that affects corporate buildings must contact facilities management.	April 2021	March 2022	Directors/HOS	100%	50% - On Target	100% - Completed	COVID building secured RA was reviewed and amended throughout the pandemic and the RA continued to be reviewed.  All updated RA are on R.A Tracker. More information can be accessed through the SHE Assure system
Management Self Audits  (Linked to priorities and Aims (A,B,D,G,H,I))	(a) All heads of service to ensure their managers carry out <b>one</b> Management Self Audit per year on their teams.	April 2021	March 2022	Managers to carry out audits, Directors to ensure audits take place.	100%			Due to the pandemic and government guidelines on majority of staff working from home. This particular objective was not met.
	(b) Management of Self Audits; Managers to remediate actions and provide Divisional Directors with information. Directors to maintain record.	April 2021	March 2022	First/Second Line managers to follow up and ensure actions completed.	100%			Due to the pandemic and gov. guidelines on majority of staff working from home. This particular objective was not met.

Section	Objective	Start Date	End Date	Lead	Target	Achieved		Remarks
						Six Months	End Period	
General Health & Safety Control Systems								
Corporate H&S Audits by Department General Audits  (Linked to priorities and Aims (A,B,D,H,I))	Create and undertake a schedule of Internal Health and, Safety Audits on high risk services on identified teams and premises. Focus to be on processes as part of audit where applicable. <b>Overall, 24 audits.</b> <b>12 Corporate and 8 audits in Environment services</b>	April 2021	March 2022	Head of Corporate Health and Safety	24 audits	10 audits completed Hard FM Refuse CA Site Street Cleaning Parks Grounds - Maintenance Gardening - services Transport Refuse Fleet - Management Capital - Programme Highways 47% - On Target	26 Audits completed  1 x capital programme, 1 x highways  Nov 22: 1 x FM  Jan 22: 1 x parks & cemeteries, 1 x FM, 1 x fleet  Feb 22: 1 x FM  Mar 22: 1 x highways, 8 x SNT	Audits will be on high/medium risk as determined by previous audits, size and incidents over the last two years of historical data.  Data was provided by Graham Webb, Environmental services H&S consultant.
Schools & Children Centres General Audits  (Linked to priorities and Aims (A,B,H))	To start new cycle of audits a minimum of 33 audits, schools and children centres to attend to actions as required. <b>33 Community Schools</b> <b>9 Children’s Centre</b>	April 2021	March 2022	Head of Corporate Health and Safety	33 audits	10 audits have been carried out.	34 audits completed  Average score for school is 70%  Average score for Children centres is 82%	Audit for the 2021-22 period were all completed  Raised Actions are on going  Data was provided by Fredah Zuleha

Section	Objective	Start Date	End Date	Lead	Target	Achieved		Remarks
						Six Months	End Period	
<b>Operational Risk Assessments</b>  (Linked to priorities and Aims (A,B,F, H))	All first line managers/supervisors to review their RA's to ensure that they are suitable and sufficient for safe operations for their staff. <b>All RA's must meet government COVID-19 guidelines</b>  All RA to be signed off by Head of Service and recorded.	April 2021	March 2022	Line Managers/HOS	100%	50% - On Target	100% - Completed	All risk assessments are recorded and are available on the SHE Assure system.  119 new risk assessment was recorded and uploaded on SHEassure system.  112 risk assessment has been amended within this period  Statistics of Staff in all directorates completed DSE Assessment is 76.68
<b>Corporate building COVID-19 secure Risk Assessments</b>  (Linked to priorities and Aims (A,B,F, H))	All building responsible persons must update their RA. This will be monitored by the RA tracker on a monthly basis and reported to the corporate health and safety board. <b>Responsible persons to be identified for each building</b>  <b>All RA's must meet government COVID-19 guidelines</b>	April 2021	March 2022	Building Responsible Person	100%	50% - On Target	100% - Completed	Divisional Directors signed off all COVID-19 secure RA's before going to Silver Group for final sign-off  These are recorded on the RA Tracker.
<b>Corporate Policies/Committees</b>								
<b>Corporate Policies</b>  (Linked to priorities and Aims (A,H,I))	Review Corporate Policies and Guidance documents in light of changing legislation, official guidance, good practice and Council priorities. Identifying where changes required, re-date/reorganise library of documentation on SHE software system. Target minimum 6 policies.	April 2021	March 2022	Head of Corporate Health and Safety	6 fully revised or written policy/guidance documents	1 – Accident and incident code of practice – Behind Target	7 Policies Asbestos Legionella PPE Lone working Manual-handling H&S policy	The following policies have been amended and are now in the consultation stage with unions and stake holders.  The CHS policy has now been signed off for 2022-2023.  Data was provided by the CHS Team

Section	Objective	Start Date	End Date	Lead	Target	Achieved		Remarks
						Six Months	End Period	
<b>Corporate Health and Safety Board (CHSB)</b>  (Linked to priorities and Aims (A,B,C,F,H,I))	Plan, organise and attend minimum of 8 H&S Committee Meetings. This is a key meeting to consult key health and safety issues with trade unions.  <b>Trade unions will be asked 7 days before the meeting for trade union items for the agenda</b>	April 2021	March 2022	Divisional Director (Chair) Head of Corporate H&S, Directorate representative's senior managers, and Union/safety Representatives.	8	5 – On Target	8 - Completed	Chaired by Divisional Director of HR OD due to the CHS Team transferring from community to resources
<b>Fire Control Systems</b>								
<b>Corporate and Schools Fire Risk Assessments</b>  (Linked to priorities and Aims (A,B,H,I))	(a) Conduct a <b>minimum of 20</b> fire risk assessments on corporate buildings, identified as the top high-risk <b>Corporate premises</b> and managers actions within time scales.	April 2021	March 2022	Head of Facilities Management	20	Undertaken 2 FRAs for period up to 15th October. Majority of FRA's not due. Remaining FRA's scheduled to be carried out between November 2021– March 2022 – On Target	Completed 47 FRAs, report being reviewed and actioned being scheduled to be carried by September 2022	RA's will be on high/medium risk as determined by previous RA's,  Once all FRAs have been completed the action will be to review and undertake all works to ensure compliance.  Data was provided by Kenneth Asiedu

Section	Objective	Start Date	End Date	Lead	Target	Achieved		Remarks
						Six Months	End Period	
	(b) Conduct a <b>minimum of 33</b> fire risk assessments on identified <b>Schools premises</b> . Head Teachers to address actions within time  The schools undertake these FRAs directly but FM to check that RA are undertaken in community schools and the actions from the RA are managed.	April 2021	March 2022	Head of Facilities Management	33	On Track To receive FRA's from schools. Information requested from schools deadline set for 4th November 2021	Received FRA's from schools.	The schools undertake these FRAs directly but FM to check that RA are undertaken in community schools and the following remedial actions have been actioned.  Data was provided by Kenneth Asiedu On 04/04/2022
<b>Council Housing Fire Risk Assessment</b>  (Linked to priorities and Aims (A,B,H,I))	(a) Carryout Fire Risk Assessments in all <b>High-Risk</b> Priority common areas (4 or more stories/house) vulnerable persons/community halls and relevant team to attend to actions.	April 2021	March 2022	Divisional Director of Council Housing.	87 FRAs	50% - On Track	100% - Completed	Data provided by Marilyn Pipa in housing
	(b) Carryout Fire Risk Assessments in <b>Low Risk</b> Priority Common areas (Between 2 & 3 stories/purpose built and relevant team to attend to actions.	April 2021	March 2022	Divisional Director of Council Housing	350 FRAs	50% - On Track	100% - Completed	Data provided by Marilyn Pipa in housing
<b>Council Housing Fire Safety Audits</b>  (Linked to priorities and Aims (A,B,H,I))	Carryout audits of fire safety at high priority sites:	April 2021	March 2022	Divisional Director of Council Housing	27	50% - On Track	100% - Completed	Data provided by Marilyn Pipa in housing
	(a) Audit Sheltered Housing Schemes and relevant team to attend to actions	April 2021	March 2022	Divisional Director of Council Housing	18	50% - On Track	100% - Completed	Data provided by Marilyn Pipa in housing
	(b) Audit Community Halls and relevant team to attend to actions	April 2021	March 2022	Divisional Director of Council Housing	9	50% - On Track	100% - Completed	Data provided by Marilyn Pipa in housing
<b>Workplace Implementation</b>								

Section	Objective	Start Date	End Date	Lead	Target	Achieved		Remarks
						Six Months	End Period	
<b>Health &amp; Safety Training</b>  (Linked to priorities and Aims (B,F,G,I))	(a) Identify suitable Health & Safety training opportunities as identified by department Directors/ Safety Rep's/HOS/safety circle leads.	April 2021	March 2022	Directors and safety Circle leads	100 Trained staff	56 – On Target	100% - Completed Total staff trained for 2021-2022 was 151.  80 employees completed training on SHE Over 15 staff have completed training on DSE	Data provided by Darren Butterfield and Chudi Umeofor from CHS.
	(b) <b>Level 3 Award in Health and Safety First Line Managers and Supervisors</b> to attend, and <b>L3 Risk Assessment course</b>	April 2021	March 2022	Directors/ HOS	100%	30% - Behind Target	100% - Completed	30 staff have completed (Highfield) level 3 health and safety qualification  51 employees completed a (Highfield) level 3 risk assessment qualification training.  Data provided by Darren Butterfield
<b>Asbestos Management</b>								
<b>Corporate Buildings Asbestos Surveys</b>  (Linked to priorities and Aims (A,B,C,H))	To carry out asbestos surveys in all corporate buildings. Each building to have an asbestos management plan	April 2021	March 2022	Head Facilities Management	50	All corporate site update to date with asbestos	50 Completed, All corporate site update to date with asbestos	To meet employers' statutory duties under Regulation 4 of CAR 2012.  Data was provided by Kenneth Asiedu in facilities management

Section	Objective	Start Date	End Date	Lead	Target	Achieved		Remarks
						Six Months	End Period	
	To carry out asbestos re-inspection survey to look at process and verify integrity of asbestos works by contractors, facilities Management to attend to any identified failings.	April 2021	March 2022	Head of Facilities Management.	50	Asbestos reinspection surveys not due. Surveys scheduled to be carried out between November 2021– March 2022	50 Asbestos reinspection surveys completed.	This will ensure processes are working and that we are carrying out a due diligence check.  Data was provided by Kenneth Asiedu in facilities management
<b>Community Schools and Schools with SLA Asbestos Surveys</b>  (Linked to priorities and Aims (A,C,H))	(a) To review management plans and results from surveys and carry out actions identified. There will be a minimum of 20 schools surveyed with Management Plans. Schools to attend to actions. Should this	April 2021	March 2022	Head of Faculties Management /Head Teachers	10 schools	Reviewed 10 surveys, identified works required. Proposed works will be scheduled to be carried out by 31 <sup>st</sup> March 2022 – On Target	Reviewed 10 surveys, identified works required. Proposed works have been carried out.	To meet employers' statutory duties under Regulation 4 of Control of Asbestos Regulations 2012 - Community Schools LBE as the Duty Holder  Data was provided by Kenneth Asiedu in facilities management
<b>Council Housing Asbestos Surveys</b>  (Linked to priorities and Aims (A,B,C,H))	(a) To carry out and manage a Surveys on all common parts of the Housing stock This will be risk based and client directed. Council Housing to attend to required actions.	April 2021	March 2022	Divisional Director of Housing	431 surveys	421 – On Target	431 surveys : (sheltered Homes (16) Community centres (10) Converted Buildings (22 other housing communal areas(383)	To meet employers' statutory duties under Regulation 4 of Control of Asbestos Regulations 2012.  Data provided by Krish Ponnusawmy, Housing Asbestos surveyor.
<b>Communications</b>								
<b>Occupational Health Service</b>	(a) To ensure the Occupational Health Service continues to provide adequate health surveillance, HEP B vaccination, return to work rehabilitation, health	April 2021	March 2022	HR	HR to provide an update on Occupational health	50% - On Target	100 - Completed	Managers to identify staff and refer staff to OH either for Health Surveillance or HEPB or Both.

Section	Objective	Start Date	End Date	Lead	Target	Achieved		Remarks
						Six Months	End Period	
(Linked to priorities and Aims (E,F,G,H,))	<p>promotion and reduction of work-related sickness absence</p> <p>(b) To provide statistical trend analysis about Occupational Health Service which will include employee referrals, counselling and the EAP service.</p>				performance quarterly at the CHSB.			<p>HR to provide an update on Occupational health performance quarterly at the CHSB.</p> <p>59 staff members have currently had the Hep B vaccination. Data provided by Graham Webb, Environmental services H&amp;S consultant.</p>
<b>Communication Channels to promote key health and safety measures to employees.</b>  (Linked to priorities and Aims (F,G,H,I))	<p>(c) Safety Circle leads to provide dates and key risks of safety circles. CHS to suggest these key areas to safety circle leads.</p> <p>(d) <b>Workshops</b></p> <p>(e) <b>Safety tours</b></p> <p>(f) <b>Newsletters</b></p> <p>(g) <b>Audits</b></p> <p>(h) <b>Employee suggestions for improvement</b></p>	<i>April 2021</i>	<i>March 2022</i>	<i>Safety circle and other communication channels</i>	<i>At least one a quarter</i>	<i>Resources directorates carried out their safety circles meetings on 29 September 2021</i>	<i>100% Completed</i>	Due to the Pandemic, information was communicated by government clearly instructing the council on relevant covid control measures. This information was communicated monthly and quarterly in a timely manner as inline with government guidelines also schools received quarterly newsletter update.
	<p>(i) Corporate Health and Safety Board to invite Divisional Directors to update progress on key risks for example.</p> <ul style="list-style-type: none"> <li>- Corporate Building compliance</li> <li>- Community Schools building compliance</li> <li>- Housing Premises building compliance</li> <li>- Incident/ Accident statistical data</li> <li>- Housing Fire door replacement programme</li> </ul>	<i>April 2021</i>	<i>March 2022</i>	<i>Divisional Directors</i>	<i>Quarterly</i>	<p><i>50% - various promotional health and safety newsletters</i></p> <p><i>On target</i></p>	<i>100% - Completed</i>	The corporate Health and Safety Board meets every 6weeks and discusses areas of concerns/risks to the organisation and agree future agenda items and areas of concern for DMT's and Safety Circles.

Section	Objective	Start Date	End Date	Lead	Target	Achieved		Remarks
						Six Months	End Period	
	<ul style="list-style-type: none"> <li>- Occupational Health statistical data</li> <li>- COVID-19 RA's tracker</li> </ul>							
<b>Corporate Significant Risks</b>								
<b>Corporate Risk Register detailing significant health and Safety risks to the organisation.</b>  (Linked to priorities and Aims (A,F,G,H))	(a) The corporate risk register highlighting those significant H&S risks to be presented to the Corporate Strategy Board (CSB) and Corporate Health and Safety Board.	April 2021	March 2022	Corporate Risk Manager	Quarterly	50% - On Target	100% - Completed  Q1 was carried out 6 <sup>th</sup> May 2021 Q2 was carried out 11 <sup>th</sup> August 2021 Q3 was carried out 9 <sup>th</sup> November 2021 Q4 was carried out 11 <sup>th</sup> Feb 2022.	Significant risks to be brought to the attention of CEX and the CSB.  The risk register is a living document that stays in place until the risk is addressed.  All significant health and safety risks was discussed with Neale Burns Risk Manager and the risk register was presented to CSB
<b>Report Data Analysis on Accidents, Incidents and near misses.</b>  (Linked to priorities and Aims (A,F,G,H))	(a) Present monthly data analysis on all accident, incident and near misses at the CHSB.	April 2021	March 2022	Head of Corporate Health and Safety	6 weekly	50% - On Target	100% - Completed	Trend Analysis on accident data to be brought to the attention of CHSB.  CHSB are scheduled every 6 weeks.
<b>Mental Health and wellbeing Resilience</b>								

Section	Objective	Start Date	End Date	Lead	Target	Achieved		Remarks
						Six Months	End Period	
<b>Corporate Mental Health Strategy</b>  (Linked to priorities and Aims (D,F,I))	(a) Refresher Training for mental health first aiders  (b) to supporting the pool of wellbeing champions in the council through regular meetings and CPD	April 2021	March 2022	Laurence Gibson and Andrea Lagos Public Health	Quarterly	37 Wellbeing champions in total. X9 from Communities, x13 from People and x15 from Resources – On Target	37 Wellbeing champions in total. X9 from Communities, x13 from People and x15 from Resources - Completed	To present progress against the mental health strategy to the CHSB.  Achievement data was provided by Andrea Lagos

## APPENDIX 4- OCCUPATIONAL HEALTH SERVICE SUMMARY 2021/2022

## Occupational Health Service Summary

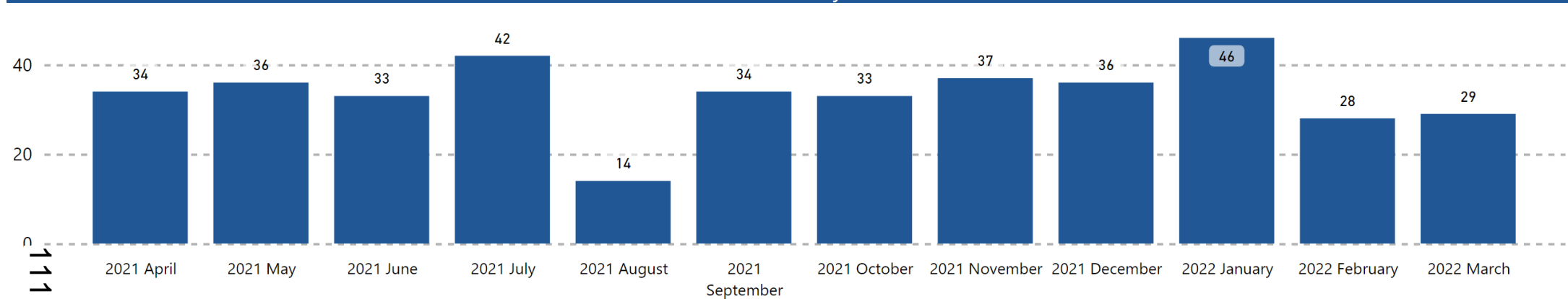
London Borough of Harrow

01/04/2021 — 29/03/2022

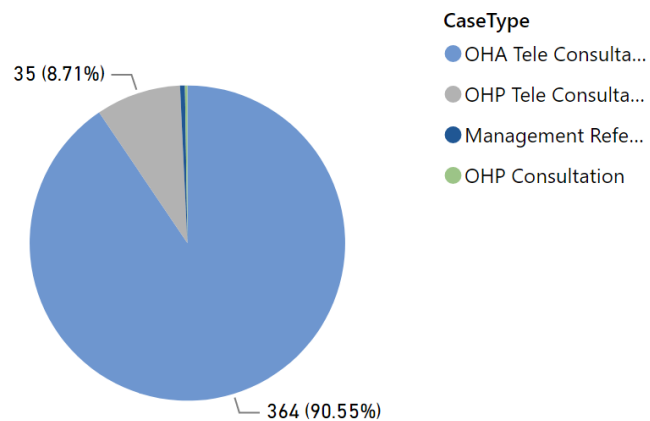


Total Referrals	Equality Act Volume	Equality Act %	Work Related Volume	Work Related%
402	151	45.76%	50	15.15%

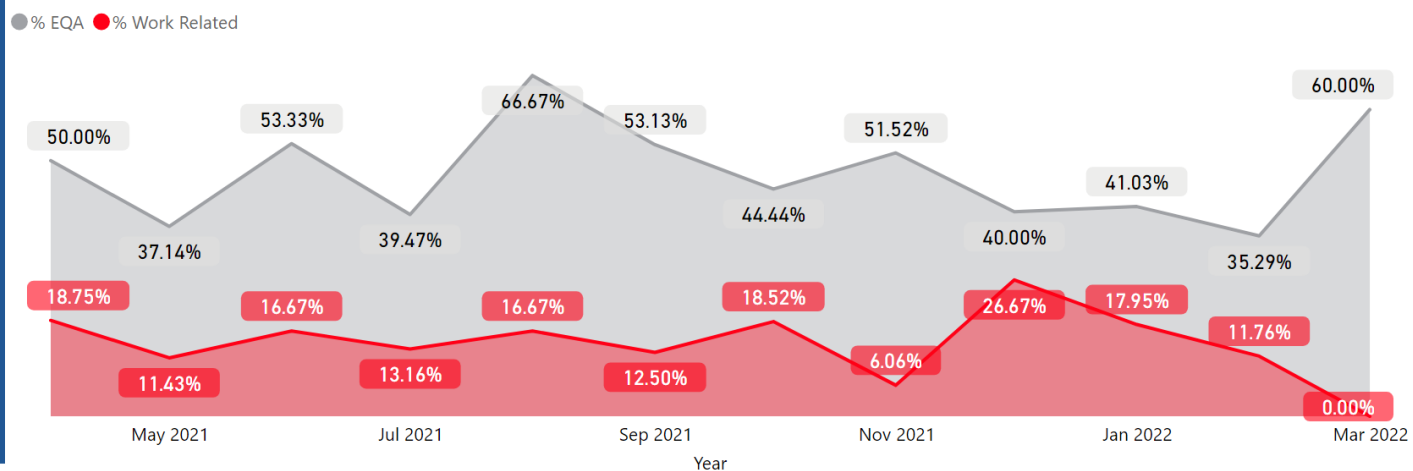
### Referral Volume By Month



### Case Type Breakdown



### % EQA and % Work Related Over Time

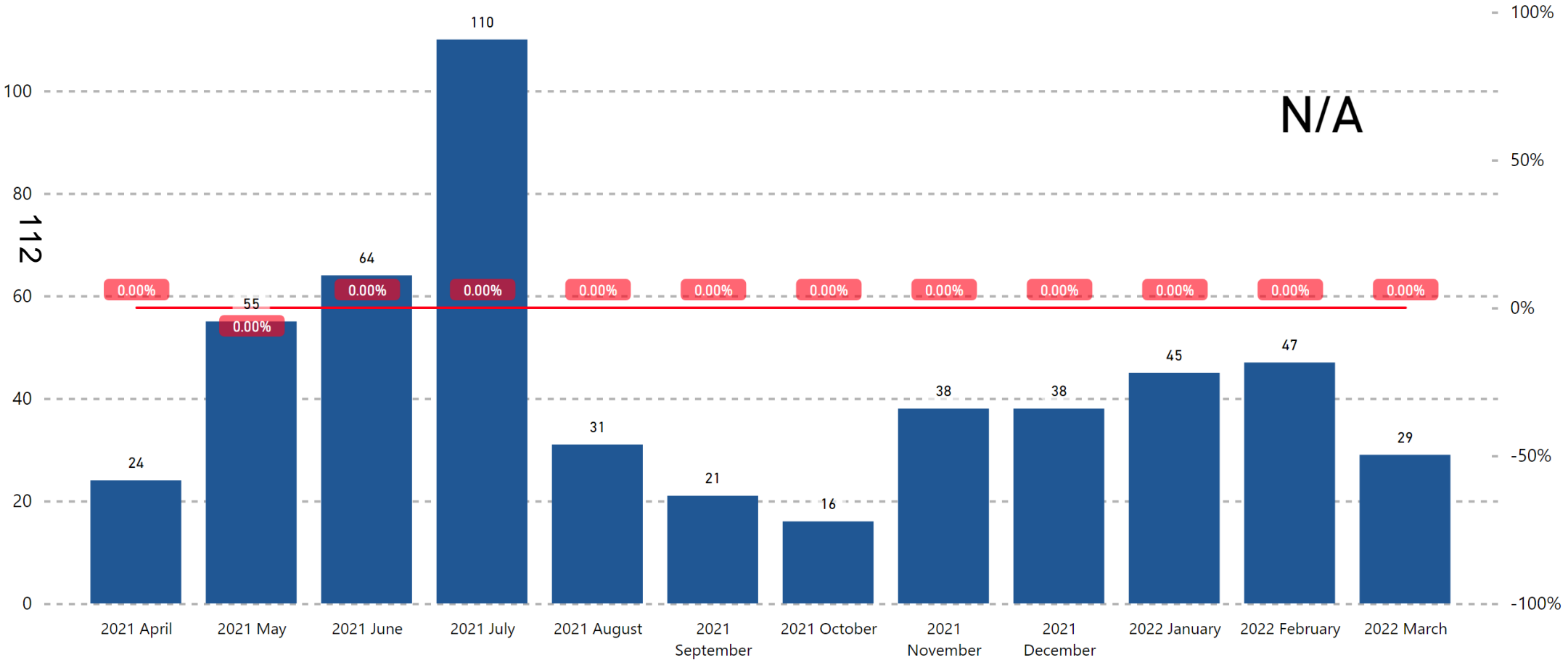


Total HAQs	Satisfactory HAQs	Satisfactory %	Unsatisfactory HAQs	Unsatisfactory %
518	518	100.00%	0	0.00%



HAQ Volume by Month

● HAQ ● Unsatisfactory HAQ %



N/A

Total Work Station Assessment

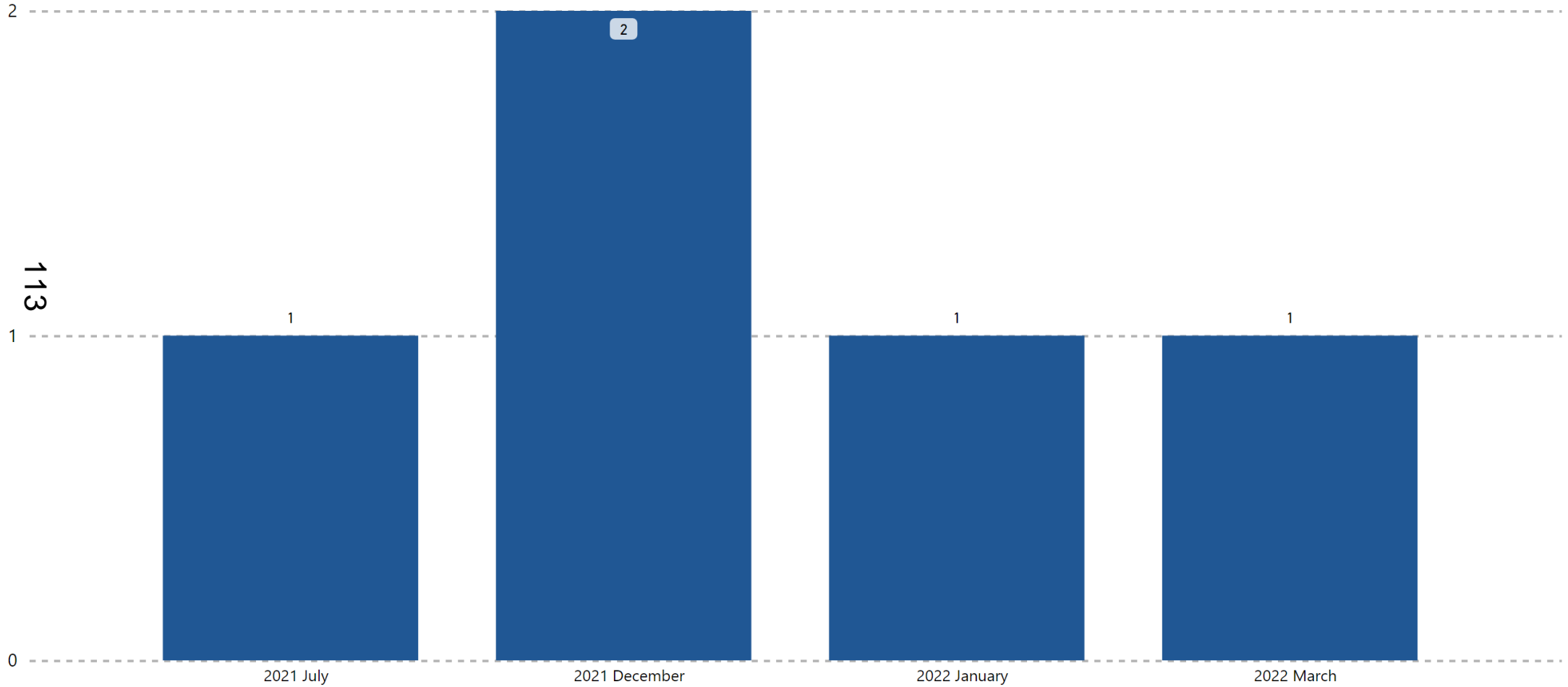
%Work Station Assessment

5

0.53%

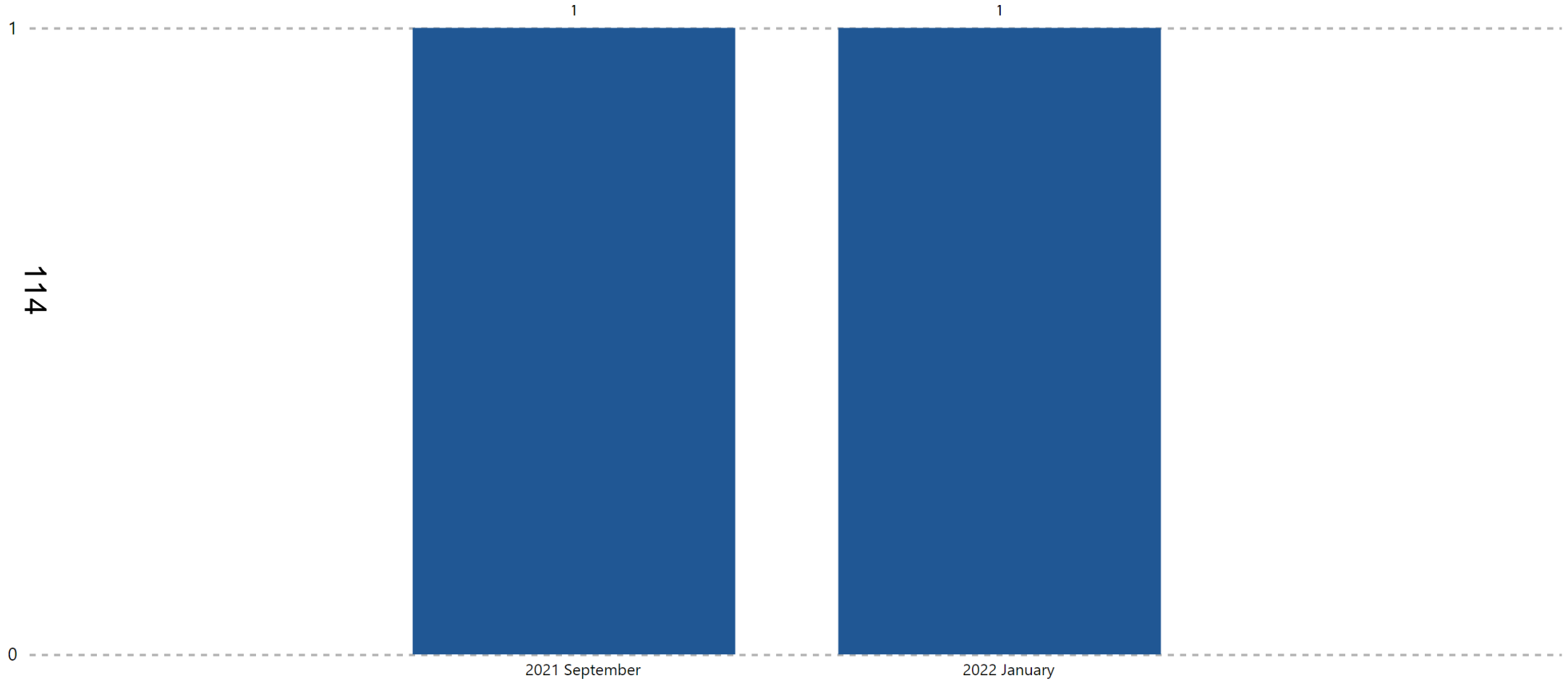


Work Station Assesments Volumes by Month



Total Physiotherapy	% Physiotherapy
2	0.21%

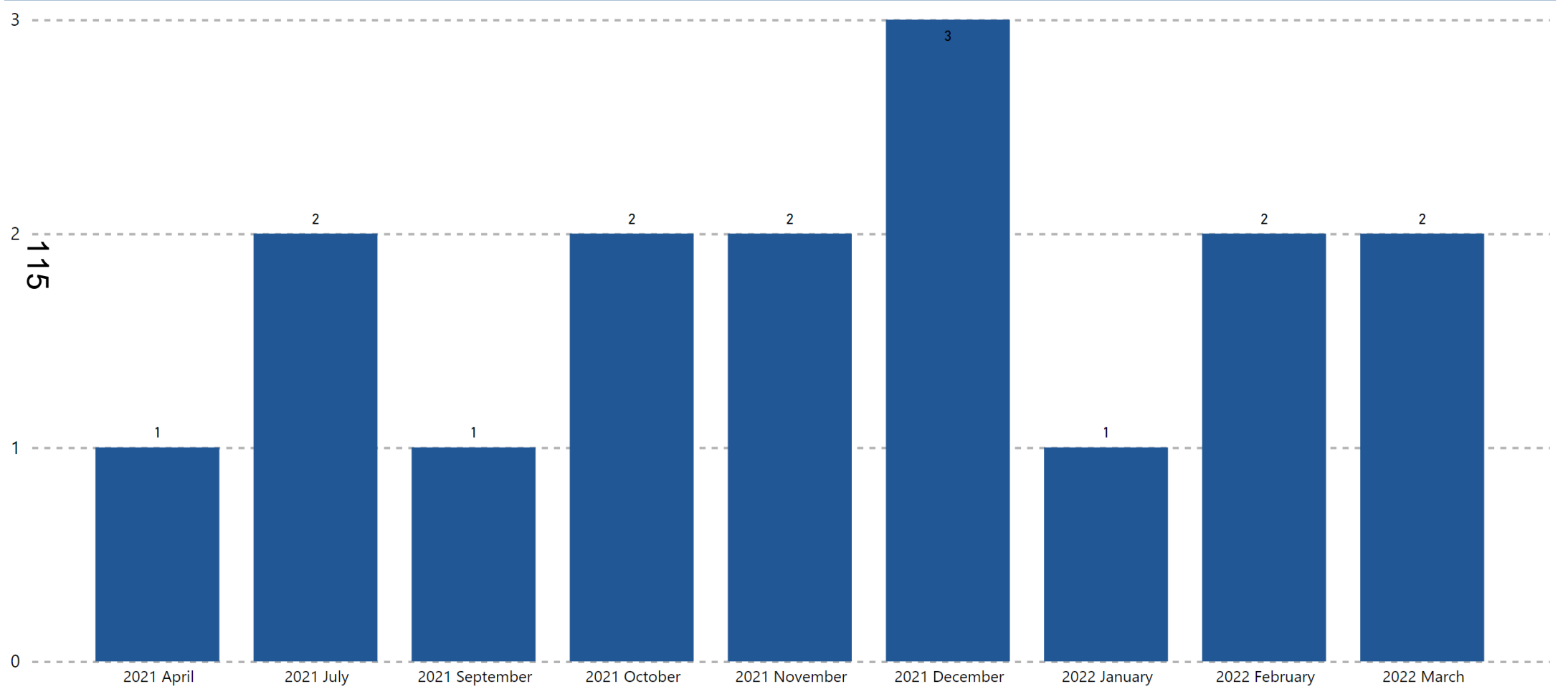
Physiotherapy Volumes by Month



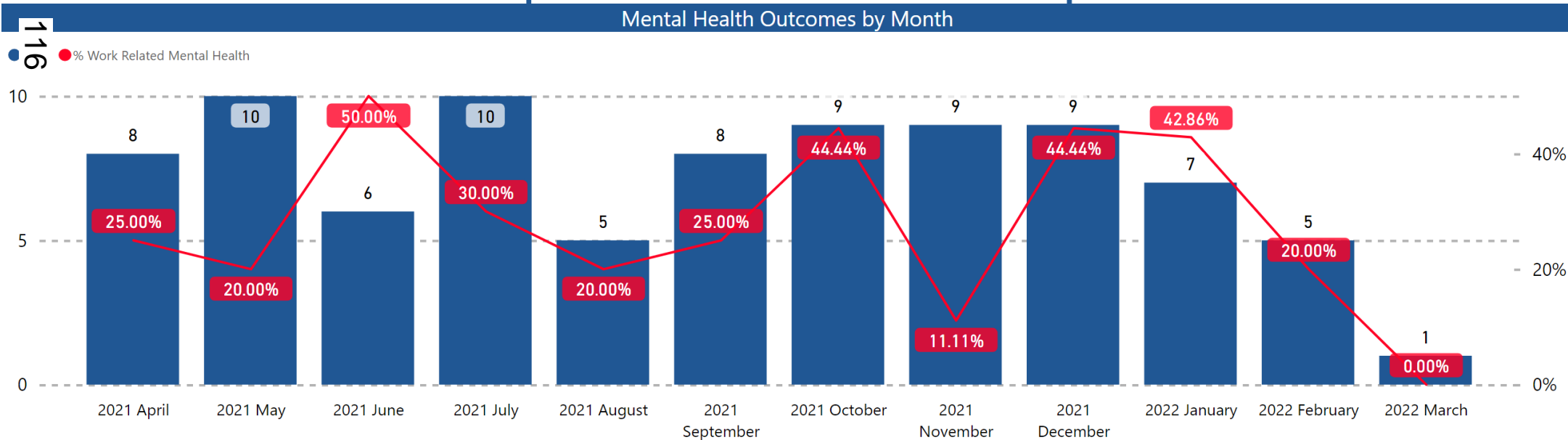
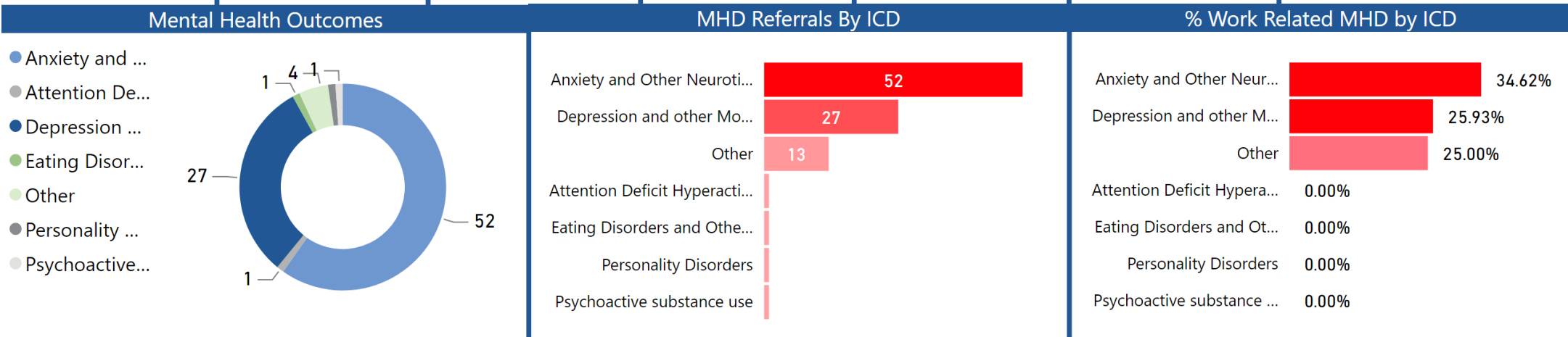
Total III Health Retirement	%III Health Retirement
16	1.70%



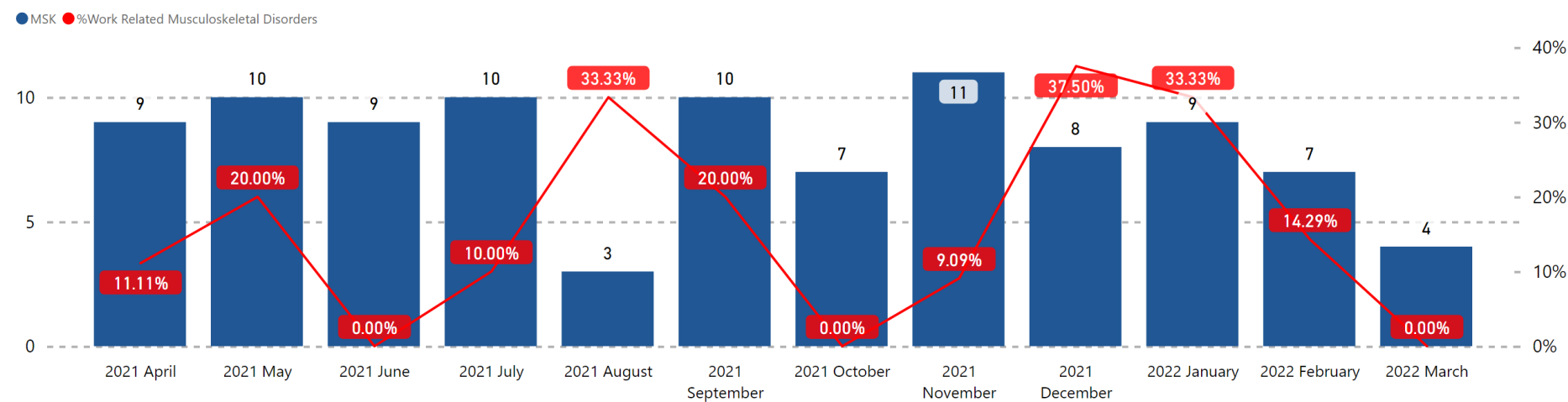
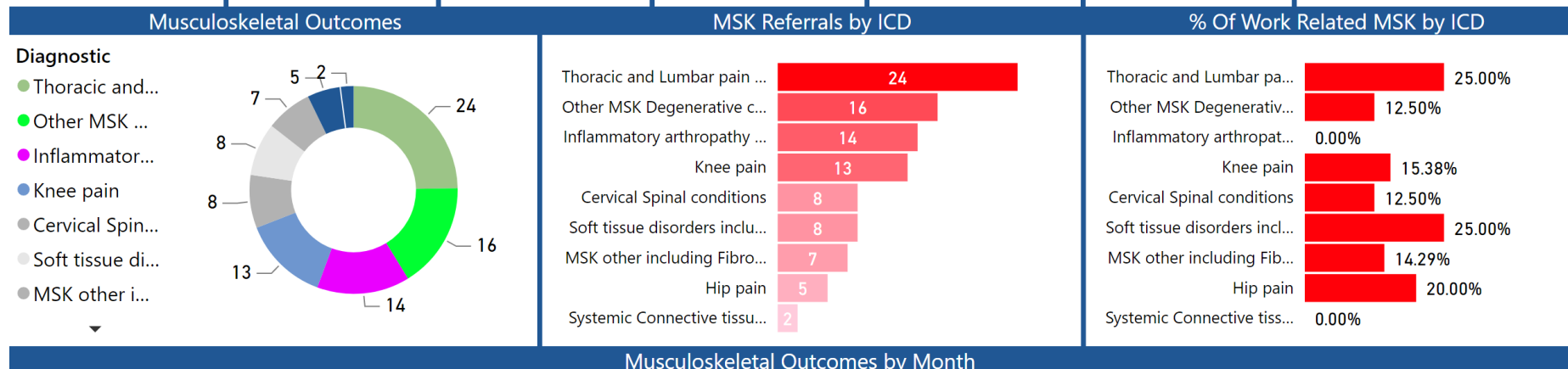
IHR Volumes by Month



Mental Health Disorders	% MHD	MHD EQA	MHD EQA %	Work Related MHD	% MHD Work Related
87	20.47%	36	41.38%	26	29.89%



Musculoskeletal	% MSK	MSK EQA	MSK EQA %	Work Related MSK	% MSK Work Related
97	22.82%	45	46.39%	15	15.46%



Other ICD Volumes

146

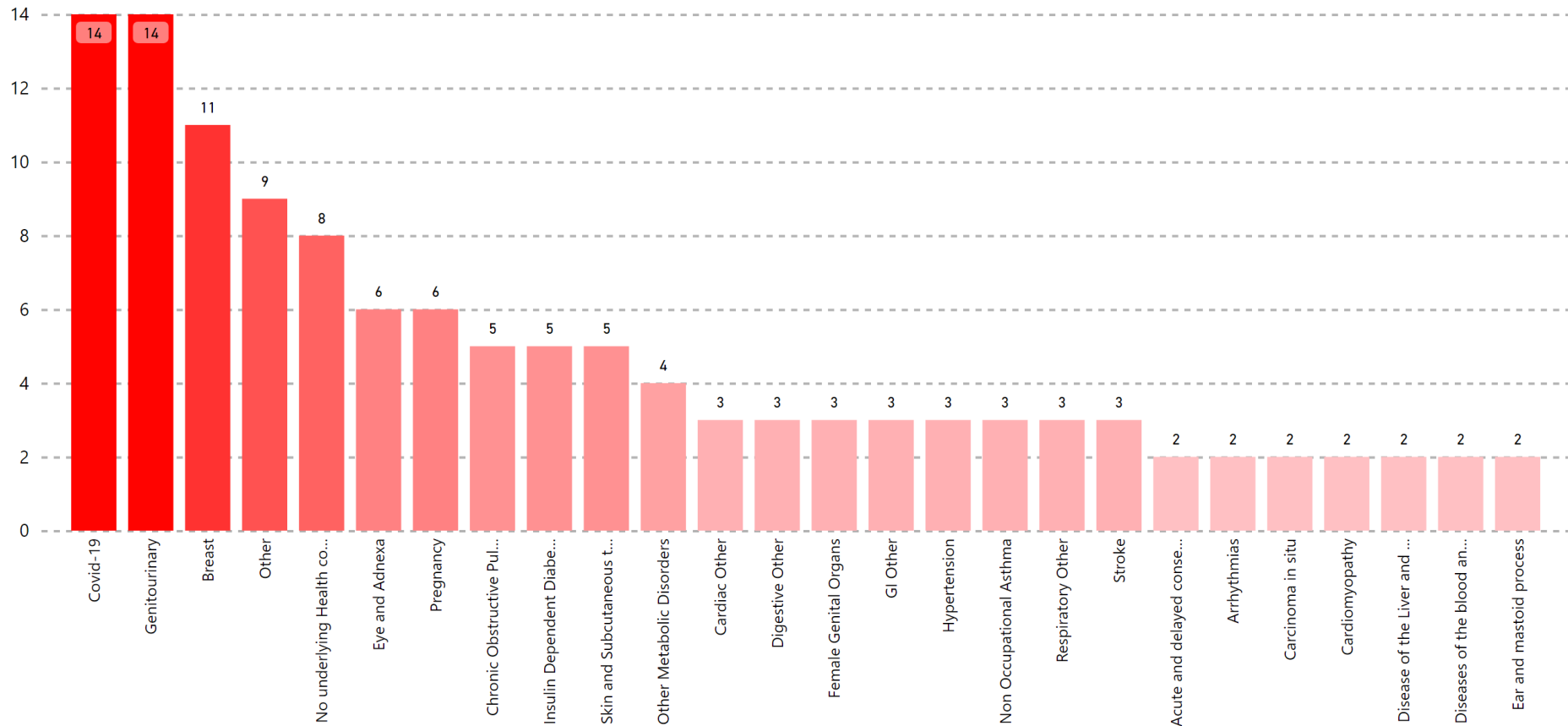
Other ICD %

34.35%



Other ICD Outcomes

118

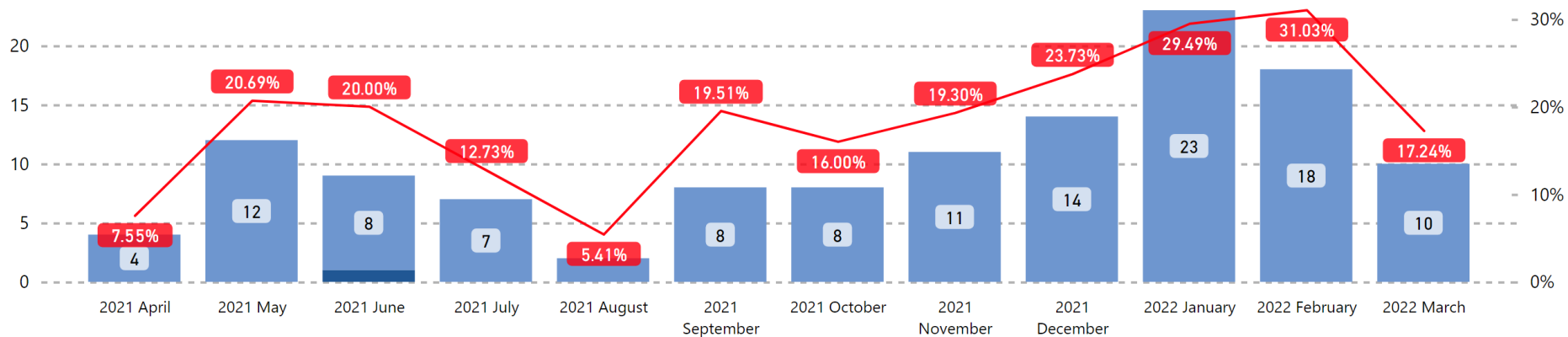


Cancellation Rate	Cancellation Volume	Billed Cancellations	Billed Cancellations
19.41%	126	1	£295

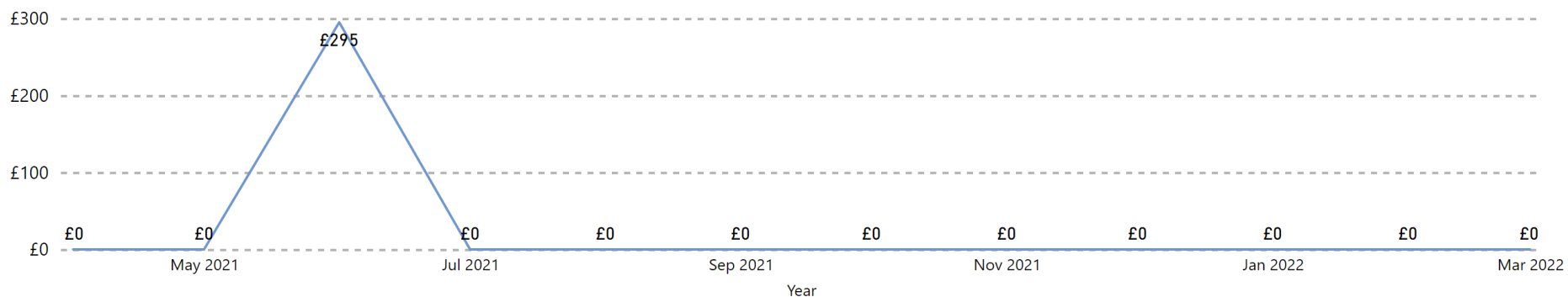


Cancellation Volumes by Month

● Billed Cancellation ● Unbilled Cancellation ● % Cancellation



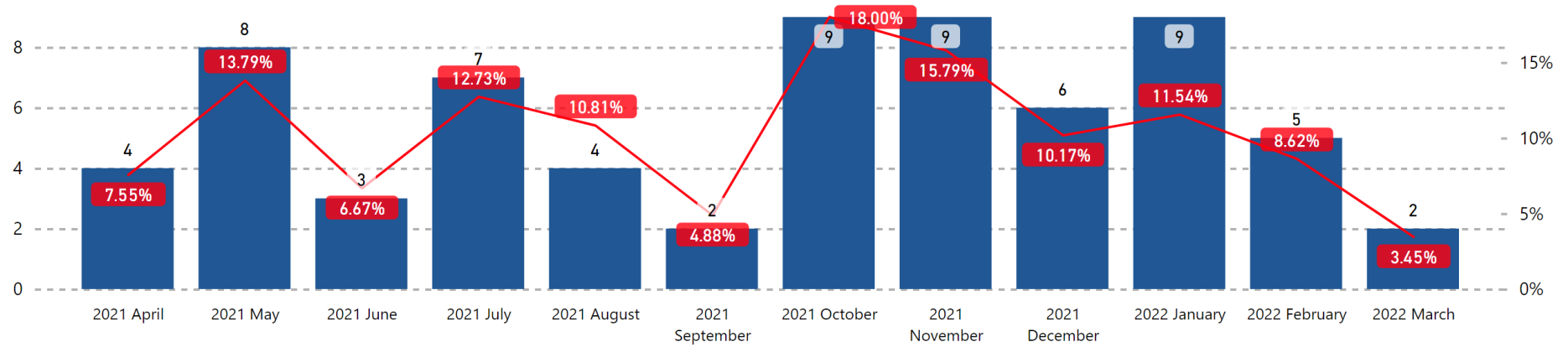
Billed Cancellations in £ over time



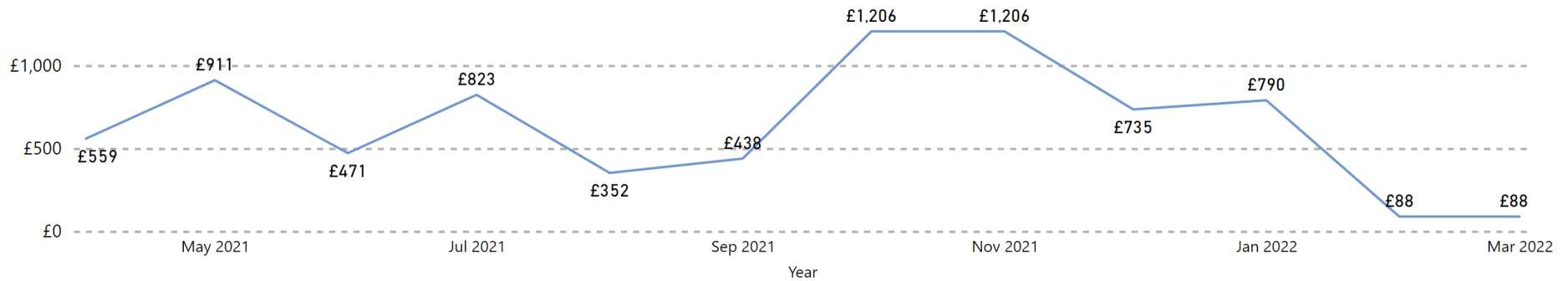
DNA Rate	DNA Volume	Billed DNA	Billed DNA
10.48%	68	60	£7,667

DNA Volumes by Month

● DNA ● % DNA



Billed DNA in £ over time



## **APPENDIX 5- TERMS OF REFERENCE**

## **Corporate Health and Safety Board**

### **Terms of Reference**

#### **Aim**

The Corporate Health and Safety Board will act on behalf of the Chief Executive as the strategic focus for Health and Safety across the corporate estate, using the Health and Safety Policy Statement as framework for decision making. The Board will ensure the implementation of the policy statement through agreed best practice and development of a Health and Safety management system.

#### **Accountability**

The Corporate Health and Safety Board will provide progress reports to the Corporate Strategic Board (CSB).

#### **Objectives**

The Corporate Health and Safety Board has the following objectives:

- To provide a forum in which officers and others with specific responsibilities for health and safety, as set out in the Health and Safety Policy, are held accountable for and supported in their actions. These actions are:
- To ensure compliance with the requirements of health and safety legislation and regulations. throughout the Council.
- To ensure arrangements for developing health and safety competencies among managers and staff are in place and are being followed.
- To review and approve Council-wide objectives for health and safety, policy and strategies and initiatives for their delivery, in consultation with the Governance, Audit and Risk Management Committee (GARMC).
- To promote engagement with, and the integration of, health and safety considerations into everyday working practices in Council services.
- To lead on Occupational Health initiatives to promote well-being and stress management as part of the wider health & wellbeing agenda.
- To develop and oversee the development, implementation and regular updating of the Council's strategic and operational health & safety risk register.
- To set and monitor performance indicators/standards for health and safety and monitor the Council's arrangements for monitoring
- To commission audits and reviews of health and safety management systems, policies and procedures.
- To receive reports and feedback from Directorate Health and Safety Meetings or other relevant forums, groups or committees, as well as provide direction and information back to them as relevant.
- To consider reports on accidents and/or incidents, complaints and work related ill health statistics in order to identify any emerging trends or patterns.
- To consider reports on visits, inspections or any enforcement action taken by the Health and Safety Executive, the London Fire & Emergency Planning Authority and other enforcing authorities.

#### **Representatives**

The Corporate Health and Safety Board will be chaired by the Human Resources & Organisational Directorate with responsibility for establishing and implementing a strategic framework for the Health and Safety committees in each Directorate to achieve the aims set out above.

The Board shall consist of a nominated Divisional Director representative from each Directorate, a nominated Senior HR representative, representatives from the Unions and supported by the Corporate Health and Safety Team.

All representatives on the Board will have a voice in decision making. The chair / vice chair shall have the casting vote if the matter cannot be resolved by unanimous agreement. In matters that cannot be resolved, they will be passed to the Corporate Strategic Board, as the most senior strategic forum chaired by the Chief Executive, or Employee Consultative Forum (ECF) should it not be feasible to make a decision. The Unions retain the right to escalate matters of concern to an ECF Sub-Group / ECF in line with the consultative framework of the Council and Trade Union Recognition Agreements.

When a representative cannot make the meeting, a nominated person of sufficient grade shall attend and represent them

#### **Duties of the chair**

- Schedule regular Board meetings.
- Develop written agendas for conducting meeting.
- Maintain and action plan and log of decisions
- Conduct the meeting.
- Approve Board correspondence and reports.
- Supervise the preparation of meeting minutes.

#### **Duties of the vice-chair**

- In the absence of the chair, assume the duties of the chair.
- Perform other duties as directed by the chair.

#### **Conduct of the Board**

The Chair is responsible for ensuring that the Board meets on a 6 weeks basis to resolve issues and take forward the objectives and aims as set out in this document.

The Board should not be cancel or postponed except in exceptional circumstances. If any member of the Board cannot attend a deputy shall attend in their absence. If the meeting has to be postponed, a date for the next meeting should be agreed and announced as soon as possible by the Chair.

The minutes of each meeting will be supplied to every Board member once agreed by the Chair as soon as possible after the meeting and be made available on the intranet once agreed.

A copy of the agenda and any accompanying papers should be sent to all members at least one week before each meeting.

#### **Consultation**

The Board actively supports and participates in the consultative arrangements in line with Safety Representatives and Safety Committee Regulations 1977 as amended by the Health and Safety (Consultation with Employees) Regulation 1996 and the Management of Health and Safety at Work Regulations 1999

All Corporate Health and Safety Policies and Procedures shall be presented to the Corporate Board for consultation and agreement of any other party that needs be involved. Comments will be provided within a 4 week consultation period, will be collated by the Corporate Health and Safety Team, and discussed at the next Corporate Board for final sign off.

### **Directorate Health & Safety Board**

The Corporate Health & Safety Board will feed into, and receive information and referrals from, the Directorate Health & Safety Boards, of which there will be three. The three Directorate Health & Safety Boards shall be chaired by Director (Environment & Culture) for Community Directorate, Head of Finance for Resources Directorate and Divisional Director (Educational Services) for People Directorate.

These Directorate Health & Safety Boards shall be held quarterly and minutes and actions fed back to the Corporate Health & Safety. Key themes / agenda items will be determined from the Corporate Health & Safety Board, as well as be influenced by the needs of the services. These Directorate Boards shall be run as per the principles of the Corporate Health & Safety Board Terms of Reference.

## **APPENDIX 6- HEALTH AND SAFETY POLICY 2021/2022**

# **Corporate Health and Safety Policy 2021/22**



## Control Schedule

	Date	Signature
<b>Prepared By</b> John Griffiths, Corporate Health and Safety Compliance Manager	22/03/21	
<b>Checked By</b> Richard Lebrun, Head of Service for Public Protection	22/03/21	
<b>Approved By</b> Tracey Connage, Divisional Director of HR & OD	26/03/21	
<b>Review Date</b> 1st April 2022		

## Version Control

Version	Date	Prepared By	Comment
11	01/04/2021	John Griffiths	This version supersedes all previous ones

## Contents

Section		Page
2	Health and Safety Statement of intent	3
4	Responsibilities for Health and Safety	5
5	Health and Safety Arrangements	15
6	Assurance	17
7	Sign-off of policies and Procedures	17
Appendix 1	Corporate Structure	

# 1. Preface

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Harrow Council, as an employer, recognises its legal responsibility to secure as far as is reasonably practicable the health, safety and welfare of its employees, service users, contractors, and visitors. The Council aspires to achieve excellence in this by implementing and effectively maintaining a robust safety management system that will permit safe work practices without compromising the health, safety and wellbeing of employees, the general public and the environment.

This Policy and in conjunction with local documents, Codes of Practice (CoP) and Guidance Notes (GNs) will highlight how health and safety is managed across the Council as well as define Senior Management roles and responsibilities.

# 2. Statement of Intent

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Harrow Council is committed to ensuring the health and safety of our employees, our residents, and others who may be affected by our work activities and will take all reasonably practicable steps to minimize the incidence of all workplace risks.

This policy reflects our intent to comply with health and safety legislations in our work and behaviours thereby demonstrating an ongoing and determined promise to continuous improvement of health and safety.

Our employees, contractors and stakeholders will be made aware of and provided adequate resources to implement this policy even as we all share a personal responsibility in complying with the Councils policy and procedures. The health and safety policy will be implemented by the corporate health and safety performance plan.

The councils' approach to satisfying this commitment will be driven by;

- a. Implementing the HSG65 'Managing for Health and Safety' Management System to ensure compliance with health and safety legislations.
- b. Establishing active and open dialogue between all employees, residents, contractors, trade unions and other stakeholders. Health and safety will be integrated into our communications, wherever appropriate.
- c. Ensuring health and safety roles and responsibilities are defined as necessary within job descriptions.
- d. Provision and allocation of adequate resources to health and safety at all levels
- e. Provision of comprehensive and relevant information, instruction, training, and supervision to ensure employees have the knowledge and competence required to meet their individual and collective responsibilities
- f. Carrying out suitable and sufficient risk assessments for all work activities, ensuring appropriate control measures are established, communicated, and implemented.
- g. Monitoring of accident/incidents/near miss and other cases of work-related ill- health, prioritizing investigations, and taking corrective actions to prevent a reoccurrence.
- h. Demonstration of leadership in health and safety by senior management

ensuring systems are in place and people within their services are empowered to freely raise health and safety concerns with management.

- i. Provision and maintenance of plants and a place of work or (premises under council control) that is safe and without risks to health with safe access and egress and appropriate facilities to maintain welfare at work
- j. Ensuring Managers are proactive in managing sickness absence using the Occupational Health Service (OHS) and Health surveillance is conducted as appropriate
- k. Promoting Health and Wellbeing at Work by encouraging a work life balance and healthier lifestyles such as
  - walk or cycle to work
  - provision of healthy eating options
  - discounts for staff at local leisure centre
  - support to employees who want to quit smoking.

The Health and Safety Policy will be reviewed at least every year, or more frequently should there be a significant incident or any major changes to legislation, operations, or personnel.

The Chief Executive has overall responsibility for health, safety, and welfare. Their day-to-day management is the responsibility of management and supervisory personnel.

Employees share a responsibility to co-operate with management, and in accordance with the Health and Safety at Work etc. Act 1974, to ensure their own safety and the safety of those affected by their activities. This includes not intentionally or recklessly interfering with or misusing anything provided for their health or safety.



Sean Harris  
Chief Executive  
Date: 26<sup>th</sup> March 2021



Graham Henson  
Council Leader  
Date: 26<sup>th</sup> March 2021

### 3. Scope

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Harrow Council's Health and Safety policy applies to all employees and premises under the Councils control. This is inclusive of school and agency staff. This policy also extends to third parties who interact with the council such as consultants, contractors, service users and volunteers.

### 4. Responsibilities for Health and Safety

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The council will coordinate its health and safety arrangements around existing corporate structure with clearly defined roles and responsibilities for efficient health and safety management.

#### Harrow Council

Harrow council, as an employer has the overall statutory responsibility for occupational health and safety. Consequently, the council will

- Recognize significant health and safety risks faced by the Council
- Have oversight over strategic decisions and their implication on health and safety
- Establish appropriate communication and assurance systems to support this policy including its review and council uptake.

#### Elected Members

The Leader of the Council and Harrow Council Cabinet Members have overall responsibility for the control, direction and allocation of resources that are made available to manage health and safety. Where necessary, they will ensure that they take competent advice when considering matters relating to health and safety matters. Members are legally responsible for health and safety matters. Failure to comply with the requirements of current health and safety legislation will render them liable to prosecution under section 37 of the Health and Safety at Work etc. Act 1974.

#### Chief Executive

The Chief Executive has delegated authority from Harrow Council for the delivery, management and performance of this health and safety policy and ensuring that all health and safety matters are brought to the attention of the Elected Members.

Specifically, the Chief Executive shall.

- a. Implement and endorse this policy as a visible demonstration of ownership and ensure its values are communicated
- b. Appoint the Corporate Director-Community with responsibility for overseeing the day-to-day management of health and safety on behalf of the Council
- c. Allocate suitable resources for the management of health and safety
- d. Agree on how this policy will be measured, monitored, and reported through the setting of appropriate key performance indicators and to review such performance data, celebrating achievement and taking corrective action where targets are not being met
- e. Determine a health, safety and wellbeing risk profile for the Council and agree an appropriate internal auditing program to reflect this profile

- f. Ensure that the statutory requirement to monitor health and safety issues affecting all directorates are carried out through the Corporate Strategy Board(CSB) AND THE Corporate Health and Safety Board(CHSB) which should incorporate Trade Union representatives
- g. Continually review health and safety performances, make decisions where required and communicate results to staff

## Corporate Director-Community

The Corporate Director-Community is responsible for leading the council's vision for a safe, secure, and healthy work environment.

Specifically, the Corporate Director-Community shall.

- a. Act as the person with responsibility for overseeing the delivery of the day-to-day management of health and safety on behalf of the Council
- b. Advise the Council on the preparation and revision of the its Policy Statement for Health and Safety; the appropriate organisation and arrangements necessary to meet the policy's aims and objectives
- c. Ensure that the Corporate Health and Safety Performance Plan is implemented and suitably disseminated
- d. Ensure that a safety management framework is in place, to enable the appropriate health and safety policies and procedures to be developed, maintained, monitored, and reviewed
- e. Encourage a practical approach to managing health and safety and imbue a positive health and safety culture among employees
- f. Ensure that all employees have access to competent health and safety advice
- g. Ensure that the required level of 'competent' persons are maintained within the directorate given the higher operational risk levels within certain areas of the directorate.
- h. Act as Chairperson for the Corporate Health and Safety Board (CHSB) and ensure that health and safety information is disseminated throughout the organisation and to escalate health and safety matters to the Corporate Strategic Board (CSB) and to the Employees Consultative Forum (ECF), if required
- i. Ensure that health and safety is promoted throughout all services and at all stages, including recruitment selection and training
- j. Regularly consult with employees through their Trade Union or other representatives with respect to changes that may affect their health, safety, and wellbeing.
- k. Coordinate the preparation of the Corporate Health and Safety Board (CHSB) meetings and management reports and ensure effective consultation with the ECF.

## Corporate Directors

Corporate Directors are responsible for implementation and compliance with this Policy within their Directorates along with any specific health and safety Policies, Codes of Practice and Safe Systems of Work (SSoW) where required. Specifically, the Corporate Director shall,

- a. Act as the person with responsibility for overseeing the delivery of the day-to-day management of health and safety on behalf of the Council
- b. Have oversight of health and safety performance in their areas of responsibility and actively contribute to achieving the overall health and safety strategic aims, including the delivery of the Corporate Health and Safety Performance Plan
- c. Support the Corporate Director-Community with responsibility for the lead health and safety role and champion Directorate employees with health and safety remits, to ensure that the Health and Safety Management System is adequately monitored and is effective.
- d. Ensure that a Health and Safety Board for their Directorate is in place, which should have a chairperson appointed and comprise of relevant Trade Union representatives. The Board should also incorporate the Terms of Reference agreed by the CHSB.
- e. Agree with Divisional Directors and Heads of Service targets for health and safety performance, in support of the Council's overall strategy, the Corporate Health and Safety Performance Plan and Health and Safety Management System.
- f. Designate a named officer (Premises Manager) to be responsible for management of those buildings occupied by them or by more than one Directorate or agency and ensure that these responsible persons are adequately trained.
- g. Determine the health and safety responsibilities and safety critical roles of all employees in their Directorate are identified and incorporated within the employees' role profile or job descriptions.
- h. Ensure suitable and sufficient consultation with the appropriate employee representatives with regards to health and safety matters.
- i. Be responsible for ensuring that this Policy and the Directorate Policy are communicated and understood by all employees in their Directorate
- j. Ensure adequate resources are available for health and safety measures in order to meet corporate responsibilities.
- k. Ensure that the appointed Safety Champion attend the Corporate Health and Safety board committee.

## Divisional Directors and Heads of Service

Divisional Directors and Heads of Service have responsibility for ensuring that health and safety risks are managed in such a way as to meet Council aims and to ensure legal compliance as the minimum standard.

Specifically, the Divisional Directors and Heads of Service shall.

- a. Prepare, implement, monitor, and periodically update their Divisional and Service Health and Safety Plans and ensure that the Council's Health and Safety Management System is maintained.
- b. Carry out suitable and sufficient risk assessments of the existing & new premises, plant, machinery etc. and appropriate action taken to effectively control the identified hazards.
- c. Deliver the agreed targets on health and safety performance, including the Divisional Health and Safety Performance Plan, in support of the Council's overall strategy, the Corporate Health and Safety Performance Plan and the Health and

#### Safety management system

- d. Ensure that all accidents involving or have the potential to cause injury or harm to persons or damage to property are reported and investigated and any corrective action is taken to prevent recurrence.
- e. Ensure all contracts are adequate in terms of health and safety provisions and that contractors are monitored to ensure they meet corporate standards.
- f. Ensure that the appropriate information, instruction and supervision are provided to enable all employees to avoid hazards and contribute positively to their own and others safety, health and welfare at work.
- g. Ensure liaison with other employers, including contractors and occupiers of shared premises to ensure effective cooperation for the exchange of “user” information to permit compliance with Corporate Policy.
- h. Ensure compliance with Site Fire and Security Plans and allocating sufficient resources to meet the requirements of those plans in their work area and ensuring that emergency arrangements are in place to protect employees and others against risk of imminent danger
- i. Ensure that employees are competent and capable of performing their duties to the required standard with the provision of adequate training to ensure that competency is assured and maintained.
- j. Make suitable arrangements for consulting with employees on health and safety matters and in accordance with legal standards i.e. through regular recorded team meetings and ensuring that health and safety is a standard item on the agenda at these meetings.
- k. Obtain advice and support from the Corporate Health and Safety Team and / or the Occupational Health Service as may be needed.

### Corporate Health, Safety and Compliance Manager

The Corporate Health, Safety and Compliance Manager (CHSCM) is the council's appointed 'competent person' regarding health and safety management.

This role is to ensure that the health and safety of employees and those that engage with Council are not adversely affected by Council activities or processes, so far as is reasonably practicable, whilst promoting the highest quality of health and safety practice and continuous improvement across the Council's wide spectrum of activities; so meeting all its legal and moral obligations in this regard

Specifically, the Corporate Health, Safety and Compliance Manager shall.

- a. Define the content of this Policy, additional corporate health and safety related policies and guidance documents, which will be reviewed yearly or earlier, if required.
- b. Design, plan, and execute the Corporate Health and Safety Performance Plan (CHSPP)
- c. Provide adequate advisory support to ensure compliance throughout the Council
- d. Ensure that Senior Management are aware of their responsibilities in meeting

- health and safety objectives and targets
- e. Manage the corporate accident / incident database; preparing accident statistics; producing management reports and disseminating these as may be required
- f. Produce an action plan for Corporate Strategy Board (CSB) and Corporate Health and Safety Board identifying key risks to the organisation
- g. Set corporate performance standards and key performance indicators
- h. Be the primary point of contact with external health and safety regulatory bodies and agencies

## Head of Property and Facilities Management

The Head of Property and Facilities Management has overall accountability for Corporate property related health and safety matters, except for properties managed by third party contractors on behalf of the Council, and leased properties, as appropriate.

Specifically, the Head of Property and Facilities Management shall.

- a. Be responsible for managing the design, construction, installation, security, maintenance (including cleaning), inspection, decommissioning, demolition and refurbishment, as appropriate, of the Council's non-domestic property portfolio, ensuring compliance with health and safety requirements including statutory obligations, i.e. asbestos management, fire safety compliance arrangements, control of legionella etc.;
- b. Conduct and compile a comprehensive suite of records of fire risk assessments/inspections, asbestos; registers/management/demolition/refurbishment surveys and plans, water quality control inspections and reports, etc. to be held both centrally and onsite for property and facilities management, duty holder and enforcing authority purposes.
- c. Ensure that suitable communication methods are established for liaison with all Premises Responsible Person who have been delegated with the day-to-day management of individual sites & properties and that these managers receive suitable information, support and assistance to effectively manage these buildings safely and in the decision making process when planning any changes to buildings
- d. Ensure that roles and responsibilities are set out and adhered to in lease and sub-lease agreements, including maintenance and repair obligations, fire safety, asbestos and legionella management, etc.
- e. Ensure adequate 'control of contractors' arrangements, including access to, permit to work and confined space working systems, etc. are in place to discharge (a) – (c) above; and,
- f. Act as temporary duty holders, ensuring that roles and responsibilities are set out for let agreements and out of hours access to Council premises to third parties.

For the purposes of the corporate estate, this role falls to the Facilities Management Team within Community.

## Head of Human Resources

In terms of this Health and Safety Policy, the Head of Human Resources supports employee wellbeing and has responsibility for ensuring:

- a. The adequate provision of Occupational Health Services, including pre-employment health screening, medicals, vaccinations, health surveillance, etc. in consultation with Corporate Health and Safety.
- b. The adequate provision of Employee Assistance support
- c. Appropriate people policies and procedures are developed, maintained and monitored for work-related stress, driving at work and alcohol and drugs.
- d. The provision of health promotion initiatives within the Council to promote employee health and wellbeing.

## Responsible Person/Site Health and Safety Duty Holder

In addition to normal managerial duties, employees who have control of premises or sites as part of their role (duty holders) shall undertake statutory health and safety related duties. Technical support for these duties will be provided by the property and facilities management team but the management of the duties are the responsibility of the Duty Holder.

In order to ensure that responsible person/site health and safety duty holders can fulfil their duties and responsibilities under the corporate health and safety policy, the tasks involved in managing these premises may be delegated to other persons e.g. head teachers in schools, members of staff, managing agents or other external organisation, provided that they have the necessary competence, resources and have Council approval to perform these roles.

Specifically, responsible person/site health and safety duty holders shall ensure that.

- a. All health, safety and welfare risks under their management are identified, assessed, and controlled, with specialist input from corporate health and safety advisers and others, where required.
- b. That the requirements in this Policy are communicated and followed by all employees and third parties, including service users.
- c. Health and safety training needs analysis is carried out, and suitable training is delivered within appropriate timescales, including induction training.
- d. That workplace inspections are carried out each quarter (termly in schools), and that these are documented and, where required, remedial action is acted upon and delivered within appropriate timescales, that workplace inspections are carried out each quarter (termly in schools), and that these are documented and, where required, remedial action is acted upon and delivered within appropriate timescales
- e. Ensure compliance with Site Fire and Security Plans and sufficient resources are allocated to meet the requirements of those plans in their area, ensuring emergency arrangements are in place to protect all employees and others against risk of imminent danger
- f. Report and primary investigation of adverse events or conditions – injuries, work-related ill health, diseases, dangerous occurrences ('near misses'); and any premises/plant/equipment hazards, damage or defects (corporate health and safety shall conduct significant adverse event investigations, as appropriate).

### Governing Body

The governing body's responsibility is to approve the strategic vision for the school, working in partnership with the Headteacher and promoting continuous improvement in the performance of the school health and safety performance. The governing body has legal duty under the Health and Safety at Work etc. Act 1974.

### Headteachers

In accordance with Health and Safety legislation, the Employer is accountable for the Health and Safety of school staff and pupils. The day to day running of the school is delegated to the Headteacher and the school management team. In most cases they are responsible for ensuring that Health and Safety risks are managed effectively.

Schools must seek competent advice and support to ensure they meet their health and safety duties. The provision of competent health and safety advice and support from qualified health and safety professionals is offered to schools through the Service Level Agreements (SLA's).

Specifically, Headteachers shall.

- a. Put in place suitable organisational arrangements for implementing, monitoring, and controlling the health, safety and welfare of staff and pupils.
- b. Undertake suitable and sufficient risk assessment on all school activities, where there is no relevant model risk assessment, obtain competent advice to undertake a suitable and sufficient risk assessment.
- c. Appoint an educational visit coordinator from their staff to advise and co-ordinate offsite educational visits and ensure that risks to pupil health and safety during off-site visits are adequately assessed and controlled.
- d. Appoint a designated person for fire safety to ensure there are adequate fire safety arrangements, including a written fire emergency plan.
- e. Make arrangements for the security, repair, and maintenance of the premises, including the proper selection and control of contractors, and ensure any defects are made safe without delay.
- f. Make arrangements for machinery, plant, and equipment to be maintained in a safe condition, including tests and inspections required by law, and keep records.
- g. Provide adequate information and instruction to employees, including the first aid provision and the fire evacuation procedure.
- h. Arrange for appropriate training in health and safety, and certification where required, and keep this up to date. Health and Safety must be a standard part of any new employee's induction.
- i. Make sure that staff that supervise hazardous activities are suitably qualified and experienced.
- j. Undertake regular inspections of the workplace and working practices and report the findings to the Governing Body.
- k. Keep a record of accidents and report all accidents to the Harrow Council corporate health and safety team using the online [SHE Assure](#) incident reporting system
- l. Undertake prompt investigation of major accidents and take immediate action to prevent a recurrence. Record your investigation using the online [SHE Assure](#) incident reporting system.

## Managers and Supervisors

Employees that manage staff in any capacity are responsible for ensuring that activities carried out under their control are in accordance with Corporate Policies and procedures and in compliance with statutory provisions.

Specifically, managers and supervisors shall.

- a. Deliver targets on health and safety performance as agreed with their Divisional Director or Head of Service, including their Service's Health and Safety Performance Plan, and where required, their Directorate Health and Safety Performance Plan, the Corporate Health and Safety Performance Plan and Health and Safety Management System
- b. Managers and supervisors to develop, amend and review all their operational Risk Assessments and that managers communicate those risk assessments to their staff for understanding of those risks and what control measures are required to undertake their duties safely.
- c. Ensure all health and safety risk are identified, assessed, controlled/mitigated, and reviewed, as appropriate, with specialist input from corporate health and safety advisors and others including the Council occupational health provision, where required.
- d. Use and promote systems of communication to ensure all employees are involved in contributing to the safety of their work and workplace by giving feedback on existing safety rules and procedures
- e. Provide suitable and sufficient information, training, and supervision to ensure that all employees avoid injury / ill-health and contribute positively to their safety, health & welfare and that of others and monitor compliance
- f. Inspect the workplace at least quarterly; taking appropriate action to remedy the identified hazards; reporting those hazards that cannot be remedied to the line managers so that further action is carried out as may be required
- g. Ensure timely involvement of Occupational Health support to promote health at work and, where appropriate, to enhance the effective return to work of absent employees
- h. Ensure that Safe Systems of Work are devised and put in place and that staff have been suitably and sufficiently trained. Ensuring that the distinction between Safe Systems of Work (SSW) and Standard Operating Procedures (SOP) is fully understood.
- i. Ensure that Corporate Directors and Divisional Directors / Heads of Service are aware of any shortfalls in relation to a lack of resources, training requirements and support that may be required

## Employees

All employees have a duty to take reasonable care whilst at work, ensuring not to endanger themselves or others that may be affected by their acts or omissions and to cooperate with management so as a high standard of health and safety throughout Harrow Council is achieved.

Specifically, employees shall.

- a. Ensure they are aware of, understand and follow those parts of the health and safety management system, Codes of Practice and Guidance Notes which relate to their area of work.
- b. Also ensure that they are familiar with and understand the following.
  - Any necessary action concerned with fire and fire drills at their place of work
  - The first-aid arrangements and facilities available at their place of work.
  - The corporate accident / incident / near-miss reporting procedures.
- c. Avoid conduct that would put themselves and others (including visitors, contractors, the public and persons on work experience) safety, health, and wellbeing at risk of injury
- d. Attend any training provided and putting into practice all instruction intended to ensure safety whilst at work
- e. Not miss-use safety equipment and protective clothing provided, utilizing these in accordance with instructions or training received and immediately reporting any defects to their supervisor / manager
- f. Operating only those items of plant / equipment for which they have received training and are authorized to use
- g. Following any control measures identified within the risk assessments relevant to their work
- h. Complying with disciplined work procedures as detailed either in writing or verbally by their manager or supervisors and to ensure such instructions and training that is given is fully understood before commencement of work
- i. If in doubt, to query any matters regarding health and safety by contacting corporate health and safety service
- j. Using the correct tools and equipment for the task/s and ensuring that these tools are maintained in good working order therefore reporting any defects immediately to their supervisor / manager
- k. Report all accidents, incidents and near misses, in accordance with the corporate accident / incident reporting procedure
- l. Cooperating with management in evaluating risks and suggesting ways to improve health and safety performance
- m. Refraining from 'horseplay', cutting corners, and taking unnecessary risks whilst undertaking their tasks
- n. Assisting management by ensuring that other employees, particularly new employees, are aware of the procedures, Safe Systems of Work and any

- potential hazards that are likely to be created during the work activity
- o. Ensuring that, where vehicles are used for work purposes, then these must be maintained in a safe and roadworthy condition and any materials and equipment carried in the vehicles should be appropriately secured thus in compliance with the related statutory regulations
- p. Not consuming any alcohol, recreational drugs or any other substances that may impede their mental and physical state of mind

If you have any doubts about your health and safety responsibilities in your workplace, you must seek clarification from your supervisor or line manager. You may also seek guidance from your Trade Union Safety Representative or the Corporate Health and Safety Team.

## Safety Representatives

Safety Representatives have legal recognition under the SRSC Regulations 1977. They are elected by Trade Union members recognised by the Council and have a duty to represent their members (employees). Functions of a Safety Representative include:

- a. Conducting investigations of potentially significant hazards and dangerous occurrences in the workplace and to examine the cause/s of an accident
- b. Investigating complaints raised by any employee they represent relating to the employee's health, safety or welfare.
- c. Making representations to management on matters arising from the two above duties or any other legitimate health and safety concerns
- d. Carrying out inspections of the workplace at agreed intervals, having given reasonable notice to the responsible manager
- e. Reviewing information from Health and Safety Inspectors and others on behalf of employees whose health and safety they represent
- f. Attending health and safety meetings and where necessary, ensuring that their members are adequately represented.

## Third Parties

This policy also relates to third parties who interact with the council such as consultants, contractors, service users and volunteers.

Specifically, they are to.

- a. Act in accordance with the council's guidance on third parties with respect to the management of their health and safety

## 5. Arrangements for the Management of Health and Safety

### Training

Health and safety training will be provided for all staff as part of their induction and subsequently, repeated periodically as part of their mandatory training through Training Academy and E- Learning Pool. Other specialist training necessary for staff with specific health and safety responsibilities in each workplace will be identified through the risk assessment process and staff appraisals. This includes e.g. Fire Warden, First Aider, Legionella and Asbestos Awareness.

The Health and Safety training matrix can be referred to as an aid to help identify mandatory and recommended health and safety training for your staff. This can be found on SharePoint <http://our.harrow.gov.uk/worksites/corporateHS/Lists/training/AllItems.aspx>

### Risk assessment

Risk assessment is the key to effective and sensible health and safety management. The findings from risk assessments will be used to identify, prioritise and control risks at all levels in the company.

Managers will ensure that all significant hazards in their workplace / work activities under their control have been suitably risk assessed and that any subsequent risks are adequately controlled. Risk assessments will be reviewed at least every year, or more frequently should there be a significant incident or any major changes to legislation, operations, or personnel.

Risk assessments should be uploaded or carried out using the councils health and safety management software, [SHE Assure](#)

### Risk Register

If a risk has been identified as being high or may have a major impact and/or be detrimental to service users, staff and the organisation, the Corporate Risk Register must be updated. All high risks that have been placed on the risk register should be reviewed regularly until resolved.

The risk register is managed by the Corporate Risk Management team they update it quarterly for the Corporate Strategic Board (CSB). The Corporate Health and Safety Compliance manager updates the Risk Register on health and safety risks quarterly.

### Accident / incident reporting and investigation

All accidents / incidents and 'near-misses' should be recorded, reported, and investigated in accordance with the company's Incident Reporting Policy.

Reporting of accident/incidents/near misses is carried out using the council's health and safety management software [SHEASSURE](#)

All RIDDOR reportable incidents will be reported to the HSE by the Corporate Health and Safety team. However, as RIDDOR Reportable incidents are time bound, the corporate health and safety team must be notified of such incidents the same day they occur.

### **First Aid at work**

Harrow Council will prioritize adequate first aid provision to ensure employees get immediate medical attention when required.

The level of provision provided will be appropriate to the risks identified in each workplace risk assessment.

All First Aiders will be competent in either First Aid at Work (FAW), Emergency First Aid at Work (EFAW), or Mental Health First Aid course (MHFA) and hold a valid certificate of training and their names and locations will be prominently displayed in each workplace. First aiders will also be responsible for first aid kits.

More specific details are contained in the first aid at work code of practice HSCOP 12-00

### **Occupational Health Service**

Harrow Council is committed to promoting physical and psychological wellbeing of all its employees thereby undertaking appropriate measures to prevent ill-health and injury that may arise from any work activities.

The Occupational Health Service (OHS) and Employment Assistance Programme (EAP) are services provided by the Health Management Limited (HML), providing expert advice, specialist counselling and support to all Harrow Council employees when required.

Employees can access the EAP service 24 hours a day, 7 days a week, either online or by the telephone. The range of topics covered by EAP include legal, bereavement, bullying and harassment advice etc.

Employees requiring the Occupational Health Service can receive this following initial referral by their line manager

Further advice / information can be obtained from Human Resources Department, email - AskHR [AskHR@harrow.gov.uk](mailto:AskHR@harrow.gov.uk) as these services sit separate to the Corporate Health & Safety function, but will liaise with, and contribute to, any corporate health & safety plan for the purpose of ensuring the welfare of all.

### **Supporting Documentation**

The council has several supporting documents which provide employees with more detailed practical arrangements regarding health and safety issues. These are available on SharePoint - [Corporate Health and Safety Documents](#)

### **Communicating Health and Safety Information**

The council uses a variety of methods to ensure suitable and sufficient health and safety information is disseminated to all staff; these are:

- Health and safety law poster and local contact notices e.g. first aiders, fire marshals.
- [SharePoint](#)
- Health and safety policies, guidance documents and handbook which can be found on [Share point](#) or on [SHE ASSURE](#) document Library

- Safety Circles
- COMMS
- Team briefings which may contain occasional health and safety information.

All other arrangements for health and safety can be found in the councils' health and safety staff handbook. This will be given to staff during induction, can be requested from your manager or accessed using either [Share Point](#) or [SHE Assure](#) document library Reference 133

## 6. Assurance

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In order for this policy to be effectively implemented there needs to be an assurance process. Assurance will be established by.

- Documentation - Divisional Health and Safety Plans including copies of risk assessments and safe working methods will be in writing and kept either electronically or as hard copy. It is essential that working documents such as risk assessments are readily available to all employees
- Reporting – Ensure key indicators are in place to monitor performance and include data to identify trends that will be fed back to Senior Management
- Independent Review - The Corporate Health and Safety Team will undertake assurance work of all Directorates. Directors and Heads of Service will ensure that active monitoring is carried out in their areas, based on the Corporate Health and Safety Performance Plan. In addition, Inspectors of the enforcing authorities and health and safety representatives appointed by recognized Trade Unions will / may conduct independent inspections and audits.

## 7. Sign off of Policies and Procedures

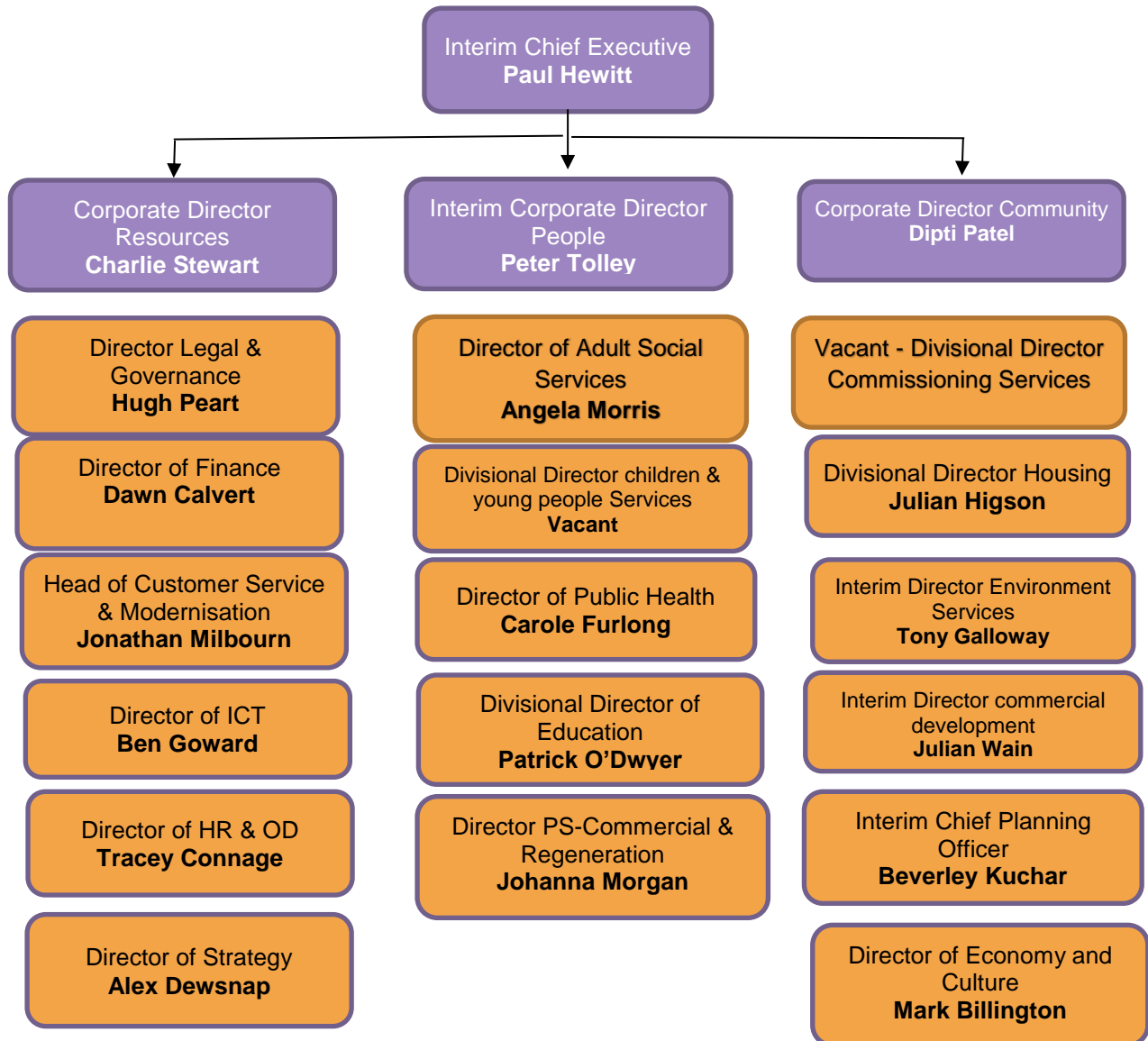
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The responsibility for producing, updating, and communicating corporate policies and procedures rests with the corporate health & safety team under the Corporate Health, Safety Compliance Manager.

All Policies are presented at the Corporate Health and Safety Board where the board committee is represented by Corporate Director, Divisional Directors, Human Resources, Corporate Health Safety and Compliance Manager and Trade Unions. All members of this board have responsibility to review and encourage feedback before final sign-off

Health & Safety requires the proactive, timely production of relevant and required policies and procedures to ensure the safety of those in the organisation. To this end, such policies and procedures final sign off rests with the Corporate Director-Community and will be reported to the Corporate Health & Safety Board for information and cascading as necessary.

## Senior Management Structure



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**Report for: Cabinet**

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<b>Date of Meeting:</b>	18 July 2022
<b>Subject:</b>	Treasury Management Annual Report and Outturn 2021/22
<b>Key Decision:</b>	No
<b>Responsible Officer:</b>	Dawn Calvert - Director of Finance and Assurance
<b>Portfolio Holder:</b>	Councillor David Ashton - Portfolio Holder for Finance and Human Resources
<b>Exempt:</b>	No
<b>Decision subject to Call-in:</b>	Yes
<b>Wards affected:</b>	All wards
<b>Enclosures:</b>	Appendix 1 - Link Group Economic Commentary Appendix 2 - Borrowing Rate Summary 2021/22

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

This report sets out the Treasury Management Outturn position for 2021/22.

### **Recommendations:**

Cabinet is requested to:

1. Note the Treasury Management outturn position for 2021/22.
2. Refer this report to the Governance, Audit, Risk Management and Standards Committee for review.

### **Reason: (for recommendations)**

- a) To promote effective financial management and comply with regulations issued under the the Local Government Act 2003, the CIPFA Code of Practice on Treasury Management, and the CIPFA Prudential Code for Capital Finance, along with meeting the requirements of the Council's Financial Regulations.
- b) To keep Members informed of Treasury Management activities and performance for 2021/22.

## **Section 2 – Report**

### **1.0 Background**

1.1 The purpose of this report is to present the Council's Annual Treasury Management outturn position for 2021/22 in accordance with the Council's Treasury Management Practices and in compliance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management Code of Practice. The Council has complied with all elements of the Treasury Management Strategy Statement (TMSS) as the treasury management function.

1.2 Treasury management comprises:

- Managing the Council's borrowing to ensure funding of the Council's current and future Capital Programme is at optimal cost;
- Investing surplus cash balances arising from the day-to-day operations of the Council to obtain an optimal return while ensuring security of capital and liquidity.

1.3 The annual revenue budget includes the revenue costs that flow from capital financing decisions. Under the CIPFA Treasury Management Code of Practice and the CIPFA Prudential Code, increases in capital expenditure should be limited to levels whereby increases in interest charges and running costs are affordable within the Council's revenue account.

- 1.4 The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation to ensure the security and liquidity of the Council's treasury investments.
- 1.5 The Council recognises that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of the CIPFA Treasury Management Code of Practice.

## 2.0 **Reporting Requirements**

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

**Treasury Management Strategy Statement Report** – The first, and most important report is presented to the Council in February and covers:

- The Treasury Management Strategy Statement (TMSS), which details how the investments and borrowings for capital expenditure are to be organised, including Treasury Limits and Prudential Indicators.
- The Annual Investment Strategy which forms part of the TMSS, (the parameters on how investments are to be managed).
- the MRP Policy (how capital expenditure is charged to revenue over time).

**The 2021/22 TMSS was presented to Council on 13<sup>th</sup> February 2021.**

**Mid-Year Review Report** – This is presented to Cabinet in December/January and updates Members on the Treasury Management activity of the Authority within the context of the approved TMSS. This also includes progress of the Capital Programme and reporting on Prudential Indicators to give assurance that the treasury management function is operating within the Treasury Limits and Prudential Indicators set out in the TMSS.

**The 2021/22 Mid-Year Report was presented to Cabinet on 9th December 2021**

**Treasury Management Outturn Report** – This report, typically presented to Cabinet in June/July, provides a review of the treasury management activity over the financial year and includes details of a selection of actual Prudential and Treasury Indicators and actual treasury operations compared to the estimates originally included within the TMSS.

This report fulfills this reporting requirement which is specified in section C93 (ii) in the Financial Regulations.

2.2 **Scrutiny** – The above reports are required to be adequately scrutinised, normally before being recommended to Cabinet / Council, with the role being undertaken by the Governance, Audit, Risk Management and Standards Committee (GARMS). The Council has complied with the CIPFA Treasury Management Code of Practice to the extent that all Treasury Management reports have been scrutinised, though the efficient conduct of the Council's business may require consideration by GARMS subsequent to consideration by Cabinet/Council due to the practicalities of the committee timetable.

2.3 The Council has delegated responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Section 151 Officer. The Section 151 Officer chairs the Treasury Management Group (TMG), which monitors the treasury management activity and market conditions monthly.

### 3.0 **Matters covered in the Report**

3.1 The Treasury Management Outturn Report for 2021/22 includes a summary of the actual positions in respect of the Authority's:

- Capital Expenditure, Financing and Limits
- Treasury Position as at 31st March 2022
- Summary of 2021/22 Strategy
- Economic update for 2021/22 (Appendix 1)
- Borrowing Rate Summary for 2021/22 (Appendix 2)

### 4.0 **Options considered**

4.1 The report is in accordance with the reporting requirements of the CIPFA Treasury Management Code of Practice.

### 5.0 **Treasury Management Outturn Report 2021/22**

5.1. The Treasury Management Strategy Statement, (TMSS), for 2021/22 was approved by Council in February 2021 . It stated that for the next three years the Capital Programme would continue to be funded from grants and revenue resources but that substantial borrowing would also be required.

### 6.0 **The Council's Capital Expenditure and Financing**

6.1. The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

- 6.2. The actual capital expenditure forms one of the required prudential indicators. The tables below show the actual capital expenditure for 2021/22 against that budgeted and how this was financed.

**Table 1: Capital Expenditure**

<b>Capital Expenditure</b>	<b>2020/21 Actual £'000</b>	<b>2021/22 Budget £'000</b>	<b>2021/22 Actual £'000</b>	<b>2021/22 Variance £'000</b>
Resources and Commercial Directorate	10,044	15,183	5,598	9,585
People's	1,645	28,886	2,258	26,628
Community	30,371	69,806	36,261	33,545
<b>General Fund</b>	<b>42,060</b>	<b>113,875</b>	<b>44,117</b>	<b>69,758</b>
<b>HRA</b>	<b>12,537</b>	<b>102,645</b>	<b>30,529</b>	<b>72,116</b>
<b>Total</b>	<b>54,597</b>	<b>216,520</b>	<b>74,646</b>	<b>141,874</b>

**Table 2: Financing of General Fund Capital Expenditure**

<b>Finance of Capital Expenditure</b>	<b>2020/21 Actual £'000</b>	<b>2021/22 Actual £'000</b>
<b>General Fund</b>		
Capital receipts/Right to Buy receipts	1,602	376
Capital Grants	6,562	5,449
BCiL	2,824	1,756
NCiL	272	161
Section106	880	398
Revenue	60	-
<b>External Funding</b>	<b>12,200</b>	<b>8,140</b>
<b>Net Financing need for Year</b>	<b>29,860</b>	<b>35,977</b>
<b>Total General Fund</b>	<b>42,060</b>	<b>44,117</b>

- 6.3. Further details of the capital expenditure position are included within the Revenue and Capital Outturn Report 2021/22 which is included elsewhere on this July cabinet meeting agenda.

## **7.0 The Councils Overall Borrowing Need**

- 7.1. The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR). The CFR increases within any net financing need for the year and reduces through the application of resources,

including an annual charge to the revenue budget, the Minimum Revenue Provision (MRP).

#### Gross Debt and the CFR

- 7.2. In order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external debt (borrowing plus other long term liabilities such as PFI and Finance Leases) does not, except in the short term, exceed the total CFR in the preceding year (2021/22) plus the estimates of any additional borrowing requirement for the current (2022/23) and next two financial years. The table below highlights the Council's gross debt position for 2021/22 of £439.8m against the CFR in 2021/22 of £590.4m which shows that the Council has complied with this Prudential Indicator and stayed within its CFR.

**Table 3: Gross Debt and CFR**

<b>CFR</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>Actual £000</b>	<b>Actual £000</b>
General Fund	422,193	439,039
HRA	150,674	151,339
<b>Total CFR</b>	<b>572,867</b>	<b>590,378</b>
<b>Gross Debt</b>	<b>439,832</b>	<b>439,832</b>
<b>Under/(Over) Borrowing</b>	<b>133,035</b>	<b>150,546</b>

#### Financing Costs to Net Revenue Stream

- 7.3. This Prudential Indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income), against the net revenue stream. The actual financing costs as a proportion of net revenue stream for 2021/22 compared to 2020/21 is included within table 4 below.

**Table 4: Financing costs as a proportion of net revenue stream**

<b>Ratio of financing costs to net revenue stream %</b>	<b>2020/21 Actual</b>	<b>2021/22 Actual</b>
General Fund	16%	15%
HRA	20%	20%
<b>Total</b>	<b>16%</b>	<b>16%</b>

#### The Authorised Limit

- 7.4. The Authorised Limit is the "Affordable Borrowing Limit" required by S3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level.

- 7.5. The Authorised Limit for 2021/22 was originally set as part of the 2021/22 TMSS at a total of £724m for borrowing and other long term liabilities. In light of the revised capital programme, as part of the 2022/23 TMSS which went to Cabinet in February 2022, the 2021/22 Authorised Limit was revised to £688m consisting of £660m (borrowing) and £28m (other long term liabilities).
- 7.6. With a gross borrowing figure of £439.8m, the table below demonstrates that during 2021/22 the Council has maintained gross borrowing within its Authorised Limit.

Table 5: Authorised Limit

<b>Authorised Limit £'000</b>	<b>2021/22</b>	<b>2021/22</b>
<b>Set as part of :</b>	<b>2021/22 TMSS</b>	<b>2022/23 TMSS</b>
Borrowing	696,115	660,621
Other long term liabilities	28,520	27,570
<b>Total</b>	<b>724,635</b>	<b>688,191</b>

#### The Operational Boundary

- 7.7. The Operational Boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the Authorised Limit not being breached.
- 7.8. The Operational Boundary for 2021/22 was originally set as part of the 2021/22 TMSS at a total of £683m. This was revised to reflect the revised capital programme as part of the 2022/23 TMSS to £648m, consisting of £630m (borrowing) and £18m (other long term liabilities).
- 7.9. With a gross borrowing figure of £439.8m, the table below demonstrates that during 2021/22 the Council has maintained gross borrowing within its Operational Boundary Limit.

Table 6: Operational Boundary

<b>Operational boundary £'000</b>	<b>2021/22</b>	<b>2021/22</b>
<b>Set as part of:</b>	<b>2021/22 TMSS</b>	<b>2022/23 TMSS</b>
Borrowing	666,115	630,621
Other long term liabilities	17,370	17,570
<b>Total</b>	<b>683,485</b>	<b>648,191</b>

## **8.0 Treasury Position as at 31 March 2022**

### Borrowing Outturn (excluding borrowing by PFI and finance leases)

- 8.1. The Council has maintained an internal borrowing strategy for a number of years, forgoing lost investment income on investments to use its cash balances to temporarily fund capital expenditure and avoid external borrowing costs. This

has proved efficient given the differential between short term investment returns and borrowing costs. Table 3 shows that internal (or under) borrowing as at 31<sup>st</sup> March 2022 was £150m (£133m as at 31<sup>st</sup> March 2021).

- 8.2. No additional external borrowing was undertaken during 2021/22, and the Authority's underlying need to borrow, measured by the increase in the Capital Financing Requirement, only showed a relatively small increase of £17.5m.
- 8.3. The borrowing portfolio remained unchanged in 2021/22, at £422m split between £348m of PWLB loans and £74m of Market loans, and at the 31<sup>st</sup> March 2022 the portfolio was running at an average interest rate of 3.46% and an average life of 36 years.

Table 7: Borrowing Portfolio

Borrowing Portfolio £'000	31-Mar-21			31-Mar-22		
	Principal	Average Rate (%)	Average Life (yrs)	Principal	Average Rate (%)	Average Life (yrs)
- PWLB	348,461	3.45%	36.04	348,461	3.45%	35.06
- Market	73,800	3.53%	41.69	73,800	3.53%	40.72
<b>Total borrowing</b>	<b>422,261</b>	<b>3.46%</b>	<b>37.02</b>	<b>422,261</b>	<b>3.46%</b>	<b>36.05</b>

- 8.4. The maturity structure of the debt portfolio remained within the Prudential Indicator limits set as part of the 2021/22 Treasury Management Strategy. The maturity structure table below includes one Lenders Option Borrowers Option (LOBO) market loan at its next call date, which is the earliest date the lender can require repayment. Table 8 reflects this position in respect of the maturity profile of the debt portfolio.

Table 8: Maturity Structure of Borrowing

Maturity structure of borrowing	Lower	Upper	Actual 31.03.21	Actual 31.03.22
Under 12 months	0%	40%	10%	6%
12 months to 2 years	0%	30%	1%	0%
2 years to 5 years	0%	30%	0%	0%
5 years to 10 years	0%	40%	5%	5%
10 years and above	30%	100%	84%	89%

- 8.5. Appendix 2 provides a summary of PWLB maturity loan certainty rates across 2021/22 over various durations from 1-50 years.

#### Investment Outturn

- 8.6. The Council made investments throughout 2021/22 in accordance with the Treasury Management Strategy approved by Full Council in February 2021.
- 8.7. Due to the internal borrowing strategy being undertaken by the Council, cash balances continued to be held on a short term basis for liquidity purposes, in Money Market Funds and banks throughout 2021/22.

- 8.8. Investment returns which had been low during 2020/21 saw little improvement in 2021/22 with an average return of 0.02% as set out in Table 9. While the Authority avoided making any investments at negative interest rates, returns from short term investments with MMFs and banks have been at or near zero and at the 31<sup>st</sup> March 2022 the biggest return within the portfolio was the 32 day notice account with Lloyds which was returning 0.03%.
- 8.9. While the Bank of England Base Rate increased from 0.10% to 0.25% in December 2021, after remaining unchanged since March 2020, the impact of this and the subsequent 0.25% increases in February 2022 and March 2022 to 0.75% didn't have an immediate impact on short term highly liquid investment returns due to the large levels of liquidity that have been held across the market throughout the pandemic. Bank Rate has continued to increase at each of Monetary Policy Committee meetings after 31 March 2022, and now stands at 1.25% with the expectation of further increases to come. This will increase investment returns in 2022/23.
- 8.10. The investment portfolio remained highly liquid throughout 2021/22. Investments increased from £82.4m to £98m over the year while the average rate of interest saw a minimal increase from 0.01% as at 31st March 2021 to 0.02% as at 31st March 2022.

Table 9: Investment Portfolio

Investment Portfolio	31-Mar-21			31-Mar-22		
	Principal (£'000)	Average Rate (%)	Average Life (days)	Principal (£'000)	Average Rate (%)	Average Life (days)
- MMFs	1,616	0.00%	1	1,617	0.05%	1
- Banks	80,838	0.01%	3	96,386	0.02%	3
<b>Total Investments</b>	<b>82,454</b>	<b>0.01%</b>	<b>3</b>	<b>98,003</b>	<b>0.02%</b>	<b>3</b>

## 9.0. Treasury Management Strategy for 2021/22

### Investment strategy for 2021/22

- 9.1. Investment returns which had been low during 2020/21, remained close to zero for much of 2021/22 with most local authority lending managed to avoid negative rates and one feature of the year was the continued growth of inter local authority lending. The expectation for interest rates within the treasury management strategy for 2021/22 (table 10) was that Bank Rate would remain at 0.1% until it was clear to the Bank of England that the emergency level of rates introduced at the start of the Covid-19 pandemic were no longer necessitated.

Table 10: Link Asset Services Interest Rate Forecast 2021-2024 (TMSS 2021/22)

	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
10 yr PWLB	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
25 yr PWLB	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
50 yr PWLB	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60

9.2 The Government also supplied funding to local authorities to pass on to businesses. This meant that for most of the year there was much more liquidity in financial markets than there was demand to borrow, with the consequent effect that investment earnings rates plummeted.

9.3 The Authority's continuing internal borrowing strategy means that investments are kept liquid, with balances expected to be minimised through the use of reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets. External borrowing would have incurred an additional revenue cost, due to the differential between borrowing and investment rates.

#### Borrowing strategy for 2021/22

9.4 As the interest forecast in table 10 above illustrates, there was expected to be little upward movement in PWLB rates over the period from March 2021 to March 2024 based on the expectation that it would take economies, including the UK, a prolonged period to recover all the momentum they have lost in the sharp recession caused during the coronavirus shut down period

9.5 During 2021/22 the Council maintained an internal borrowing position and no new external borrowing was taken during the year. The CFR increased by a relatively small £17.5m during 2021/22, which resulted in the internal borrowing position of the Authority increasing from £133m to £150m. This additional borrowing requirement was met through increasing the internal borrowing position through the temporary use of resources available on the balance sheet rather than through additional external borrowing.

9.6 This means that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow has continued to be used as an interim measure.

9.7 The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this will be kept under review to avoid incurring higher borrowing costs in the future when the Authority may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

9.8 Link Group's economic review of 2021/22 and their associated interest rate forecasts at the start and close of the year are contained in Appendix 1.

## **10.0. Risk Management Implications**

- 10.1 This report is for noting and Cabinet are not being asked to make any decisions hence there are no direct risk management implications to this report.

## **11.0. Procurement Implications**

There are no procurement implication arising from this report

## **12.0. Legal Implications**

- 12.1 The Local Government Act 2003 requires the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. These are contained within this report. The Act requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy. This sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments. This report assists the Council in fulfilling its statutory obligation under the Local Government Act 2003 to monitor its borrowing and investment activities.

## **13.0. Financial Implications**

- 13.1 In addition to supporting the Council's revenue and capital programmes the Treasury Management interest budget is an important part of the revenue budget. Any savings achieved, or overspends incurred, have a direct impact on the financial performance of the budget

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

- 14.1 There are no direct equalities impact. Compliance with s.149 of the Equality Act is integral to all aspects decision-making.

## **15.0. Council Priorities**

- 15.1 This report deals with the Treasury Management Strategy which plays a significant part in supporting the delivery of all the Council's corporate priorities.

# **Section 3 - Statutory Officer Clearance**

**Statutory Officer: Dawn Calvert**

Signed by the Chief Financial Officer

**Date: 5/07/2022**

**Statutory Officer: Caroline Eccles**

Signed on behalf of the Monitoring Officer  
**Date: 5/07/2022**

**Chief Officer: Dawn Calvert**  
Signed by the Corporate Director  
**Date: 5/07/2022**

**Head of Procurement: Nimesh Mehta**  
Signed by the Head of Procurement  
**Date: 5/07/2022**

### **Mandatory Checks**

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

**EqlA carried out:** NO

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

**Contact:** Sharon Daniels, Head of Strategic and Technical Finance (Deputy S151), Telephone 020 8424 1332, [Sharon.Daniels@harrow.gov.uk](mailto:Sharon.Daniels@harrow.gov.uk)

**Background Papers:** None

**Call-in waived by the Chair of Overview and Scrutiny Committee - NO**

# Appendix 1: Link Group Economic Commentary

**UK. Economy.** Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16<sup>th</sup> December 2021, 0.50% at its meeting of 4<sup>th</sup> February 2022 and then to 0.75% in March 2022. In June 2022 the rate increased to 1.25%

The UK economy has endured several false dawns through 2021/22, but with most of the economy now opened up and nearly back to business-as-usual, the GDP numbers have been robust (9% y/y Q1 2022) and sufficient for the MPC to focus on tackling the second-round effects of inflation, now that the CPI measure has already risen to 6.2% and is likely to exceed 8% in April.

Gilt yields fell towards the back end of 2021, but despite the war in Ukraine gilt yields have shot higher in early 2022. At 1.38%, 2-year yields remain close to their recent 11-year high and 10-year yields of 1.65% are close to their recent six-year high. These rises have been part of a global trend as central banks have suggested they will continue to raise interest rates to contain inflation.

Historically, a further rise in US Treasury yields will probably drag UK gilt yields higher. There is a strong correlation between the two factors. However, the squeeze on real household disposable incomes arising from the 54% leap in April utilities prices as well as rises in council tax, water prices and many phone contract prices, are strong headwinds for any economy to deal with. In addition, from 1<sup>st</sup> April 2022, employees also pay 1.25% more in National Insurance tax. Consequently, inflation will be a bigger drag on real incomes in 2022 than in any year since records began in 1955.

**Average inflation targeting.** This was the major change in 2020/21 adopted by the Bank of England in terms of implementing its inflation target of 2%. The key addition to the Bank's forward guidance in August 2020 was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and *achieving the 2% target sustainably*". That mantra now seems very dated. Inflation is the "genie" that has escaped the bottle, and a perfect storm of supply side shortages, labour shortages, commodity price inflation, the impact of Russia's invasion of Ukraine and subsequent Western sanctions all point to inflation being at elevated levels until well into 2023.

**USA.** The flurry of comments from Fed officials following the mid-March FOMC meeting – including from Chair Jerome Powell himself – hammering home the hawkish message from the mid-March meeting, has had markets pricing in a further 225bps of interest rate increases in 2022 on top of the initial move to an interest rate range of 0.25% - 0.5%.

In addition, the Fed is expected to start to run down its balance sheet. Powell noted that the rundown could come as soon as the next meeting in May.

The upward pressure on inflation from higher oil prices and potential knock-on impacts on supply chains all argue for tighter policy (CPI is estimated at 7.8% across Q1), but the hit to real disposable incomes and the additional uncertainty points in the opposite direction.

More recently, the inversion of the 10y-2y Treasury yield spread at the end of March led to predictable speculation that the Fed's interest rate hikes would quickly push the US economy into recession. Q1 GDP growth is likely to be only between 1.0% and 1.5% annualised (down from 7% in Q4 2021). But, on a positive note, the economy created more than 550,000 jobs per month in Q1, a number unchanged from the post-pandemic 2021 average. Unemployment is only 3.8%.

**EU.** With euro-zone inflation having jumped to 7.5% in March it seems increasingly likely that the ECB will accelerate its plans to tighten monetary policy. It is likely to end net asset purchases in June – i.e.,

earlier than the Q3 date which the ECB targeted in March. And the market is now anticipating possibly three 25bp rate hikes later this year followed by more in 2023. Policymakers have also hinted strongly that they would re-start asset purchases if required. In a recent speech, Christine Lagarde said “we can design and deploy new instruments to secure monetary policy transmission as we move along the path of policy normalisation.”

While inflation has hit the headlines recently, the risk of recession has also been rising. Among the bigger countries, Germany is most likely to experience a “technical” recession because its GDP contracted in Q4 2021, and its performance has been subdued in Q1 2022. However, overall, Q1 2022 growth for the Eurozone is expected to be 0.3% q/q with the y/y figure posting a healthy 5.2% gain. Finishing on a bright note, unemployment fell to only 6.8% in February.

**China.** After a concerted effort to get on top of the virus outbreak in Q1 of 2020, economic recovery was strong in the rest of the year; however, 2021 has seen the economy negatively impacted by political policies that have focussed on constraining digital services, restricting individual freedoms, and re-establishing the power of the One-Party state. With the recent outbreak of Covid-19 in large cities, such as Shanghai, near-term economic performance is likely to be subdued. Official GDP numbers suggest growth of c4% y/y, but other data measures suggest this may be an overstatement.

**Japan.** The Japanese economic performance through 2021/22 is best described as tepid. With a succession of local lockdowns throughout the course of the year, GDP is expected to have risen only 0.5% y/y with Q4 seeing a minor contraction. The policy rate has remained at -0.1%, unemployment is currently only 2.7% and inflation is sub 1%, although cost pressures are mounting.

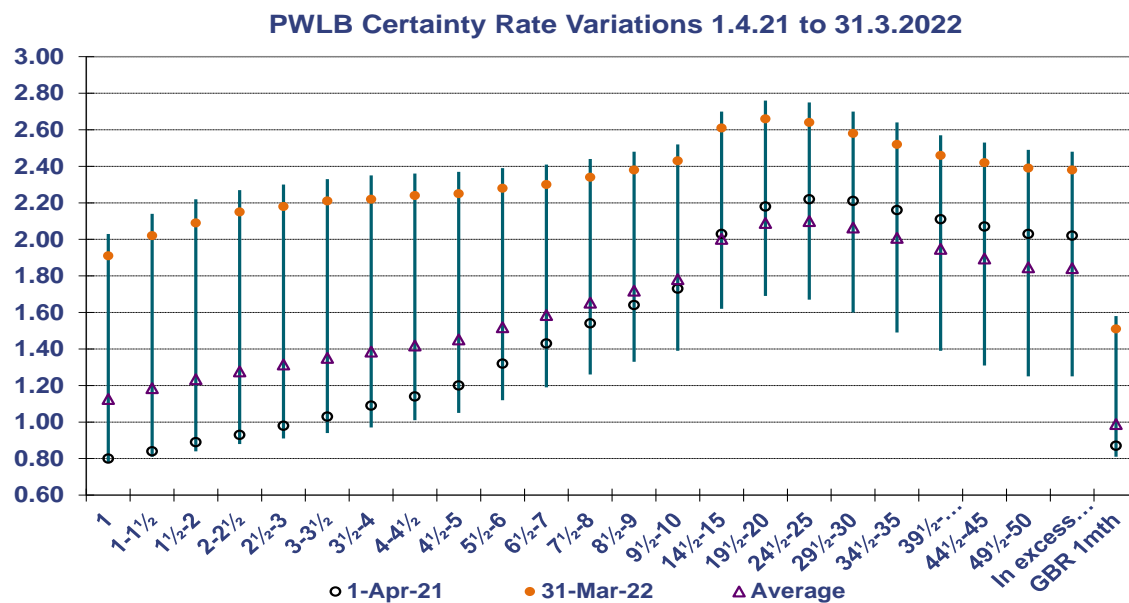
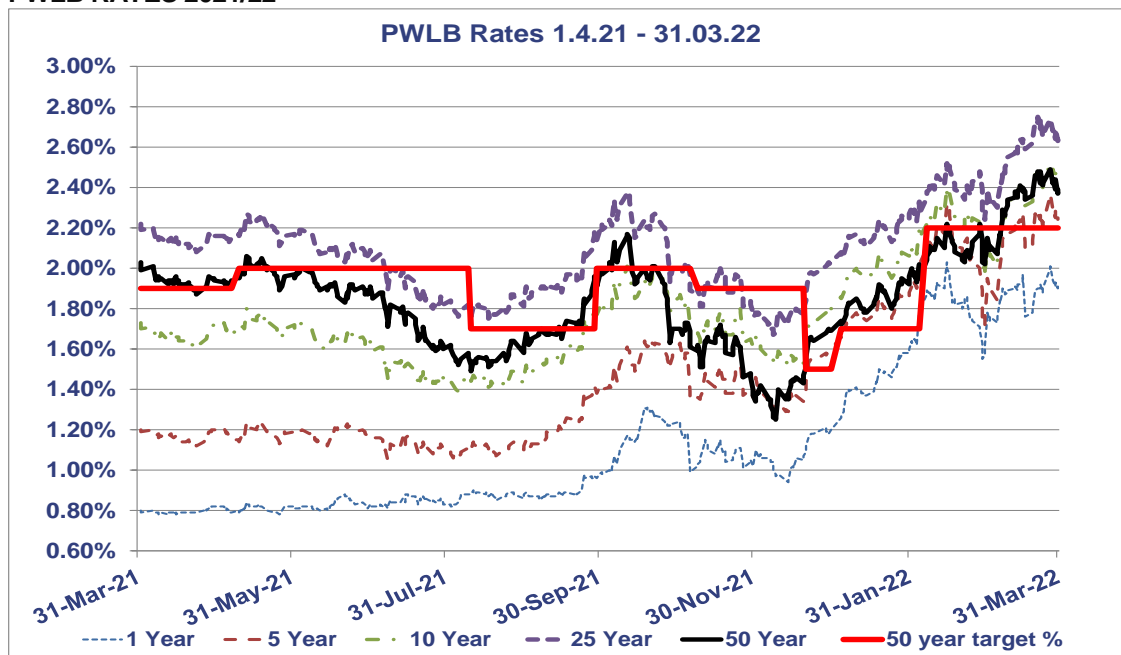
**World growth.** World growth is estimated to have expanded 8.9% in 2021/22 following a contraction of 6.6% in 2020/21.

**Deglobalisation.** Until recent years, world growth has been boosted by increasing globalisation i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last 30 years, which now accounts for 18% of total world GDP (the USA accounts for 24%), and Russia’s recent invasion of Ukraine, has unbalanced the world economy. In addition, after the pandemic exposed how frail extended supply lines were around the world, both factors are now likely to lead to a sharp retrenchment of economies into two blocs of western democracies v. autocracies. It is, therefore, likely that we are heading into a period where there will be a reversal of world globalisation and a decoupling of western countries from dependence on China (and to a much lesser extent Russia) to supply products and vice versa. This is likely to reduce world growth rates.

**Central banks’ monetary policy.** During the pandemic, the governments of western countries have provided massive fiscal support to their economies which has resulted in a big increase in total government debt in each country. It is therefore very important that bond yields stay low while debt to GDP ratios slowly subside under the impact of economic growth. This provides governments with a good reason to amend the mandates given to central banks to allow higher average levels of inflation than we have generally seen over the last couple of decades. Both the Fed and Bank of England have already changed their policy towards implementing their existing mandates on inflation, (and full employment), to hitting an average level of inflation. Greater emphasis could also be placed on hitting subsidiary targets e.g. full employment before raising rates. Higher average rates of inflation would also help to erode the real value of government debt more quickly.

## Appendix 2: Borrowing Rate Summary 2021/22

### PWLB RATES 2021/22



### HIGH/LOW/AVERAGE PWLB RATES FOR 2021/22

	1 Year	5 Year	10 Year	25 Year	50 Year
01/04/2021	0.80%	1.20%	1.73%	2.22%	2.03%
31/03/2022	1.91%	2.25%	2.43%	2.64%	2.39%
Low	0.78%	1.05%	1.39%	1.67%	1.25%
Low date	08/04/2021	08/07/2021	05/08/2021	08/12/2021	09/12/2021
High	2.03%	2.37%	2.52%	2.75%	2.49%
High date	15/02/2022	28/03/2022	28/03/2022	23/03/2022	28/03/2022
Average	1.13%	1.45%	1.78%	2.10%	1.85%
Spread	1.25%	1.32%	1.13%	1.08%	1.24%



**Report for:** **GOVERNANCE, AUDIT,  
RISK MANAGEMENT &  
STANDARDS  
COMMITTEE**

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<b>Date of Meeting:</b>	02/08/22
<b>Subject:</b>	Internal Audit & Corporate Anti-Fraud Plans 2022/23
<b>Responsible Officer:</b>	Dawn Calvert – Director of Finance & Assurance
<b>Exempt:</b>	No
<b>Wards affected:</b>	All
<b>Enclosures:</b>	Appendix 1: Internal Audit & Corporate Anti-Fraud Plans 2022/23 Appendix 2: Internal Audit Charter 2022/23

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

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This report sets out the 2022/23 Internal Audit & Corporate Anti-Fraud Plans and the Internal Audit Charter.

### **Recommendations:**

The Committee is requested to: Review and approve the Internal Audit & Corporate Anti-Fraud Plans 2022/23 and the Internal Audit Charter 2022/23 in accordance with the Public Sector Internal Audit Standard 2020 Communication and Approval.

The Committee is also asked to note the annual plan process, the Internal Audit Strategy, the service's organisational independence, the resources available to complete the plan, audit techniques to be used and other sources of assurance, as covered within this report.

## **Section 2 – Report**

### **Internal Audit Plan 2021/22 (Appendix 1) Background**

- 2.1 Internal audit is a statutory service. The Accounts and Audit Regulations 2015, state that:  
  
‘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.’
- 2.2 The Public Sector Internal Audit Standards (PSIAS) have been adopted and are being implemented by the Council's Internal Audit section. A self-assessment against the standards is required to be undertaken annually.
- 2.3 It is a requirement of the PSIAS that the ‘chief audit executive’ (Head of Internal Audit) ‘must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.’
- 2.4 The purpose of the plan is to enable independent and objective assurance on control, risk management and governance processes, put in place by management, to be provided to those charged with governance. This culminates in an annual report that includes an opinion that concludes on the overall adequacy and effectiveness of the Council's framework of control, risk management and governance as required by the PSIAS.

## **Annual Plan Process**

- 2.5 In compliance with the PSIAS requirement annually a risk based internal audit plan of work is developed by the Head of Internal Audit to determine the priorities of the internal audit service for the coming year to support the Council's vision and priorities.
- 2.6 During 2021/22 the Internal Audit Team was involved in a substantial amount of work in relation to the significant governance gap detailed in the Draft AGS and this as well as having a number of vacant posts had a significant impact on the completion of the 2021/22 Internal Audit plan. As a consequence much of the plan is being carried forward to the 2022/23 plan and these reviews identified in the attached plan with an \*. The rest of the plan consists of reviews that are included annually e.g. core financial system reviews, the annual governance review, risk management work and schools and a few new reviews relating to the significant governance gap and/or other issues identified during 2021/22 e.g. Fraud Risk and Leaseholder Charges. The plan has been developed taking into account the Council's risk management framework.
- 2.7 For the 2021/22 plan consultation with the GARMS Committee began in January 2021 and the draft plan was presented to the Committee in April 2021. For the 2022/23 plan this was not possible due to the elections in May and the resulting cancelation of the April Committee meeting. As there is now a new Committee and our usual consultation process has not been possible a small amount of time has been included in the plan to enable a review(s) to be undertaken on an area identified by the GARMS Committee – it should be noted that any suggestions will need to be risk assessed before the Head of Internal Audit agrees to include them in the plan.
- 2.8 Consultation with officers has been undertaken as set out in Appendix 1 and included key senior managers across the Council as well as the Corporate Strategic Board (CSB).
- 2.9 The development of the plan has also taken into account the requirement for the Head of Internal Audit to produce an annual internal audit opinion on the Council's framework of governance, risk management and control, reported each year in the Internal Audit Year-end report (annual report) and included in the Annual Governance Statement.

## **INTERNAL AUDIT STRATEGY**

- 2.9 Internal audit adds value to the organisation and contributes to the corporate vision and priorities by providing assurance on the organisation's control environment, alerting managers to weaknesses identified in the control environment, highlighting the risks of such weaknesses and instigating action to be taken by managers to improve the control environment via the implementation of audit recommendations/advice.

- 2.10 The annual plan is designed to provide the GARMS Committee, the Corporate Strategic Board (Chief Executive + Corporate Directors), the S151 Officer and other senior managers with assurance on the Council's control environment.
- 2.11 The plan will be delivered primarily by the dedicated in-house team situated in the Resources Directorate in accordance with the Internal Audit Charter (Appendix 2). An Access Agreement is also in place to a Framework Contract with PWC for the provision of Internal Audit Services which can be used for technical IT Audits. The Audit Charter has been reviewed and updated for 2022 with minimal changes.
- 2.12 Key to the successful delivery of an effective internal audit service in a rapidly changing business environment is flexibility. Resources available make it difficult to build flexibility into the 2022/23 plan for emerging risks to minimise the impact they may have on the plan, however a small allowance has been made in the plan and in addition emerging risks identified by the Internal Audit, by CSB/management or by the GARMS Committee that require adjustments to be made to the plan will be reported to CSB and GARMS Committee.

## **Organisational Independence**

- 2.13 The Public Sector Internal Audit Standards require the chief audit executive (Head of Internal Audit) to confirm to the board (GARMS Committee/CSB), at least annually, the organisational independence of the internal audit activity and if independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties.
- 2.14 The internal audit service at Harrow does have organisational independence in that the Head of Internal Audit does report functionally to the board (GARMS Committee/CSB), has effective communication with, and free and unfettered access to, the Chief Executive and the chair of the audit committee (GARMS Committee). However the objectivity of the service is impaired in relation to the Corporate Anti-Fraud Team, the maintenance of the Corporate Risk Register, and the preparation of the Annual Governance Statement as the Head of Internal Audit has responsibility for these areas and thus independent assurance on them cannot be provided by internal audit. It should be noted that this is common across many local authorities.
- 2.15 This gap is mitigated by the following:
- The Head of Internal Audit can provide management assurance on these areas;
  - The GARMS Committee and CSB have oversight of all the areas; and
  - Some limited assurance of these areas is also provided by the External Auditors.

## **Resources/Audit Techniques**

- 2.16 Internal audit's current available resources for 2022/23 have been assessed by calculating the number of audit days available based on 2@ 180 productive days (FTE members of the team) + 1@144 days (member of the team working 4 days a week) + 2@ 90 days (the Head of Internal Audit and the Risk Manager) giving a total of 684 audit days available to undertake the 2022/23 plan. This is more resources than available during 2021/22 but lower than the 2020/21 resources due to an auditor vacancy due to retirement (a reduction of 180 audit days), and the end of the Risk Manager's contract at the end of September (a reduction of 90 risk days).
- 2.17 Using different techniques to gain assurance ranging from self-assessment of some core financial systems to sample testing of corporate processes and by using risk-based audit techniques to optimise the achievement of the plan, the number of audit days available is considered sufficient to deliver the proposed 2022/23 internal audit plan and the mix of knowledge and skills within the in-house team is considered appropriate to deliver the plan.
- 2.18 Changes to the way we work as an organisation as a result of the Covid-19 pandemic has required changes to internal audit working practices. The approach to undertaking reviews in previous years has relied heavily on face to face meetings, the physical presence of an auditor within the areas, schools or establishments being audited, the physical review of some evidence (in addition to electronic evidence) and the physical review and sign-off of audit files/reports as part of the internal audit quality assurance and management review process. During 2020/21 with the vast majority of the Council's workforce working from home new ways of undertaking audits remotely were developed and continue to be used into 2021/22. This includes the use of Microsoft Teams to conduct face to face meetings, the sharing of screens to view evidence (that cannot be physically sent), the extension of the use of electronic evidence, the reintroduction of the use of Internal Control Questionnaires, the review of standard audit programmes for schools to make them more manageable remotely, protocols for when to use different forms of communications e.g. when a face to face meeting using technology is required during the audit process and electronic review and sign-off of audit files for quality assurance and management purposes. With the move back to working more in the office the approach to internal audit working practices will continue to be reviewed and developed throughout 2022/23 to ensure that the internal service remains effective.

## **Other Sources of Assurance**

- 2.19 The work planned by the External Auditors has been considered in developing the internal audit plan and the assurance provided by their work will be taken into account during the course of 2022/23.
- 2.20 Other potential sources of assurance i.e. external reviews by reputable bodies such as Ofsted and other Councils (e.g. in relation to shared service

arrangements) will be considered as they occur or are reported during 2022/23.

## **Corporate Anti-Fraud Team Plan 2021-22 (Appendix 1) Background**

- 2.21 Fraud is now the most common crime in England and Wales costing the UK economy in the region of £137bn annually. According to the Office for National Statistics in England and Wales Crime Survey (year ending December 2021), fraud increased 41% to 5.2 million offences when compared to the same period for the year ending December 2019. Fraud is not a victimless crime; it causes untold harm to individuals and communities.
- 2.22 Public Sector Fraud accounted for £40.4 billion. Harrow Council is not immune to fraud and corruption and to mitigate against these risks, an annual risk-based fraud plan is developed in addition to the Internal Audit Plan 2022-23 so that fraud risks are managed in both a proactive and reactive response.

## **Annual Fraud Plan Process**

- 2.23 The 2022/23 plan has been developed taking into consideration both internal and external factors that assess fraud risks according to their likelihood and impact. A new methodology for assessing fraud risks for the purposes of plan development has been undertaken to fall in line with the authorities' established risk assessment process. Careful consideration has also been given to incidents of fraud and corruption identified in 2021/22 which have been fed into the plan development. Externally, a number of national reports and trends have been reviewed and high-risk fraud areas across the sector assessed accordingly and feature in the plan.

## **Development of the Draft Fraud Plan**

- 2.24 The draft plan has been developed by drawing on a number of sources of data:-
- Alignment to the Local Government Fraud Strategy, Fighting Fraud & Corruption Locally Strategy (FFCL) 2020
  - A review of the authorities' Corporate Anti-Fraud & Corruption Strategy (inc Fraud Response Plan);
  - Discussions with the Head of Internal Audit and Interim Risk Manager to co-ordinate common interest work where possible;
  - Local knowledge about known fraud risks the authority faces and fraud instances identified in 2021/22;
  - Findings from the Financial Cost of Fraud 2021 Crowe UK and The University of Portsmouth;
  - Review of fraud and corruption trends and patterns across the UK and more specifically London.
- 2.25 Fraud and corruption threats not only remove resources from critical services but can cause immeasurable social harm to individuals and communities and create poor morale amongst employees. Having a robust annual plan in place to mitigate fraud and corruption risks ensures that the authority knows

what threats are faced, is able to prevent and disrupt criminals from perpetrating fraud and finally it enables the authority to react quickly when fraud does occur through a clear fraud response plan.

## **Corporate Anti-Fraud & Corruption Strategy 2022-26**

2.26 The Council strategy was developed to reflect three key themes:

- Firstly, acknowledge that Harrow Council acknowledges that fraud and corruption risks are unavoidable and that fraud is on the increase both nationally and internationally.
- Secondly, prevent fraud. The authority is committed to preventing fraud and corruption where possible through raising awareness, through the development of a fraud risk register, through disruption and by building a robust fraud risk control environment making it tough for fraud to enter the system.
- Finally, pursue when fraud does enter the system, the Council has a sound fraud response plan in place enabling those perpetrating crimes to be pursued vigorously and brought to justice, for any losses to be recovered and for lessons to be learned to prevent reoccurrence.

2.27 When FFCL was refreshed in 2020 it retained the three pillars of activity that had been central to the strategy in 2011 and 2016; this being Acknowledge, Prevent and Pursue, but in addition to these a further two were added, namely Govern and Protect. The Govern pillar was included to ensure that local authorities should have in place a 'tone from the top' and the Protect pillar about ensuring it had protection against serious and organised crime. The Council's strategy was due to be reviewed in 2021/22 however owing to the involvement of the Corporate Anti-Fraud Manager in the work on the significant governance gap, mentioned above, during 2021/22 this work will be carried forward to 2022/23.

2.28 Once the current Council fraud strategy is refreshed in year, an action plan to meet the gaps will be drafted and activity commenced during the year to close any gaps. One such gap already identified and action taken to address it is the fraud awareness training which is being made mandatory every two years for all staff which will improve the authorities' fraud risk resilience.

## **Other projects**

2.29 The authority will continue its partnership with Cifas to prevent fraud and corruption entering the organisation or at least identifying as early as possible with continued access to the National Fraud Database, and in addition to this will launch its staff vetting project with agency staff being vetted before commencing work with Harrow in Q2 and for permanent staff in Q4.

2.30 Continuing its trailblazing work, the authority will embark upon a partnership with Synalogik Innovative Solutions and explore a proof of concept to identify and investigate Organised Crime Groups (OCGs) working alongside the

Department for Business, Energy & Industrial Strategy (BEIS), University of the West of England & the software suppliers Synalogik Innovative Solutions.

## **Resources**

- 2.31 The plan is delivered by an in house Corporate Anti-Fraud Team of 5FTE's including the Service Manager. All officers in the team are Accredited Counter Fraud Officers and the Service Manager is a qualified as Accredited Counter Fraud Managers. Resources are such that it is vital that the plan developed is risk based so as to direct resources at areas where financial losses and their impact are greatest.

## **Legal Implications**

The Accounts and Audit Regulations 2015, state that:

‘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.’

The terms of reference for the Committee include the follow requirements:

- to approve the internal audit charter and support the independence of Internal Audit;
- to approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources;
- to review and approve the annual Corporate Anti-Fraud Team Plan.

## **Financial Implications**

The functions of the Internal Audit and Corporate Anti-Fraud service are delivered within the budget available.

## **Risk Management Implications**

Risks included on corporate or directorate risk register? The risks included on the Corporate Risk Register were reviewed and taken into account in preparation of the Internal Audit Plan 2022/23.

Separate risk register in place? No, however risk assessments are undertaken to support reviews included in the plan that are not on the Corporate Risk Register.

The relevant risks contained in the register are attached/summarised below. **N/A**

The following key risks should be taken into account when agreeing the recommendations in this report:

There are two main risks to the achievement of the Internal Audit and Corporate Anti-Fraud plans.

<b>Risk Description</b>	<b>Mitigations</b>	<b>RAG Status</b>
The risk of inadequate resources to achieve the plans caused by unplanned reduction in staff resource e.g. sickness, maternity leave or staff leaving.	<ul style="list-style-type: none"> <li>▪ Ongoing consideration of techniques used to achieve the plan</li> <li>▪ Recruitment</li> <li>▪ Sickness monitoring/management</li> <li>▪ Team motivation</li> </ul>	
The risk of detrimental level of reactive work e.g. investigations and emerging risks	<ul style="list-style-type: none"> <li>▪ Flexible plan approach</li> <li>▪ Risk assessment of work on investigations and emerging risk</li> </ul>	

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

Decision makers should have due regard to the public sector equality duty in making their decisions. The equalities duties are continuing duties they are not duties to secure a particular outcome.

The statutory grounds of the public sector equality duty are found at section 149 of the Equality Act 2010 and are as follows:

A public authority must, in the exercise of its functions, have due regard to the need to:

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- (c) Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:

- (a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;

- (b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;
- (c) Encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities. Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:

- (a) Tackle prejudice, and
- (b) Promote understanding.

Compliance with the duties in this section may involve treating some persons more favourably than others; but that is not to be taken as permitting conduct that would otherwise be prohibited by or under this Act. The relevant protected characteristics are:

- Age
- Disability
- Gender reassignment
- Pregnancy and maternity
- Race
- Religion or belief
- Sex
- Sexual orientation
- Marriage and Civil partnership

The Internal Audit plan will have positive equalities impacts for example ensuring and measuring compliance with HR policies and the financial management of schools to give two examples.

## **Council Priorities**

Internal audit and the Corporate Anti-Fraud Teams contribute to all the corporate priorities by enhancing the robustness of the control environment and governance mechanisms that directly or indirectly support the priorities.

## **Section 3 - Statutory Officer Clearance**

**Statutory Officer: Dawn Calvert**

Signed by the Chief Financial Officer, Dawn Calvert

**Date:** 21/07/22

**Statutory Officer: Caroline Eccles**

Signed on behalf of the Monitoring Officer, Hugh Peart

**Date:** 22/07/21

**Chief Officer: Charlie Stewart**

Signed by the Corporate Director, Charlie Stewart

**Date:** 25/07/22

## **Mandatory Checks**

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

## **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?

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

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**HARROW COUNCIL**  
**2022/23 DRAFT INTERNAL AUDIT & CORPORATE ANTI-FRAUD PLAN**

**22022/23 Internal Audit Plan - Consultation**

<b>DIRECTORATE</b>	<b>NAME</b>	<b>TITLE</b>	<b>DATE</b>
		Corporate Strategic Board	25/07/22
	Paul Hewitt	Interim Chief Executive	25/07/22
<b>Resources</b>	Charlie Stewart	Corporate Director Resources	25/07/22
	Dawn Calvert	Director of Finance & Assurance/S151	18/07/22
	Hugh Peart	Director of Legal & Governance	25/07/22
	Alex Dewsnap	Director of Strategy and Partnership	25/07/22
	Ben Goward	Director of ICT	18/07/22
	Fern Silverio	Divisional Director Collections & Benefits	18/07/22
	Nimesh Mehta	Head of Procurement	18/07/22
	Sharon Daniels	Head of Strat & Tech Finance/Deputy S151	18/07/22
	Tasleem Kazmi	Finance Business Partner Housing & Regeneration	18/07/22
	Donna Edwards	Finance Business Partner People (Adults)	18/07/22
	Jessie Mann	Finance Business Partner Community	18/07/22
	Jo Frost	Finance Business Partner People (Children)	18/07/22
	Justin Phillips	Corporate Anti-Fraud Service Manager	24/06/22
	Neale Burns	Interim Risk Manager	24/06/22
	Internal Audit Team	Auditors	24/06/22
	Corporate Anti-Fraud Team	Fraud Investigators	24/06/22
<b>People</b>	Peter Tolley	Interim Corporate Director People	18/07/22
	Shaun Riley	Interim Director of Adult Social Services	18/07/22
	Patrick O'Dwyer	Director of Education	18/07/22
	Johanna Morgan	Divisional Director Commercial & Regeneration	18/07/22
	Sarah Baker	Assistant Director – Health & Wellbeing	19/07/22

**HARROW COUNCIL**  
**2022/23 DRAFT INTERNAL AUDIT & CORPORATE ANTI-FRAUD PLAN**

<b>Place</b>	Dipti Patel	Corporate Director Place	18/07/22
	Tony Galloway	Interim Director Environmental Services	18/07/22
	Julian Wain	Interim Commercial Director	18/07/22
	Mark Billington	Head of Service – Economic Development, Research & Enterprise	18/07/22
	Julian Higson	Interim Head of Housing	18/07/22
	Andrew Campion	Head of Asset Management (Housing)	18/07/22

**HARROW COUNCIL**  
**2022/23 DRAFT INTERNAL AUDIT & CORPORATE ANTI-FRAUD PLAN**

**Internal Audit Plan 2022/23**

Review Area	Risk Assessment <sup>1</sup>	Reason for inclusion	Proposed Audit Coverage	Audit Days	Q
<b>Core Financial Systems</b>					
Capital expenditure	H	Core Financial System	Key Control Review	10	Q1
Business Rates	H	Core Financial System	Key Control Review	10	Q1
Housing Benefit	H	Core Financial System	Evidence Based Control Self- Assessment	1.5	Q1
Treasury Management	M	Core Financial System	Evidence Based Control Self- Assessment	1.5	Q1
Housing Rents	M	Core Financial System	Evidence Based Control Self-Assessment	3	Q1
Corporate Accounts Receivable	M	Core Financial System	Evidence Based Control Self- Assessment	1.5	Q1
Corporate Accounts Payable	H	Core Financial System	Evidence Based Control Self- Assessment	1.5	Q1
Payroll	H	Core Financial System	Evidence Based Control Self- Assessment	1.5	Q1
Council Tax	H	Core Financial System	Evidence Based Control Self- Assessment	1.5	Q1
<b>IT</b>					
IT Inventory*	H	As a result of Pandemic IT equipment is has been distributed for homeworking.	A review to ensure that inventory covers all appropriate equipment, and that adequate systems are in place for keeping it up to date.	10	Q2
IT Support – Service Integration and Management*	H	New arrangements in place, some in-house provision and some contracts	A review of how the elements of the support work together and are being managed	20	Q3/4
IT Strategy*	H	New IT Strategy currently being developed	Provision of the 2016/17 audit work on IT Strategy to feed into the development of the new strategy and a review of new strategy towards the end of the year	5	Q4

<sup>1</sup> Wherever possible risk ratings are taken from the Corporate (prefix CR), an audit risk assessment is undertaken for all other reviews.

\* Projects carried forward from 2021/22 plan

**HARROW COUNCIL**  
**2022/23 DRAFT INTERNAL AUDIT & CORPORATE ANTI-FRAUD PLAN**

<b>Corporate Compliance Checks</b>					
Contract Procedure Rules (Annual Assurance)	H	To obtain assurance and to feed into future updating of Contract Procedure Rules and following the findings of the Depot – Additional Works Review	Sample checks across the council to ensure that Contract Procedure Rules are understood and being adhered to – area of focus to be determined as part of review planning	10	Q3/4
Financial Regulations (Annual Assurance)	H	To obtain assurance following the updating of Financial Regulations during 18/19 and the findings of the Depot – Additional Works Review	Sample checks across the council to ensure that Financial Regulations are understood and being adhered to – area of focus to be determined as part of review planning	10	Q3/4
HR Policies (Annual Assurance)	H	To provide assurance on the implementation of HR Policies annually, with a focus on different policies each year in consultation with the Director of HR&OD	Sample check across the council to ensure that HR Policies are understood and adhered to - areas of focus for 201/22 Job Evaluation and Honorariums	10	Q2
<b>Corporate Risk Based/Governance Reviews</b>					
Corporate Governance	Statutory Requirement  Links to CR2 - H	<b>Requirement under the Accounts &amp; Audit Regulations 2015:</b> <i>A relevant authority must, each year conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement</i>	Co-ordination of the annual review of governance, including Management Assurance, assessment against the CIPFA Financial Management Standards plus drafting of the Annual Governance Statement	30	Q1/4
Risk Registers	Statutory Requirement	<b>Requirement under the Accounts &amp; Audit Regulations 2015:</b> <i>A relevant authority must ensure that it has a sound system of internal control which includes effective arrangements for the management of risk</i>	Update of the Corporate Risk Register and input/assistance with Directorate and other Council risk registers	65	Q1-4
Risk Management in Decision Making	M	<b>Requirement under the Accounts &amp; Audit Regulations 2015:</b> <i>A relevant authority must ensure that it has a sound system of internal control which includes effective arrangements for the management of risk</i>	A real-time pro-active review, with clearance provided before reports are presented to Cabinet	20	Q1-Q4

**HARROW COUNCIL**  
**2022/23 DRAFT INTERNAL AUDIT & CORPORATE ANTI-FRAUD PLAN**

Tell Us Once/Legacy Systems*	H	Changes of circumstances notified to the Council are not always shared with appropriate services and this has led to overpayments and fraud.	A review to identify the barriers to information being shared across key services, Housing, Council Tax and Housing Benefits and the Tell Us Once system and an exploration of potential solutions	10	Q3/4
Financial Resilience*	Links to CR1 - H	Financial Resilience is key to the authority remaining viable, stable and effective in a climate of growing demand and reduced funding	Using CIPFA publication Building Financial Resilience as a guide a review of the authority's financial resilience	15	Q3/4
<b>Resources Risk Based Reviews</b>					
Restart Grants*	H	Scheme in place to support business in the non-essential retail, hospitality, leisure, personal care and accommodation sectors with a one-off grant of up to £18,000, to reopen safely as COVID-19 restrictions are lifted	Post assurance review conducted jointly with Corporate Anti-Fraud Team to ensure that any suspected fraud or error identified can be investigated quickly and steps taken to recover any losses identified	10	Q2
Transformation Programme – Project Management Review*	CR7 - H	A continuation of project management reviews of the Council's key projects	A project management review of one of the projects within the Transformation Programme – project to be identified at time of review	15	Q3/4
Resources Directorate Fraud Risk	CR10 - M	In response to an external report and a significant fraud identified in 2021/22	Development of a Resources Directorate Fraud Risk for inclusion on the Resources Directorate Risk Register and a targeted review of controls in place to mitigate the risk of fraud.	20	Q2-4
<b>Place Risk Based Reviews</b>					
Housing Repairs* (expanded for 2022/23)	H	The Council as a landlord has a number of statutory duties that must be complied with	A review of the adequacy, application, and effectiveness of controls in place to mitigate risks to the Council including the risk of fraud and failure to comply with the Council's statutory duties	25	Q3/4
Facilities Management Procurement/Contracts*	H	Major changes introduced during 2020/21 to improve service	Review of procurement and contract management	15	Q3/4
Facilities Management Statutory Compliance*	H	There are a number of statutory duties that must be complied with	A review of the processes in place to ensure that the Council's statutory duties are met	15	Q2
Bus Subsidy Grant*	Statutory Requirement	Grant condition requirement	Annual HIA Certification	2	Q2

**HARROW COUNCIL**  
**2022/23 DRAFT INTERNAL AUDIT & CORPORATE ANTI-FRAUD PLAN**

HSDP/Council owned companies Governance*	CR4 – H	New arrangements, issues highlighted in other authorities with such arrangement, potential high risks	A review of how governance arrangements are working in practice across Council owned companies Q3/Q4	20	Q3/ Q4
Leaseholder Charges	H	In response a complaint it was agreed with the Chief Executive that an internal audit of the process would be undertaken before the next billing cycle	A review of the adequacy, application and effectiveness of controls in place to mitigate risk to the Council, including the risk inaccurate charging of in the Leaseholder Charges system	20	Q2/3
Place Directorate Fraud Risk	CR10 - M	In response to an external report and a significant fraud identified in 2021/22	Development of a Place Directorate Fraud Risk for inclusion on the Place Directorate Risk Register and a targeted review of controls in place to mitigate the risk of fraud.	30	Q2-4
<b>People Risk Based Reviews</b>					
Schools	H	<b>Links to Corporate Priority:</b> Sustaining quality education and training  The Council has 34 maintained schools with delegated budgets most of which are in excess of £1m however schools are facing ever increasing financial pressures	Reviews to be undertaken to provide assurance on Budget Management or Governance & Financial Control. Schools that decide to leave the FMS system will be considered a higher risk and will be prioritised.	80	Q3/4
SFVS	Funding Requirement	To provide assurance to S151 Officer responsible for signing off statutory return	Review of the statutory return to the Department Education to be signed by the s151 Officer confirming the number of Schools to complete the Schools Financial Value Standard (SFVS) self-assessment	5	Q1
Together with Families Programme (Troubled Families Grant)	Grant Requirement	<b>Links to Corporate Priority:</b> Tackling poverty and inequality - testing by internal audit is a grant condition	Sample testing of claim prior to grant submission	10	Q1-4
Children Placements*	Links to CR5 - H	A high percentage of the Children Budget spent on placements	A review of the adequacy, application and effectiveness of decisions and review of placements	15	Q3/4
Adults Placements*	Links to CR3 & CR5 - H	A high percentage of the Adults Budget spent on placements	A review of the adequacy, application and effectiveness of decisions and review of placements	15	Q3/4

**HARROW COUNCIL**  
**2022/23 DRAFT INTERNAL AUDIT & CORPORATE ANTI-FRAUD PLAN**

People Directorate Fraud Risk	CR10 - M	In response to an external report and a significant fraud identified in 2021/22	Development of a People Directorate Fraud Risk for inclusion on the People Directorate Risk Register and a targeted review of controls in place to mitigate the risk of fraud.	20	Q2-4
<b>Support, Advice &amp; Follow-up</b>					
GARMS Identified Review	tbd	tbd	tbd	20	tbd
Professional Advice	H/M/L	To provide a pro-active response to management requests for support and guidance on control, risk management and guidance	Advice on control, risk management and governance	20	Q1-4
Follow-up	H/M	To provide assurance on the implementation of audit recommendations by management in accordance with the agreed strategy	Follow-up of Red, Red/Amber & Amber reports	20	Q1-4
Grants	H	Certain government grants require HIA sign-off	Where required sample testing to confirm grant conditions have been met before sign-off by the HIA and Chief Executive	5	Q1-4
Irregularity/whistleblowing Reviews	H	To provide a pro-active response to irregularity and/or whistleblowing allegations	Review of allegations to support management	50	Q1-4
<b>TOTAL DAYS IN 2022/23 PLAN</b>				684	

	<b>Internal Audit Performance Indicator 2022/23</b>	<b>Target</b>
1	Recommendations agreed for implementation	95%
2	Follow up undertaken – red and red/amber assurance reviews	100%
3	Follow-up undertaken – amber assurance reviews	70%
4	Plan achieved for key control reviews	100%
5	Plan achieved overall (key indicator)	90%
	<b>Corporate Performance Indicator</b>	<b>Target</b>
1	Implementation of recommendations	90%

**HARROW COUNCIL**  
**2022/23 DRAFT INTERNAL AUDIT & CORPORATE ANTI-FRAUD PLAN**

**Corporate Anti-Fraud Plan 2022/23**

	<b>Fraud work stream</b>	<b>Proposed counter fraud coverage</b>
1.	Corporate fraud risk assessment	Identify and assess Harrow's fraud risk exposure affecting the principal activities in order to fully understand changing patterns in fraud and corruption threats and the potential harmful consequences to the authority and our customers. A new methodology was deployed in 2021/22 which will be reviewed at the end of the year to assess how accurate it was.
2.	Corporate Anti-Fraud & Corruption Strategy	Review the authorities' Corporate Anti-Fraud & Corruption Strategy and update any action plan in year
3.	National Fraud Initiative co-ordination role	Co-ordination of the 2022/23 National Fraud Initiative (NFI) match processing including:- <ul style="list-style-type: none"> <li>• Ensuring the authority complies with fair processing guidelines required to submit data into the exercise in accordance with timescales so as to be compliant with GDP</li> <li>• Supports service areas in extracting the data from core systems in the required specification in accordance with timescales</li> <li>• Upload the data securely onto the Cabinet Office NFI portal and in accordance with timescales</li> <li>• Liaise with service areas when the datamatches are released back to authority in January 2019 to ensure that action is commenced promptly on those matches that are deemed to be high risk</li> </ul>
4.	Cifas project	Continue to maximise membership of Cifas to support fraud investigation work undertaking a proactive drive using the National Fraud Database (NFD)
5.	Cifas Employee Vetting Project	Implement employee vetting using the Cifas Enhanced Internal Fraud Database (EIFD) for new starter agency staff in phase 1 (Q2) and new starter and promotions for permanent staff in phase 2 (Q4)
6.	Corporate anti-fraud awareness	Raise awareness of fraud and corruption risks both within the authority and in the community through the publication of fraud successes and awareness internally and in local and national media, including the use of all forms of social media including the following actions:-

**HARROW COUNCIL**  
**2022/23 DRAFT INTERNAL AUDIT & CORPORATE ANTI-FRAUD PLAN**

		<ul style="list-style-type: none"> <li>Facilitate with organizational development the roll out of mandatory fraud e-learning during the year in response to the significant governance gap identified in 2021/22</li> <li>General fraud communication bulletins in relation to articles on fraud and corruption, case studies</li> <li>Issuing management reports detailing investigation outcomes and recommendations for improving fraud risk controls are implemented (KPI5)</li> <li>In partnership with Internal Audit deliver fraud workshops/attendance at team meetings for areas identified as particularly vulnerable to fraud in response to the significant governance gap identified in 2021/22</li> <li>Publicity through all forms of media on successful fraud cases, fraud initiatives and related prosecution outcomes</li> <li>The use of Yammer to promote fraud awareness and signpost to the e-learning package</li> </ul>
7.	Fraud liaison	Explore, develop and maintain effective liaison with investigation teams in other boroughs and external agencies and ensure that membership and interest 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 Cifas
8.	Challenging Organised Crime Groups (OCGs) project	Explore a proof of concept to identify and investigate OCGs in partnership with the Department for Business, Energy & Industrial Strategy (BEIS), University of the West of England & Synalogik Innovative Solutions
9.	Housing fraud	<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 a combined total of 10 Council social housing units and disrupt/intercept fraudulent Right to Buy applications (KPI1)</li> <li>Prevent housing application fraud through a partnership approach with Housing Needs providing fraud risk advice, support and the investigation of allegations of fraud</li> </ul>

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**2022/23 DRAFT INTERNAL AUDIT & CORPORATE ANTI-FRAUD PLAN**

		<ul style="list-style-type: none"> <li>• Prevent fraudulent Right to Buy (RTB) applications through targeted application validation with a fraud check on at least 90% applications referred to the CAFT at offer stage and before completion (KPI2)</li> <li>• Maximise the use of powers contained within the Prevention of Social Housing Fraud Act 2013 (PoSHFA) in terms of gathering evidence, investigation and prosecution of offenders and recovery of unlawful profit</li> <li>• Plan and implement a proactive anti-fraud datamatching exercise to identify the misuse of Council social housing units (see datamatching section above)</li> </ul>
10.	Social care fraud	<p>Work in partnership with the People Directorate to undertake a sample check allegations of fraud and abuse of the social care system including but not limited to:-</p> <ul style="list-style-type: none"> <li>• A proactive fraud risk based exercise of personal budgets 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>
11.	Risk assess allegations of internal fraud and corruption	Risk assess 85% of allegations of fraud and corruption and deploy resources on those cases deemed sufficiently high enough fraud risk within an average of 5 working days of receipt of the information (KPI3)
12.	Risk assess allegations of fraud and corruption	Risk assess 85% 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)

**HARROW COUNCIL  
2022/23 DRAFT INTERNAL AUDIT & CORPORATE ANTI-FRAUD PLAN**

<b>No.</b>	<b>CAFT Key Performance Indicators 2022/23</b>	<b>Target</b>
1.	Seek to recover a combined total of 10 Council social housing units and disrupt/intercept fraudulent Right to Buy applications	100%
2.	Fraud validation checks commenced on Right to Buy applications and resources deployed in 10 working days with 100% check before purchase completion	90%
3.	Internal fraud and corruption referrals risk assessed and resources deployed in 5 working days	85%
4.	Fraud and corruption referrals risk assessed and resources deployed in 10 working days	85%
5.	Fraud risk recommendations agreed for implementation	85%

**Justin Phillips**  
**Service Manager, Corporate Anti-Fraud Team**

**Susan Dixon**  
**Head of Internal Audit & Corporate Anti-Fraud**

**July 2022**

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# Audit Completion Report

London Borough of Harrow  
Year ended 31 March 2021

185  
November 2021

# Contents

- 01 Executive summary
- 02 Status of the audit
- 03 Audit approach
- 04 Significant findings
- 05 Internal control recommendations
- 06 Summary of misstatements
- 186 Value for Money

- Appendix A: Draft management representation letter
- Appendix B: Draft audit report
- Appendix C: Independence
- Appendix D: Other communications

Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.



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Tower Bridge House  
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London  
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30 November 2021

Dear Committee Members

**Audit Completion Report – Year ended 31 March 2021**

We are pleased to present our Audit Completion Report for the year ended 31 March 2021. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 13 July 2021. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07387 242052.

Yours faithfully

**Lucy Nutley**  
**Mazars LLP**

# 01

## Section 01: **Executive summary**

# 1. Executive summary

## Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2020/21 is set out in the National Audit Office’s (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Valuation of property, plant and equipment (including investment property valuations)
- Net defined benefit liability valuation
- Grant accounting

189  
• Management override of controls; and  
• Revenue recognition.

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements; unadjusted misstatements total £797,000. Section 7 outlines our work on the Authority’s arrangements to achieve economy, efficiency and effectiveness in its use of resources.

## Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2021.

At the time of preparing this report, significant matters remaining outstanding are outlined in section 2. We will provide an update to you in relation to the significant matters outstanding through issuance of a follow up letter.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:



### Audit opinion

We anticipate issuing an unqualified opinion, with the addition of an ‘emphasis of matter’ paragraph with respect to material valuation uncertainties attached to investment properties in the councils property portfolio and pooled property investments included within the London Borough of Harrow Pension fund. This is not a modification of opinion. Our proposed audit opinion is included in the draft auditor’s report in Appendix B.



### Value for Money

We anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 7 of this report.



### Whole of Government Accounts (WGA)

We have not yet received group instructions from the National Audit Office in respect of our work on the Authority’s WGA submission. We are unable to commence our work in this area until such instructions have been received.



### Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Authority and to consider any objection made to the accounts. No such correspondence from electors has been received.







# 02

## Section 02: **Status of the audit**

190

## 2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Status	Description of the outstanding matters
Closure procedures and review		Our final reviews and completion work needs to be performed, including a further technical review of the financial statements and consideration of post balance sheet events until the date of sign-off.
Events after the reporting period		Review of events after the reporting period, up to the point at which we sign our audit report
Review and closure procedures		Completion of audit file documentation and audit closure procedures. Final Engagement Lead file review
Whole of Government Accounts		Completion of audit procedures supporting the WGA return to the NAO.



Likely to result in material adjustment or significant change to disclosures within the financial statements.



Potential to result in material adjustment or significant change to disclosures within the financial statements.



Not considered likely to result in material adjustment or change to disclosures within the financial statements.

# 03

## Section 03: **Audit approach**

192

# 3. Audit approach

## Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum date 13th July 2021. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum

## Materiality

Our provisional materiality at the planning stage of the audit was set at £9.1m using a benchmark of 1.5% of gross revenue expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors, is £9.0m using the same benchmark. We also set a performance materiality of £6.3m based on 70% of financial statement materiality. Specific, lower, materiality levels were applied to certain disclosures such as related party transactions and Officer's remuneration.

## Reliance on internal audit

We have not placed formal reliance on the work performed by the Authority's internal audit function. We have reviewed the functions work programme for the year and used this to inform and confirm our own risk assessment.

## Use of experts

We have made use of two auditors' experts during our work. Details of the work provided are as follows:

- PwC: The NAO have appointed PwC to review the qualifications, resources, objectivity and approach of each of the actuaries involved in the production of IAS19 figures for Local Government Pension Schemes (LGPS). The assessment also looks at the approach taken by each actuary and considers the main assumptions used by each in order to value the schemes underlying assets and liabilities. We rely on the work of PwC to identify any further procedures that may be required with respect to defined benefit pension liabilities.
- Gerald Eve: The NAO appoint Gerald Eve to help inform auditors consideration of the movements in the values of property. Their valuation trends report provides an analysis of movements on certain valuation indices relevant to the consideration of different classification of land and buildings. We use the work of this expert to inform our expectations when auditing property valuations.



# 04

## Section 04: **Significant findings**

194

# 4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 27 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

195

## Significant risks

Management override of controls	Description of the risk
	In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.
	<b>How we addressed this risk</b> We addressed this risk through performing audit work over: <ul style="list-style-type: none"><li>• Accounting estimates impacting amounts included in the financial statements;</li><li>• Consideration of identified significant transactions outside the normal course of business; and</li><li>• Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.</li></ul>
	<b>Audit conclusion</b> We have no significant findings to report as a result of our work on areas subject to potential management override of controls.

# 4. Significant findings

Revenue recognition	Description of the risk
	<p>The risk of fraud in revenue recognition is presumed to be a significant risk on all audits due to the potential to inappropriately shift the timing and basis of revenue recognition as well as the potential to record fictitious revenues or fail to record actual revenues.</p> <p>Based on our initial knowledge and planning discussions we have concluded that we can rebut the presumption of a revenue recognition risk for the majority of the Council's revenue income and expenditure. In particular we can rebut the revenue recognition risk for income derived from Council Tax, main revenue Grants and NNDR due to the low inherent risk associated with these amounts.</p> <p>For the Council we deem the risk to relate specifically to material income streams within the Council, where the level of inherent risk is higher.</p>
	How we addressed this risk
	<p>We addressed this risk by obtaining a detailed understanding of the Council's processes by which it ensures that revenue is materially recognised in the correct accounting year. We have performed:</p> <ul style="list-style-type: none"><li>• detailed testing of transactions within the 2020/21 financial statements to confirm they are accounted for in the correct year;</li><li>• testing from receipts around the year-end to provide assurance that there are no material unrecorded items of income in the 2020/21 accounts.</li></ul>

Revenue recognition	Audit conclusion
	<p>Initial audit testing identified a small error which further work identified as having a potentially trivial effect on the income recorded in the financial statements. We have no significant findings to report as a result of our work on revenue recognition.</p>

196

# 4. Significant findings

197	<b>Property, plant and equipment valuation (including investment property valuation)</b>	<b>Description of the risk</b> <p>The Council has adopted a rolling revaluation model which sees other land and buildings revalued over a five year cycle, and may result in individual assets not being revalued for several years. This creates a risk that the carrying value of those assets that have not been revalued in year is materially different from the year end fair value.</p> <p>In respect of Council Dwellings, these are reviewed using a beacon valuation methodology, which values Council stock by grouping assets into type and using a nominated beacon asset for each group. The assessed value is uplifted based on an open market assessment then amended for an adjustment factor provided by MHCLG.</p> <p>Due to the high degree of estimation uncertainty associated with valuations, we have determined there is a significant risk in this area.</p>
		<b>How we addressed this risk</b> <p>We addressed this risk by reviewing the approach adopted by the Council to assess the risk that assets not subject to valuation at year end are not materially misstated, and considered the robustness of that approach. We will also assessed the risk of the valuation changing materially in year, considering the movement in market indices between revaluation dates and the year end, in order to determine whether these indicate that fair values have moved materially. In addition, for those assets which have been revalued during the year we will:</p> <ul style="list-style-type: none"><li>• assess the valuer’s qualifications;</li><li>• assess the valuer’s objectivity and independence;</li><li>• review the methodology used; and</li><li>• perform testing of the associated underlying data and assumptions.</li></ul>

<b>Property, plant and equipment valuation (including investment property valuation)</b>	<b>Audit conclusion</b> <p>During our review of the Council's valuations we have identified a number of errors on individual valuations and the processing within the Councils records. Our work identified a number of instances where the Council’s completed property valuations had not been correctly input into the fixed asset register, and hence were inaccurately recorded within the financial statements. This resulted in the net overstatement of valuations in the financial statements by an amount over our performance materiality level. Management have adjusted the financial statements for these errors, which have been summarised in the schedule of misstatements detailed in section 5 of this report.</p> <p>In addition, our testing of investment property confirmed the existence of material valuation uncertainty statements (MVU) due to the impact of covid-19 in the work of the valuers. The MVU on the properties were included where the property is of a specialised nature (golf courses and retail units) and work had been carried out earlier in the financial period. All of the valuations where MVU was included, which total value of £19.65m, have been performed by the council’s external valuers and are part of the councils investment property portfolio totalling £77.16m.</p> <p>The council has included a disclosure of material uncertainty in the notes to the financial statements. We consider this to be fundamental to users understanding of the financial statements so intend to include an ‘Emphasis of Matter’ paragraph in respect of this disclosure.</p> <p>There are no other significant matters arising from our audit work on the valuation of property, plant and equipment and investment properties</p>
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# 4. Significant findings

198

Net defined benefit pension scheme liability valuation	Description of the management judgement
	<p>The latest triennial valuation of the Harrow Pension Fund was completed as at 31 March 2019. As an admitted body within each fund, the valuation also provides the basis of the associated net pension liability for the Council as at 31 March 2021.</p> <p>The valuation of the Council’s net liabilities includes use of discount rates, inflation rates, mortality rates etc., all of which should reflect the profile of the Council’s employees and other appropriate data.</p> <p>Due to the high degree of estimation uncertainty associated with the valuations, we have determined there is a significant risk in this area.</p>
	How our audit addressed this area of management judgement
	<p>As the Council is the Fund administrator, we have addressed this risk by reviewing the controls that the Council has in place over the information sent to the Scheme Actuary, Hymans Robertson.</p> <p>We have also:</p> <ul style="list-style-type: none"> <li>assessed the skill, competence and experience of the Fund’s actuary;</li> <li>challenged the reasonableness of the assumptions used by the actuary as part of the annual IAS 19 valuation;</li> <li>carried out a range of substantive procedures on relevant information and cash flows used by the actuary as part of the annual IAS 19 valuation.</li> </ul>

Net defined benefit pension scheme liability valuation	Audit conclusion
	<p>There have been no significant findings arising from our audit procedures to review the defined benefit pension scheme liability valuation. We are satisfied the balances and associated disclosures are materially accurate.</p> <p>London Borough of Harrow Pension Fund’s financial statements intend to include disclosures regarding material valuation uncertainty of its level 3 investments in pooled property funds. The Harrow pension fund holds £61.6m in pooled property funds, of which the majority (88%) relates to the council as the largest participant in the scheme. This value is material to the London Borough of Harrow.</p> <p>The Council intends to make a disclosure of material valuation uncertainty of its share of the pension fund assets in note 5.4 to the financial statements. In our view, this matter is fundamental to the users’ understanding of the financial statements and as such we intend to include an ‘Emphasis of Matter’ paragraph in respect of this disclosure within our auditors report set out in Appendix B. This is not a modification of opinion.</p>

# 4. Significant findings

## Other key areas of management judgement and enhanced risks

199	<b>Grant accounting</b>	<b>Description of the management judgement</b>
		<p>As a result of the impact of the pandemic on the financial demands on the council, in terms of reduced income and increased and new expenditure patterns and the overall impact on the financial position of the council, there has been a provision of material revenue grant funding by Central Government.</p> <p>The funding has been through a number of separate grants and in respect of different areas of lost income or increased expenditure, with some of the grants having specific conditions for use or being directed as funding for specific items of expenditure. As a result individual grants will, under the requirements of the CIPFA code, have different accounting requirements and as such each will require separate analysis to ensure the accounting treatment is appropriate.</p>
		<b>How our audit addressed this area of management judgement</b>
		<p>We discussed the Council's approach to considering the terms and conditions associated with each of the grants received, and the proposals for accounting, ensuring these accounting proposals were in line with the requirements set out in the CIPFA code.</p>
		<b>Audit conclusion</b>
		<p>There have been no significant findings arising from our audit procedures to review grant accounting. We are satisfied the balances and associated disclosures are materially accurate and appropriately accounted for within the financial statements.</p>



# 4. Significant findings

## Qualitative aspects of the Authority’s accounting practices

We have reviewed the Authority’s accounting policies and disclosures and concluded they comply with the 2020/21 Code of Practice on Local Authority Accounting, appropriately tailored to the Authority’s circumstances. The accounts have been prepared on the correct (continued provision of service) going concern basis.

Draft accounts were provided by the authority on 15 July 2021 and were of a high quality. Supporting working papers were made available prior to the commencement of the audit and were of a high quality. Staff members were timely and extremely thorough in response to evidence requests and audit enquiries.

## Significant matters discussed with management

- 200
- have discussed the following significant matters with management:
- The impact of Covid-19 on the council and the associated impacts this may have on the risks of material misstatement to the valuation of property, plant and equipment, the assessed provision for expected credit losses and the potential overall impact on the council’s financial position.
  - The impact of the forthcoming changes to the main accounting system used by the Council and the timelines for implementation and the associated impacts on the preparation and finalisation of the 2020-21 financial statements.
  - Going concern and the basis of management’s assessment of its current position. We have reviewed management’s initial assessment and considered this against budget forecasts and cabinet finance papers to support the judgement.

## Significant difficulties during the audit

During the course of the audit, we did not encounter any significant difficulties and we have had the full co-operation of management.



# 4. Significant findings

## Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2020/21 audit.

2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.

## Modifications required to our audit report

We have not identified any issues which would result in us proposing to issue a modified audit opinion. Our draft audit report, in full, is set out in Appendix B.

As described within our response to the significant risks surrounding the valuation of the council’s property, plant and equipment (including investment property) and the net defined benefit pension scheme liability valuation, our draft auditor’s report set out in Appendix B includes ‘Emphasis of Matter’ paragraphs with respect to the disclosure of material valuation uncertainties on investment property valuations and material valuation uncertainties attached to pooled property funds held by the Pension Fund. Our opinion on the financial statements is not qualified in respect of these matters.



# 05

## Section 05: **Internal control recommendations**

202

# 5. Internal control recommendations

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Recommendations
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	1
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	5
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	0

# 5. Internal control recommendations

## Significant weaknesses identified to internal controls

### IT logical security – Level 1

#### Description of deficiency

During the course of the IT audit we found the following issues surrounding logical security:

- 20 leavers could have accessed accounts post leaving, of which 11 had direct access to SAP
- Within SAP, 106 users were identified as having access to SU01, the ability to create and remove users
- A number of users had access to critical SAP profiles giving them unrestricted access to all areas
- SAP password parameters did not align with best practice.

#### Potential effects

204 The above findings have a number of potential impacts:

- Employees who have left the authority may still have access to financial data and the ability to process transactions, resulting in financial loss.
- Excessive use of SU01 access rights increases the risk of 'ghost users', which may enable individuals to misappropriate funds and data.
- Access to all elements of SAP profiles removes effective segregation of duties and increases the potential for misappropriation of funds and inappropriate accessing of areas.
- The use of weak passwords increases the authorities susceptibility to cyber attacks.

#### Recommendation

We are aware that the authority is in the process of moving to a new accounting system. We recommend that the following are implemented as soon as possible:

- Processes are put in place to ensure access rights for all leavers are rescinded on the final day of service and a periodic review of access rights is undertaken to identify any users with access rights that aren't appropriate.
- Privileged access rights such as SU01 are reviewed to ensure their use and issue are kept to a minimum.
- Standard users should be reviewed to ensure no staff are allocated unrestricted access rights.
- The Council's password policies should be updated to ensure they align with generally accepted best practice.

#### Management response

A review of internal controls will ensure that once an officer has been made a leaver and after their last day of service, they are removed from the SAP system (Dynamics going forward). In addition, there are strict controls over the returning of LBH laptops on the last day of an employee's service. Officers will regularly test that these controls are working correctly.

Only LBH staff who either work in IT or the SAP / Dynamics Support Team plus specific external consultants who support the Harrow system will have access to SU01.

All user permissions are based on least privilege and the Role-Based Access Control model and password policies are in line with industry best practice (8+ characters, complex). Officers will ensure that all system password requirements meet industry best practice.

Officers will review and periodically check that the access control policy procedures are working effectively to prevent any unauthorised access to all areas of a system.

# 5. Internal control recommendations

## Other weaknesses identified to internal controls

### IT operations – Level 2

#### Description of deficiency

During the course of our detailed IT audit work we noted the following issues:

- While the IT system back up policies and procedures were documented, these were last reviewed and updated in February 2016 and a number of the provisions under the guidance were outdated.
- Although an IT business continuity plan was documented, this had not been reviewed and updated since July 2018 and a number of the provisions under the guidance were outdated.

#### Potential effects

The reliance on outdated backup policies and procedures will result in a lack of understanding and policy compliance and could ultimately result in a loss of data for the Council

Further, the existence of an outdated business continuity plan may result in a lack of staff understanding of policies and processes, and may give rise to a lack of productivity and functionality during periods of IT disruption.

#### Recommendation

The council should ensure the relevant policies are updated to reflect current business software and practises as part of the current system upgrade and then be subject to regular periodic review, update and testing.

#### Management response

The move to outsourced cloud services has fundamentally altered the Council's data backup / recovery processes. Assurance of Council data is now largely achieved through the contractual provisions with a range of cloud service providers, IT will consolidate these arrangements into an updated business continuity plan by the end of March 2022 and will update quarterly.

### Approach to Valuations – Level 2

#### Description of deficiency

Our audit work has highlighted that the council made use of multiple external valuers to assist in the year end valuation of the investment property portfolio. We noted that 4 separate external valuers have been used across the councils investment property portfolio.

#### Potential effects

The use of a range of valuers may give rise to issues surrounding the consistency of approach that is employed whilst valuing properties. Whilst we noted no significant findings as a result of our investment property valuations testing, we consider the council may be able to achieve some economies of scale by using fewer valuers.

#### Recommendation

Given the above, we would recommend the council reviews the list of properties for which external valuation experts are required and reviews its approach to the appointment of external valuers.

#### Management response

The Covid-19 pandemic meant no site visits could be undertaken to inspect and value the investment properties. For this reason, the Council used valuers who had both knowledge and the specialist experience of these assets. The investment properties are sited around different parts of the country and some are of a specialist nature (i.e. golf course / hotel).

Going forward officers will consider the procurement of all such investment property valuations through one valuer.

205

# 5. Internal control recommendations

## IFRS 16 readiness – Level 2

### Description of deficiency

Our audit work highlighted leases, where the council is the lessor, that had been recognised within the operating leases disclosure. Review of the lease terms concluded that these items should have been disclosed as finance lease arrangements, with the affected assets to be excluded from the balance sheets and future commitments disclosed separately. As the affected lease is trivial we have agreed with management that the disclosure in respect of the issue will not be amended in the current year.

However, in identifying this issue we have also identified a small number of leases that will fall within the scope of IFRS16, but not the current leasing standard. These leases will therefore require to be brought onto the balance sheet for the first time in 2022-23.

### Potential effects

206 Council will require to quantify the financial impact on the balance sheet of the implementation of IFRS in their 2021-22 financial statements. Without a full review of all leases held, including those at peppercorn rentals, there is a risk that this disclosure could be materially misstated.

### Recommendation

Given the authority has sufficient time available prior to the mandatory implementation deadline, we recommend that the Council performs a thorough review of leases held and their value to quantify the overall impact of implementation of IFRS16 for disclosure in the 2021-22 accounts and beyond.

### Management response

In preparation for the 2022-23 Statement of Accounts (comparatives required for 2021-22) the Council has carried out a thorough review of leases held for which the Council is lessee. An estimate of the impact of IFRS16 on the balance sheet has been calculated. On the basis of the estimate the impact on the accounts of IFRS16 is not expected to be material. A detailed IFRS16 calculation will be prepared for inclusion in the 2022-23 accounts.

## PPE valuations process – Level 2

### Description of deficiency

Our audit identified a number of instances where the Council’s completed property valuations had not been correctly input into the fixed asset register, and hence were inaccurately recorded within the financial statements. This was due to issues in the valuations process resulting in incorrect balances being provided to the fixed asset register gatekeeper. This resulted in the overstatement of valuations in the financial statements, which have been corrected by management.

### Potential effects

The misstatement of property valuations in source documentation will lead to the balance sheet being incorrect.

### Recommendation

Management should make the best use of all of the available information to them. In order to minimise the occurrence of such errors, we recommend:

- In order to ensure management are using all information provided by the valuers, management should perform reconciliations between valuations input spreadsheet and fixed asset register
- Greater challenge of the valuation provided to management to be input into the accounts.

### Management response

Officers acknowledge that human error allowed several individual file valuations not to be updated on the summary schedule that was forwarded for inclusion in the fixed asset register.

Going forward Corporate Estates will carry out sample checks to confirm all updated valuations have been included on the summary schedule and will insert an additional check column within the workbook to acknowledge that all valuations have been correctly incorporated.

# 5. Internal control recommendations

## Migration to Dynamics accounting system – Level 2

### Description of deficiency

We have noted the Authority plans a hard close of the finance side of the current SAP system at the end of November 2021 following a full migration of the finance side to Dynamics. Payroll will remain in SAP for the immediate future.

### Potential effects

2021-22 will be the first year end on the new accounting system. Given the year end close will require the ‘splicing’ together of data from two systems and first close of a new accounting system, there is scope for considerable delays and ‘teething’ issues.

### Recommendation

We would recommend the council run a ‘dress rehearsal’ of the year end closure. This process will help the Authority to understand its new system and identify any close down issues prior to the year end. This will allow work arounds to be implemented before the full year end close down.

### Management response

Officers within Finance have already started on reconciliation checks to ensure closing balances from SAP are carried forward as the opening balances in the Dynamics system. Officers will ensure all data and reconciliations are up to date and year end reports tested to allow a dry run of an accounts closedown under Dynamics by the end of February 2022.

207

# 06

Section 06:

## Summary of misstatements

208

# 6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold of £272k for adjustment of £10.9m. The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

## Unadjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: General Fund Cr: Expenditure  Adjustment for a prior year cut-off error where a proportion of an HRA invoice relating to 2019-20 had been incorrectly recorded in 2020-21		292	292	
2	Dr: Creditors Cr: General Fund  Adjustment required to remove the historic imbalance that exists between the collection fund creditors in the collection fund statement and balance sheet as a result of an error made in the recording of transactions in previous years		388	388	
3	Dr: Revenue Cr: General Fund  Prior year cut-off errors identified where income relating to 2019-20 had been recorded in 2020-21 as information was unavailable at the completion of the draft financial statements for the prior year.	409			409
Total unadjusted misstatements		409	680	680	409

## Disclosure amendments

We also identified an issue with the operating lease disclosure. A trivial (balance sheet impact) finance lease had been disclosed as an operating lease within the operating lease disclosure. The authority have elected to not amend for the issue given the trivial nature.



# 6. Summary of misstatements

## Adjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Creditors Cr: Debtors			301	301
Both debtors and creditors were initially overstated. This was in respect of a credit adjustment relating to adult social care client monies held as at the end of 2019-20 processed through debtors. The adjustment was not removed at the start of the period, overstating both debtors and creditors. As such both have been reduced.					
2	Dr: Impairment charge Cr: Revaluation Reserve Cr: Property plant and equipment Dr: Capital Adjustment account Cr: General Fund	10,607		10,607	3,392 7,215 10,607
Adjustment made as a result of the inclusion of incorrect valuations within the fixed asset register resulting in a number of over and under valuations or PPE within the financial statements. The adjustments as detailed are the net movements and impacts on the revaluation reserve and impairment charge.					
Total adjusted misstatements		10,607		10,908	21,515

## Disclosure amendments

During our testing we identified one significant disclosure amendment. We identified that the council had incorrectly restated prior year comparatives in relation to DSG balances in the draft 2020/21 accounts. The regulation did not come into force until 2020/21 and so the amendment should not have been made. Upon request the Authority made the required amendment. Other disclosure adjustments made have no impact on the substance of the financial statements.

# 07

## Section 07: **Value for Money**

211

# 7. Value for Money

## Approach to Value for Money

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services

212  
e planning stage of the audit, we undertake work to understand the arrangements that the Council has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

The table overleaf outlines the risks of significant weaknesses in arrangements that we have identified, the risk-based procedures we have undertaken, and the results of our work.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Council's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report within 3 months of the financial statements.

## Status of our work

We are yet to complete our work in respect of the Council's arrangements for the year ended 31 March 2021. At the time of preparing this report, we have not identified any significant weaknesses in arrangements that require us to make a recommendation, however we continue to undertake work on the Council's arrangements.

Our draft audit report at Appendix B outlines that we have not yet completed our work in relation to the Council's arrangements. As noted above, our commentary on the Council's arrangements will be provided in the Auditor's Annual Report within 3 months of the financial statements.



# Appendices

A: Draft management representation letter

**213** Draft audit report

C: Independence

D: Other communications

# Appendix A: Draft management representation letter

Mazars LLP  
Tower Bridge House  
St Katharine's Way  
London  
E1W 1DD

Dear Lucy

## London Borough of Harrow - audit for year ended 31 March 2021

This representation letter is provided in connection with your audit of the financial statements of London Borough of Harrow ('the Council') for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

### My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

### My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Director of Finance and Assurance that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.



# Appendix A: Draft management representation letter

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

## Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

## Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

## Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council in making accounting estimates are reasonable, including:

• those measured at current or fair value; and

- provision for NNDR Appeals.

## Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.



# Appendix A: Draft management representation letter

## Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

## Fraud and error

I acknowledge my responsibility as Director of Finance and Assurance for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;

216 I will knowledge of fraud or suspected fraud affecting the Council involving:

- management and those charged with governance;
  - o employees who have significant roles in internal control; and
  - o others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others

## Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

## Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.



# Appendix A: Draft management representation letter

**Future commitments**

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

**Group accounts**

I confirm I consider where any of the Council's subsidiary companies and / or joint ventures have not been included within the group accounts prepared, their inclusion would not have a material impact on the accounts.

**Unadjusted misstatements**

All unadjusted misstatements above triviality have been listed in the appendix to this letter.

**Subsequent events**

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

**Going concern**

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

**Public Finance Initiative**

I confirm that, to the best of my knowledge, there have been no significant contract variations agreed during the year. There have also been no off-programme lifecycle expenditures.

Yours sincerely

Dawn Calvert  
Director of Finance and Assurance, Section 151 Officer  
Date:



# Appendix A: Draft management representation letter

## Appendix – Unadjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: General Fund Cr: Expenditure		292	292	
Adjustment for a prior year cut-off error where a proportion of an HRA invoice relating to 2019-20 had been incorrectly recorded in 2020-21					
2	Dr: Creditors Cr: General Fund			388	388
Adjustment required to remove the historic imbalance that exists between the collection fund creditors in the collection fund statement and balance sheet as a result of an error made in the recording of transactions in previous years					
3	Dr: Revenue Cr: General Fund	409			409
Prior year cut-off errors identified where income relating to 2019-20 had been recorded in 2020-21 as information was unavailable at the completion of the draft financial statements for the prior year.					
Total unadjusted misstatements		797	292	292	797

# Appendix B: Draft audit report

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

### Report on the audit of the financial statements

#### Opinion on the financial statements

We have audited the financial statements of London Borough of Harrow “the Council” for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, Housing Revenue Account, Collection Fund Account and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31st March 2021 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

#### 219 Basis for opinion

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

#### Emphasis of Matter – the valuation of land, buildings and, investment property and pension fund pooled property investments

We draw attention to Note 5.3 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Council’s land, buildings and investment property, and the valuation of the Council’s share of the Harrow Pension Fund pooled property investments. As disclosed in Note 5.3 to the financial statements, the Council’s and Pension Fund valuers included a ‘material valuation uncertainty’ declaration in their reports because of the Covid-19 pandemic. Our opinion is not modified in respect of this matter.

#### Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.



# Appendix B: Draft audit report

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

## Other information

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

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

We have nothing to report in this regard.

## 220 Responsibilities of the Director of Finance and Assurance for the financial statements

As explained more fully in the Statement of the Director of Finance and Assurance's Responsibilities, the Director of Finance and Assurance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view. The Director of Finance and Assurance is also responsible for such internal control as the Director of Finance and Assurance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance and Assurance is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Director of Finance and Assurance is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

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

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



# Appendix B: Draft audit report

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, the Local Government and Housing Act 1989 and we considered the extent to which non-compliance might have a material effect on the financial statements.

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

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

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

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

- making enquiries of management and the Governance, Audit, Risk Management and Standards Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

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

We are also required to conclude on whether the Director of Finance and Assurance’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in April 2021.

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

Executive summary	Status of audit	Audit approach	Significant findings	Internal control recommendations	Summary of misstatements	Value for Money	Appendices
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# Appendix B: Draft audit report

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

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

We are required to report to you if, in our opinion, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have not completed our work on the Council's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in April 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2021.

We will report the outcome of our work on the Council's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

### Responsibilities of the Council

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

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

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

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021.

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

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

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

We have nothing to report in these respects.

Executive summary	Status of audit	Audit approach	Significant findings	Internal control recommendations	Summary of misstatements	Value for Money	Appendices
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# Appendix B: Draft audit report

## Use of the audit report

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

## Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to:

- satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack.

Lucy Nutley  
For and on behalf of Mazars LLP

Tower Bridge House  
St Katharine's Way  
London  
E1W 1DD

Date



# Appendix C: Independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

224



# Appendix D: Other communications

Other communication	Response
<b>Compliance with Laws and Regulations</b>	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
<b>External confirmations</b>	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
<b>Related parties</b>	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none"><li>a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and</li><li>b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.</li></ul>
<b>Going Concern</b>	<p>We have not identified any evidence to cause us to disagree with the Director of Finance and Assurance that the London Borough of Harrow will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p>
<b>Subsequent events</b>	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>

# Appendix D: Other communications

Other communication	Response
<div>226</div> <div>Matters related to fraud</div>	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and GARMS, confirming that</p> <ul style="list-style-type: none"><li>a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud;</li><li>b. they have disclosed to the auditor the results of management’s assessment of the risk that the financial statements may be materially misstated as a result of fraud;</li><li>c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving:<ul style="list-style-type: none"><li>i. Management;</li><li>ii. Employees who have significant roles in internal control; or</li><li>iii. Others where the fraud could have a material effect on the financial statements; and</li></ul></li><li>d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity’s financial statements communicated by employees, former employees, analysts, regulators or others.</li></ul>

# Mazars

Tower Bridge House  
St Katharine's Way  
London  
E3 3W 1DD

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services\*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

\*where permitted under applicable country laws.

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# Audit Completion Report

London Borough of Harrow Pension Fund  
Year ended 31 March 2021

229

November 2021



# Contents

- 01 Executive summary
- 02 Status of the audit
- 03 Audit approach
- 04 Significant findings
- 05 Internal control recommendations
- 06 Summary of misstatements

230

- Appendix A: Draft management representation letter
- Appendix B: Draft audit report
- Appendix C: Draft consistency report
- Appendix D: Independence
- Appendix E: Other communications

Our reports are prepared in the context of the ‘Statement of responsibilities of auditors and audited bodies’ and the ‘Appointing Person Terms of Appointment’ issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to the Pension Fund are prepared for the sole use of the Pension Fund and we take no responsibility to any member or officer in their individual capacity or to any third party. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.



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E1W 1DD

30 November 2021

Dear Committee Members

**Audit Completion Report – Year ended 31 March 2021**

We are pleased to present our Audit Completion Report for the year ended 31 March 2021. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 13 July 2021. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate. We identified the following significant risks/areas of management judgement:

- Management override of controls
- Valuation of unquoted investments

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07387 242052

Yours faithfully

**Lucy Nutley**  
Mazars LLP

# 01

## Section 01: **Executive summary**

232

# 1. Executive summary

## Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2020/21 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of controls; and
  - Valuation of unquoted investments
- Section 5 sets out internal control recommendations and section 6 sets out audit misstatements. There are no unadjusted misstatements.

## Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2021.

At the time of preparing this report, there are no significant matters outstanding.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:



### Audit opinion

We anticipate issuing an unqualified opinion, modified to include an 'emphasis of matter' paragraph surrounding the valuation of pooled property investments, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B. This is not a modification of opinion.



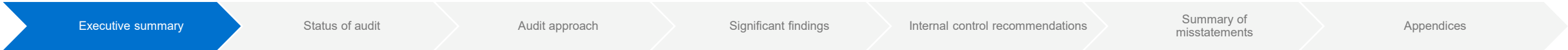
### Consistency report

We anticipate concluding that the Pension Fund financial statements within the Pension Fund's Annual Report are consistent with the Pension Fund financial statements within the Statement of Accounts of London Borough of Harrow Council. Our draft consistency report is provided in Appendix C.



### Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Fund and to consider any objection made to the accounts. No such correspondence from electors has been received.






# 02


## Section 02: **Status of the audit**


234


## 2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Status	Description of the outstanding matters
Assurance provided for London Borough of Harrow audit		Completion of specific pension fund testing in areas that we provide assurance in respect of the London Borough of Harrow audit.
Closure procedures and review		Our final reviews and completion work needs to be performed, including consideration of post balance sheet events until the date of sign-off.
Review of Annual Report		Our review of the content of the detailed Pension Annual report to confirm consistency with the financial statements has yet to be completed.

 Likely to result in material adjustment or significant change to disclosures within the financial statements.

 Potential to result in material adjustment or significant change to disclosures within the financial statements.

 Not considered likely to result in material adjustment or change to disclosures within the financial statements.

# 03

## Section 03: **Audit approach**

236

# 3. Audit approach

## Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in July 2021. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

## Materiality

Our provisional materiality at the planning stage of the audit was set at £14.5m using a benchmark of 1.5% of net assets available to pay benefits. We set a provisional specific materiality for the fund account of £3.6m at the planning stage of the audit using a benchmark of 10% of benefits payable.

Our final assessment of materiality, based on the final financial statements and qualitative factors was set using an amended benchmark of 1.0% but no change to specific materiality benchmark was:

- Statement materiality £9.7m.
- Fund account specific materiality £3.5m.

237

## Use of experts

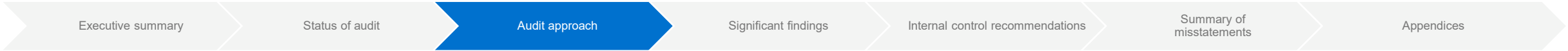
Management makes use of experts in specific areas when preparing the Pension Fund's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management's expert	Our expert
Disclosure notes on funding arrangements and actuarial present value of promised retirement benefits	Hymans Robertson	NAO consulting actuary, PwC
Valuation of investments within level 3 of the fair value hierarchy and related disclosures	Investment managers engaged by the fund that prepare valuations	We have not engaged our own expert for the valuation of level 3 investments to support the valuation of unusual or complex level 3 investments.

## Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Pension Fund that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the Pension Fund and our planned audit approach.

Items of account	Service organisation	Audit approach
The calculation and payment of pension benefits, assessment of funding levels based on existing pensioner data.	Harrow Council	We will seek appropriate confirmation that the Council's controls and procedures have operated as designed throughout the year and that no weaknesses have been identified that would have a material impact on the information provided by the Pension Fund to fund managers.
Investment valuations and income and all related disclosures	Investment managers	Obtain direct confirmations from the fund managers and substantively test transactions occurring in the year and the valuations applied to investments at the year end.
Investment valuations and income and all related disclosures	Custodian	Obtain direct confirmations from the fund managers and substantively test transactions occurring in the year and the valuations applied to investments at the year end.



# 04

## Section 04: **Significant findings**

238

# 4. Significant findings

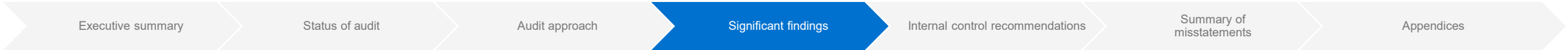
In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 13 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management;
- any significant difficulties we experienced during the audit; and

239 modifications required to our audit report

## Significant risks

Management override of controls	Description of the risk
	In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.
	<b>How we addressed this risk</b>
	We addressed this risk through performing audit work over: <ul style="list-style-type: none"><li>• Accounting estimates impacting amounts included in the financial statements;</li><li>• Consideration of identified significant transactions outside the normal course of business; and</li><li>• Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.</li></ul>
	<b>Audit conclusion</b>
	We have no significant findings to report as a result of our work on areas subject to potential management override of controls.



# 4. Significant findings

240

Valuation of unquoted investments	Description of the risk
	<p>As at 31 March 2021, the Pension Fund held investments which were not quoted on an active market with a fair value of £68.550 million, accounting for 7.1% of the Fund's net investment assets.</p> <p>Inherently these assets are harder to value, as they do not have publicly available quoted prices from a traded market, and as such they require professional judgement or assumptions to be made when valuing them at year end.</p> <p>As the pricing of these investment assets is subject to judgements, they may be susceptible to pricing variances due to the assumptions underlying the valuation. We therefore consider that there is an increased risk of material misstatement.</p>
	How we addressed this risk
	<p>We addressed this risk by completing the following additional procedures:</p> <ul style="list-style-type: none"><li>• agreeing holdings from fund manager reports to the custodian's report;</li><li>• agreeing the valuation to supporting documentation including investment manager valuation statements and cash-flows for any adjustments made to the investment manager valuation;</li><li>• agreeing the investment manager valuation to audited accounts or other independent supporting documentation, where available; and</li><li>• where audited accounts are available, check that they are supported by a clear opinion.</li></ul>

Valuation of unquoted investments	Audit conclusion
	<p>No significant matters arising.</p> <p>The Pension Fund intends to include a disclosure of material valuation uncertainty in note 5 to the financial statements with regard to pooled property fund valuations totalling £61.7m, in light of the continued impact of the Covid-19 pandemic have had a 'material valuation uncertainty' attached to their 31 March 2021 valuation. This is material to the Pension Fund.</p> <p>We consider this to be fundamental to the users' understanding of the financial statements and as such we intend to include an 'Emphasis of Matter' paragraph in respect of this disclosure within our auditors report set out in Appendix B. This is not a modification of opinion.</p>

# 4. Significant findings

## Qualitative aspects of the Fund's accounting practices

We have reviewed the Fund's accounting policies and disclosures and concluded they comply with the 2020/21 Code of Practice on Local Authority Accounting, appropriately tailored to the Fund's circumstances.

Draft accounts were received from the Fund on 14 July 2021 and were of a good quality. Supporting working papers were provided with the accounts and were also of a good quality.

## Significant matters discussed with management

Examples of significant matters include:

- Investment Valuations. We discussed the impact of Covid-19 on the Pension Fund, including potential impact on risks of material misstatement. This included obtaining confirmation that investment valuations received were based as at 31 March 2021 and not based on estimates. All valuations were appropriately dated for 31 March 2021. Where estimates have been applied, we have requested further information surrounding controls in place at fund managers in order to assess the reasonableness of such estimates.
- Uncertainty of property valuations. We discussed management's assessment of their specific pooled property investment funds whose valuation at 31 March 2021 included a material valuation uncertainty clause due to Covid-19. The pension fund have previously accounted for the property fund investment as level 3 and therefore no reclassification was required.

## Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

## Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

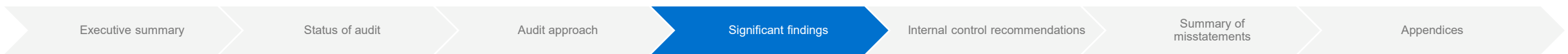
We have not exercised any of these powers as part of our 2020/21 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.

## Modifications required to our audit report

We have identified the following issue(s) which has/have resulted in us proposing to issue a modified audit opinion. Our draft audit report, in full, is set out in Appendix B.

As described within our response to the significant risk surrounding the valuation of the council's unquoted investments surrounding pooled property funds, our draft auditor's report set out in Appendix B includes and 'Emphasis of Matter' paragraph with respect to the disclosure of material valuation uncertainties. Our opinion on the financial statements is not qualified in respect of these matters.



# 05

## Section 05: **Internal control recommendations**

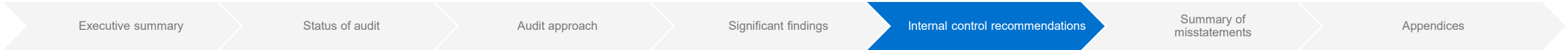
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# 5. Internal control recommendations

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

We have not identified any deficiencies that would give rise to further recommendations.



# 06

Section 06:

## **Summary of misstatements**

244

# 6. Summary of misstatements

## Adjusted and unadjusted misstatements

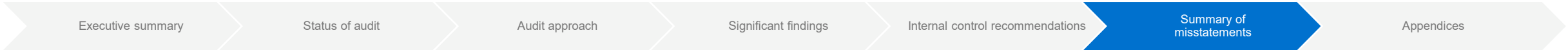
During the audit we have not identified any unadjusted or adjusted misstatements above the triviality threshold of £290k.

## Disclosure amendments

The following disclosure amendments were made:

- General: A number of minor presentational and typographical changes made to the financial statements that do not require individual analysis.
- Disclosure of AVC's: The authority originally included a 31/3/20 valuation with the disclosure note explaining that a more recent valuation wasn't available. This has since been updated in the accounts as more up to date valuation information has become available.

245



# Appendices

A: Draft management representation letter

246  
Draft audit report

C: Draft consistency report

D: Independence

E: Other communications

# Appendix A: Draft management representation letter

Mazars LLP  
Tower Bridge House  
St Katharine's Way  
London  
E1W 1DD

Dear Lucy

**London Borough of Harrow Pension Fund - audit for year ended 31 March 2021**

This representation letter is provided in connection with your audit of the financial statements of London Borough of Harrow Pension Fund ('the Fund') for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

**My responsibility for the financial statements and accounting information**

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

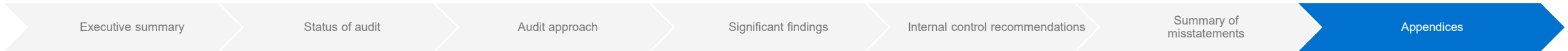
**My responsibility to provide and disclose relevant information**

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Fund you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Director of Finance and Assurance that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.



# Appendix A: Draft management representation letter

## Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Fund and committee meetings, have been made available to you.

## Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Fund's financial position, financial performance and cash flows.

## Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Fund in making accounting estimates are reasonable, including:

- those measured at current or fair value

## Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Fund have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Executive summary	Status of audit	Audit approach	Significant findings	Internal control recommendations	Summary of misstatements	Appendices
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# Appendix A: Draft management representation letter

## Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Fund has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

## Fraud and error

I acknowledge my responsibility as Director of Finance and Assurance for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- 249
- All the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
  - All knowledge of fraud or suspected fraud affecting the Fund involving:
    - o management and those charged with governance;
    - o employees who have significant roles in internal control; and
    - o others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Fund's financial statements communicated by employees, former employees, analysts, regulators or others

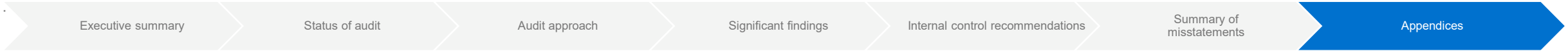
## Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

I have disclosed to you the identity of the Fund's related parties and all related party relationships and transactions of which I am aware.

## Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.



# Appendix A: Draft management representation letter

**Future commitments**

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

**Unadjusted misstatements**

I confirm that there were no uncorrected misstatements.

**Subsequent events**

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

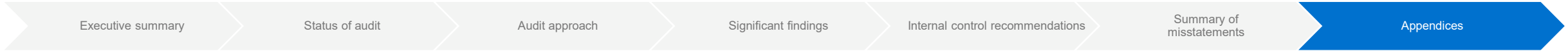
Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

**250  
Going concern**

At the best of my knowledge there is nothing to indicate that the Fund will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Yours sincerely

Dawn Calvert  
Director of Finance and Assurance, Section 151 Officer  
Date



# Appendix B: Draft audit report

## Draft Independent auditor’s report to the members of the London Borough of Harrow Pension Fund

### Report on the financial statements

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

We have audited the financial statements of Harrow Pension Fund (‘the Pension Fund’) for the year ended 31 March 2021, which comprise the Fund Account, the Net Assets Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the financial statements:

251 give a true and fair view of the financial transactions of Lincolnshire Pension Fund during the year ended 31 March 2021, and the amount and disposition of the Pension Fund’s assets and liabilities as at 31 March 2021; and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

#### Basis for opinion

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

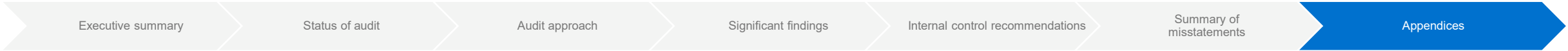
#### Emphasis of Matter – Effect of the Covid-19 pandemic on the valuation of pooled property fund assets

We draw attention to Note 5 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Pension Fund’s pooled property fund assets as at 31 March 2021. As disclosed at Note 5, these valuations have been reported by the valuers on the basis of ‘material valuation uncertainty’ in line with guidance from the Royal Institute of Chartered Surveyors (RICS). Our opinion is not modified in respect of this matter.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance and Assurance’s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or



# Appendix B: Draft audit report

- the Director of Finance and Assurance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Pension Fund’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Other information

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

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

252 We have nothing to report in this regard.

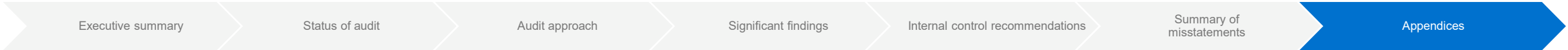
## Responsibilities of the Director of Finance and Assurance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Director of Finance and Assurance is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund’s financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view. The Director of Finance and Assurance is also responsible for such internal control as the Director of Finance and Assurance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance and Assurance is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution of the Pension Fund without transfer of services or function to another entity. The Director of Finance and Assurance is responsible for assessing each year whether or not it is appropriate for the Pension Fund to prepare the accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

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

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



# Appendix B: Draft audit report

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

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

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

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

We have nothing to report in these respects.

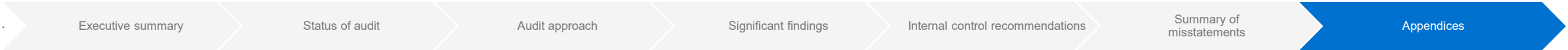
## 253 of the audit report

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

Lucy Nutley  
For and on behalf of Mazars LLP

Tower Bridge House  
St Katharine’s Way  
London  
E1W 1DD

Date



# Appendix C: Draft consistency report

## 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

### Report on the financial statements

We have examined the Pension Fund financial statements for the year ended 31 March 2021 included within the London Borough of Harrow Pension Fund annual report, which comprise the Fund Account, the Net Assets Statement and the notes to the financial statements, including the summary of significant accounting policies.

### Opinion

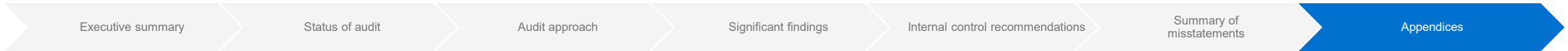
In our opinion, the Pension Fund financial statements are consistent with the audited financial statements of the London Borough of Harrow for the year ended 31 March 2021 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

### Respective responsibilities of the Director of Finance and Assurance and the auditor

As explained more fully in the Statement of the Director of Finance and Assurance’s Responsibilities, the Director of Finance and Assurance is responsible for the preparation of the Pension Fund’s financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to the Members of London Borough of Harrow as a body, whether the Pension Fund financial statements within the Pension Fund annual report are consistent with the financial statements of London Borough of Harrow.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the Pension Fund financial statements contained within the audited financial statements of London Borough of Harrow describes the basis of our opinions on the financial statements.



## Appendix C: Draft consistency report

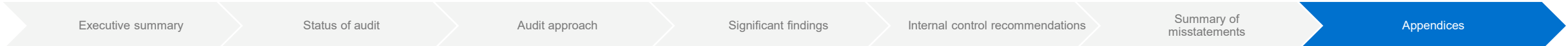
## Use of this auditor's statement

This report is made solely to the members of London Borough of Harrow, as a body and as administering authority for the London Borough of Harrow Pension Fund, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014. Our work has been undertaken so that we might state to the members of London Borough of Harrow those matters we are required to state to them and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than London Borough of Harrow and London Borough of Harrow's members as a body, for our audit work, for this statement, or for the opinions we have formed.

Lucy Nutley  
For and on behalf of Mazars LLP

**255** er Bridge House  
atharine's Way  
London  
E1W 1DD

Date \_\_\_\_\_

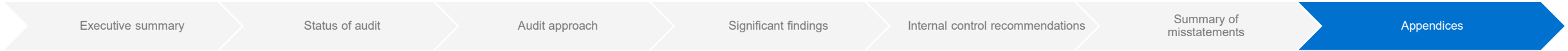


# Appendix D: Independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

256



# Appendix E: Other communications

257

Other communication	Response
Compliance with Laws and Regulations	We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations. We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.
External confirmations	We did not experience any issues with respect to obtaining external confirmations.
Related parties	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none"><li>a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and</li><li>b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.</li></ul>
Going Concern	<p>We have not identified any evidence to cause us to disagree with the Director of Finance and Assurancer that The London Borough of Harrow Pension Fund will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p>
Subsequent events	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>

# Appendix E: Other communications

Other communication	Response
<div>258</div> <div>Matters related to fraud</div>	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and Governance, Audit, Risk management and Standards committee, confirming that</p> <ul style="list-style-type: none"><li>a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud;</li><li>b. they have disclosed to the auditor the results of management’s assessment of the risk that the financial statements may be materially misstated as a result of fraud;</li><li>c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving:<ul style="list-style-type: none"><li>i. Management;</li><li>ii. Employees who have significant roles in internal control; or</li><li>iii. Others where the fraud could have a material effect on the financial statements; and</li></ul></li><li>d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity’s financial statements communicated by employees, former employees, analysts, regulators or others.</li></ul>

# Mazars

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London  
E3 5FQ

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services\*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

\*where permitted under applicable country laws.

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**Report for: GOVERNANCE, AUDIT,  
RISK MANAGEMENT  
and STANDARDS  
COMMITTEE  
(Non-Executive)**

---

<b>Date of Meeting:</b>	2 <sup>nd</sup> August 2022
<b>Subject:</b>	Draft Annual Governance Statement 2021/22
<b>Responsible Officer:</b>	Dawn Calvert, Director of Finance & Assurance
<b>Exempt:</b>	No
<b>Wards affected:</b>	All
<b>Enclosures:</b>	Appendix 1 – Draft Annual Governance Statement 2021/22

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

---

This report sets out the annual governance process and the Draft Annual Governance Statement (AGS) 2021/22 for information.

## 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 Since 2005/06 the Council has undertaken an annual review of its governance arrangements to meet the requirements of the Framework. In the early years this approach helped us to identify a number of significant governance gaps, however in more recent years the majority of significant gaps have been identified by Internal Audit work and/or senior management input, with the framework only helping to identify minor governance gaps, many of which are ongoing. Essentially the framework provides a very granular approach to the review of governance and is useful in confirming that the basic building blocks of governance are in place.
- 2.10 Bearing this in mind and taking into account the impact of the pandemic on resources the approach to the annual review process for 2020/21 was revised with a higher level approach being taken generally with some deep dives into a few specific known risk areas, utilising work already undertaken or planned wherever possible. The table below outlines the approach taken in previous recent years, the 2020/21 approach and the approach being taken for 2021/22 which is a hybrid of the two previous approaches.

Previous Approach	2020/21 Approach	2021/22 Approach (Hybrid)
<b>A detailed review and update of governance processes</b> in place during the year against the CIPFA Delivering Good Governance in Local Government Framework with significant input from the Corporate Governance Working Group, mainly Legal, Performance and HR.	<p><b>A light-touch review of governance processes</b> in place during 2020/21 with the Corporate Governance Working Group being asked to identify only significant changes to governance processes and/or governance gaps.</p> <p>Details usually fed into the Annual Governance Statement from this review will be checked and updated before inclusion in the 2020/21 AGS including Covid-19 arrangements and the impact on governance.</p> <p><b>Follow up on minor governance gaps identified from last year's process</b> as part of the 2020/21 IA Plan and the results of this exercise</p>	<p><b>A light-touch plus review of governance processes</b> in place during 2021/22 with the Corporate Governance Working Group being asked to identify key governance processes and significant changes to governance processes and/or governance gaps.</p> <p>Details fed into the Annual Governance Statement from this review will be checked and updated before inclusion in the 2021/22 AGS.</p> <p><b>Identification of minor governance gaps</b> for 2021/22</p>

	will be fed into the annual review of governance.	
<b>Management Assurance</b> completed by Corporate Directors and their management teams including the provision of external assurance reports received during the year.	<b>Management Assurance</b> to specifically cover risk management arrangements and external assurance reports received during the year.	<b>Management Assurance</b> to specifically cover risk management arrangements and external assurance reports received during the year
<b>Joint Working/Council Trading Companies evidence based self-assessments</b> of governance arrangements reviewed and updated for all but Concilium Assets LLP.	<b>Concilium Assets LLP evidence based self-assessment</b> to be undertaken	<b>Update of the Joint Working/Council Trading Companies evidence based self-assessments</b> (expect Concilium)
<b>Internal Audit review of 2/3 core financial systems</b> – 2/3 system reviews each year on a cyclical risk basis supplemented by <b>evidence based self-assessments of the others</b> undertaken by management. <b>Follow-up of recommendations made the previous year.</b>	<b>All core financial systems: Evidence based self-assessments</b> to be completed by management <b>supplemented by testing undertaken by Internal Audit of authorisations</b> during 2020/21 across all core financial systems and <b>follow-up of recommendations made in 2020/21.</b>	<b>Internal Audit review of 2 core financial systems</b> – 2 system reviews each year on a cyclical risk basis supplemented by <b>evidence based self-assessments of the others</b> undertaken by management. <b>Follow-up of recommendations made the previous year.</b>
	<b>Deep Dive: Croydon Public Interest Report</b> – an evidence based self-assessment led by Internal Audit against the recommendations made in this report covering overspends in Childrens and Adults, lack of adequate member scrutiny/challenge (based on the review of meeting minutes), overall weak governance in the budget setting and decision making process, increased borrowing used to purchase investment properties.	
	<b>Deep Dive: CIPFA Financial Management Code – Financial Standards compliance</b> – an evidence based compliance check led by Internal Audit with input from across the Council.	<b>Deep Dive: CIPFA Financial Management Code – Financial Standards compliance</b> – an evidence based compliance check led

		by Internal Audit with input from across the Council. (continuation of work started last year)
	<b>Deep Dive: MHCLG Addressing cultural and governance failings in local authorities: lessons from recent interventions</b> – an evidenced based self-assessment led by Internal Audit.	

- 2.11 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.
- 2.12 The 2019/20 and 2020/21 Annual Governance Statements included 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. The specific section on the impact of Covid 19 has been removed for the 2021/22 AGS with any relevant bits being integrated into other parts of the statement. However the section on separate bodies has been retained.
- 2.13 The draft Annual Governance Statement (Appendix 1) is written on behalf of the Leader of the Council and the Interim Chief Executive and was prepared for inclusion in the 2021/22 draft accounts to be published by the end of July. The draft AGS outlines the key findings of the annual review of governance so far. This review is ongoing and once completed will be reflected in the final AGS which will be brought back to the GARMS Committee for review prior to being signed off by the Leader and the Interim Chief Executive and included with the final annual accounts. This meets 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"

## Legal Implications

As covered in the main body of the report.

## Financial Implications

There are no financial implications to this report.

## Risk Management Implications

Risks included on corporate or directorate risk register? ~~Yes~~/No

Separate risk register in place? ~~Yes~~/No

The relevant risks contained in the register are attached/summarised below. ~~Yes/No/n/a~~

This is an information report therefore there are no key risks to be taken into account as there are no recommendations in this report however the risk of not preparing an AGS is outlined below:

Risk Description	Mitigations	RAG Status
Non-compliance with Regulation 6 of the Accounts and Audit Regulations 2015	<ul style="list-style-type: none"><li>• The annual review of governance</li><li>• Preparation and publication of the AGS with the accounts</li></ul>	Green

## 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

As this is an information report no clearances are necessary however it should be noted that the draft Annual Governance Statement has been

reviewed by the Director of Finance & Assurance, the Chief Executive and the Leader of the Council.

**Mandatory Checks**

Ward Councillors notified: ~~YES~~\*/ NO\*, as it impacts on all Wards

**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?

- |    |              |                     |
|----|--------------|---------------------|
| 1. | Consultation | <del>YES</del> / NO |
| 2. | Priorities   | YES / <del>NO</del> |

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## **1. Introduction**

Throughout 2021/22 Members and staff working for Harrow Council strived to achieve the Council's vision, priorities and outcomes as outlined in the Harrow Borough Plan 2030. 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 Borough Plan 2030, that there is sound and inclusive decision making and that there is clear accountability for the use of resources in order to achieve the desired outcomes for Harrow service users and local communities.

A new Administration was elected in May 2022 and a review of the Council's priorities is underway as a result.

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

Since 2005/06 the Council has undertaken an annual review of its governance arrangements to ensure the delivery of good governance in accordance with the requirements of the Accounts and Audit Regulations 2015 and in accordance with *Delivering Good Governance in Local Government: Framework 2016* published by the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Society of Local

Authority Chief Executives and Senior Managers (Solace). In the early years this approach helped us to identify a number of significant governance gaps, however in more recent years the majority of significant gaps have been identified by Internal Audit work and/or senior management input, with the framework only helping to identify minor governance gaps, many of which are ongoing. Essentially the framework provides a very granular approach to the review of governance and is useful in confirming that the basic building blocks of governance are in place.

Bearing this in mind and taking into account the ongoing impact of the pandemic on resources the approach to the annual review process for 2020/21 was revised with a higher-level approach being taken generally with some deep dives into a few specific known risk areas, utilising work already undertaken or planned wherever possible. As this worked well and bearing in mind the impact on resources caused by the ongoing significant governance gap, a hybrid approach is being taken for the 2021/22 annual review reviewing some of the basic building blocks in detail where changes have been made and utilising work already undertaken in other areas.

The effectiveness of key elements during 2021/22 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.

The Council values are incorporated into the staff induction programme as well as the performance appraisal process.

During the year there were x formal staff disciplinary cases undertaken, x of which were within schools. There were x cases looking into Member conduct however x breaches of the Member Code of Conduct were upheld.

There were x induction sessions run during 2021/22, x of which were in person and x were remote. In total x new staff were inducted, x in person and x remotely via Microsoft Teams.

During 2020/21, in light of the impact of the covid-19 pandemic on the council, a simplified appraisal form was introduced (to review and plan staff performance and development objectives) and pending review of the staff appraisal and development system as part of the people strategy. This form continued to be used during 2021/22 however appraisals were unable to be recorded corporately during 2020/21 and 2021/22 due to the implementation phase of the new accounting, procurement and HR system (Dynamics 365).

HR KPIs and a service plan have been in place during 2021/22 with monthly and quarterly performance reporting to the Corporate Strategic Board.

### **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.

The Coronavirus Act 2020 which came into force on 25 March 2020 and associated primary and secondary legislation (statutory instruments) amongst other things:

- allowed council meetings and court hearings to be held virtually;
- removed the requirement to hold an Annual Council meeting – where one is not held all appointments made in May 2019 'roll over' until an annual meeting is held;
- provided that in the event that a councillor vacancy arises, no by election can be held until 6th May 2021 (to coincide with the postponed Greater London Authority (GLA elections);
- made provision to speed up hospital discharges into care;
- allowed registration of deaths by telephone; and
- allowed ministers to close schools and other premises.

Parts of the Act and associated primary and secondary legislation have now been repealed and in response to this the Council during 2021/22:

- re-instated in person council decision meetings from May 2021.
- held the 2021/22 Annual Council Meeting virtually on 05 May 2021;
- held local elections in May 2022
- successfully dealt with hospital discharges into care during 2021/22;
- re-instated-the system of registering deaths in person from March 2022
- had no school closures

### **3.3 Acting in the Public Interest**

During 2021/22 the Council can demonstrate a commitment to openness and acting in the public interest. This has been achieved via the implementation of a governance structure which includes codes of conduct, a Standards Committee (GARMS), registers of interests, gifts and hospitality, a whistleblowing policy, a corporate complaints process, a Corporate Anti-fraud & Corruption Strategy, Financial Regulations and Contract Procedure Rules and a Scrutiny Function.

The Constitution was updated during 2021/22:

- May 2021
- Sep 2021
- Nov 2021
- Feb 2022

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

### **3.4 Communication and Consultation**

The Communications Team are responsible for communicating the actions of the Council through a number of channels, including press releases and media management, marketing campaigns and brand management, internal communications, Harrow Council publications and social media. An overview of their work during 2021/22 will be included in the final annual governance statement.

Details of consultations can be found on the Council website. During 2021/22, 25 consultations with residents were undertaken covering a range of topics including new provision for children with special educational needs, the Council budget for 2022/23, various parking schemes, licensing, and the Council's Gambling Policy.

### **3.5 The Harrow Borough Plan 2020-2030**

The Borough Plan 2020-2030 was developed during 2019/20 using feedback from the 2019 resident's survey and consultation with Cabinet Members (individually and collectively) and key partners. It replaced the Harrow Ambition Plan. Along with an overarching priority to address socio-economic inequality and disadvantage, 8 key priorities have been identified. These have been structured as 3 foundation areas for maintenance/incremental improvement and 5 areas where there are significant challenges requiring step-change improvement. In addition two crosscutting themes were identified in November 2020. This is illustrated below: -



**Cross cutting themes:**

- Tackling disadvantage
- Tackling racial disproportionality

### 3.6 Putting the Vision into Practice

The Council's intention to engage more widely on the Borough Plan was paused due to the pandemic, however the Borough Plan was used to drive the partnership response to Covid-19 and the partnership principles were used to guide the Council's recovery. A report on key achievements against the plan was published in February 2022 covering progress made and future intentions against each of the eight priority areas and the two cross cutting themes specifically looking at tackling inequality. The council re-affirmed its commitment to delivering on the Borough Plan priorities at its Council meeting on 24 February 2022.

### 3.7 Decision-making

Under the Coronavirus Act 2020 regulations The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 and other associated primary and secondary legislation decision making was undertaken via virtual (computer generated) meetings of the Cabinet and other committees during 2020/21. These regulations were revoked in May 2021 and all decisions made by Cabinet and other committees during 2021/22 were made at in person meetings.

The Council's decision-making framework, including delegation arrangements, is outlined in the Constitution. Report templates are in use to ensure appropriate information is provided to decision makers including options considered, why a change is needed, implications of recommendations as well as risk management, legal, finance, and equalities implications. Decision reports are cleared by, or on behalf of,

the Council's Monitoring Officer (legal), the Chief Financial Officer, the Head of Procurement, the Head of Internal Audit (for risk management implications) and also by the relevant Corporate Director before they are presented to the decision makers (Council, Cabinet, Committees).

### **3.8 Measuring Performance and External Assurance**

Corporate performance reporting was put on hold during the pandemic and remains so. Performance monitoring has continued at service level e.g. social care, education, housing, environment to ensure that service standards and quality were maintained. All services were affected by Covid so part of this monitoring was to understand changes in demand, pressures, areas of capacity that could be redeployed. Additional Covid related monitoring was put in place e.g. Gold reporting, a wide range of Public Health data - testing, vaccination, building occupancy, school attendance for children in need and key workers and much more.

Capital and revenue financial performance were reported at a minimum quarterly to the Corporate Strategic Board, Cabinet and all Members throughout the pandemic. During 2021/22 performance was reported monthly to CSB and Cabinet with the Treasury Management mid-year Review 2021/22 being reported to Cabinet in December 2021 and the Annual Report and Outturn 2021/22 being reported to Cabinet in July 2022.

An update from the 2021/22 Management Assurance exercise covering performance monitored locally across the Council will be included in the final AGS.

Details of statutory external assurance reviews of the Council were undertaken during 2021/22 will be included in the final AGS.

### **3.9 External Audit**

During 2021/22 the authority provided timely support, information and responses to the Council's external auditors, Mazars. The deadline for the publication of the final 2020/21 accounts was 30 November 2021. This deadline was not met as the external auditors did not complete their audit and sign-off the accounts until 26 January 2022 providing an unqualified opinion on the financial statements however the opinion on the value for money conclusion remains outstanding. The final accounts have now been published on the Harrow Council website.

The audit of the 2021/22 accounts is due to start late July 2022 with the deadline to sign off the accounts being 30<sup>th</sup> November 2022.

### **3.10 Roles and Responsibilities**

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

### **3.11 Capacity & Capability**

Throughout 2020/21 managing the Covid 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. This strategy was successful and priority services were maintained throughout the pandemic and throughout 2021/22. However throughout 2021/22 there was a lack of strategic leadership capacity caused by the significant demands on the senior leadership team and a heavy reliance on interims in senior posts. A new Corporate Director of Community (renamed the Place Directorate in April 2022) was appointed during 2021/22 and a new Chief Executive has now been appointed following the departure of the current Chief Executive in June 2022 who was in place since January 2018. The new Chief Executive will start in September 2022 and the Corporate Director of People is acting as Interim Chief Executive and as Head of Paid Service until then. A new Corporate Director People has also been appointed as the Interim Chief Executive is leaving the Council in September.

### **3.12 Financial Management**

The Council's financial management arrangements during 2021/22 conformed with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015)*. During 2021/22 the Council delivered its services within the approved budget of £179m, contained the pressures arising from the challenging financial environment and managed the risks around demand pressures.

The Council has maintained its General Fund Balances at £10m in 2021/22. 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 increased from £66.9m to £69.1m in 2021/22.

### **3.13 Monitoring Officer Function**

The Statutory Monitoring Officer functions to report on likely contravention of any enactment or rule of law. The duties of the Monitoring Officer are outlined in Article 12 of the Council's constitution and are undertaken by the Council's Director of Legal and Governance Services. Effective arrangements were in place during 2021/22 to discharge these duties.

### **3.14 Head of Paid Service Function**

The requirements of the Head of Paid Service function are also outlined in Article 12 of the Council's constitution and effective arrangements were in place for the discharge of these duties by the Chief Executive throughout 2021/22.

### **3.15 Development Needs**

Following the local government elections in May 2022, new Members received a range of induction training. Details of this training and training provided to Members during 2021/22 will be included in the final AGS.

The People Strategy for the Council is being developed through the Modernisation programme called Great People Great Culture. This is one of the four pillars of the modernisation agenda. Progress with this during 2021/22 will be reported in the final AGS.

There are six pillars to this strategy of: -

- Great Leadership
- Great place to learn and grow
- Great employer
- Great engagement
- Great Organisation and ways of working
- Great Equality, Diversity and Inclusion.

The Organisational Development Plan is being built around these pillars and for 2021/22 reflected early priorities identified by CSB.

### **3.16 Managing Risks**

The framework for identifying and managing risks consists of a series of Directorate Risk Registers that feed into an overarching Corporate Register that clearly identifies the owner of each risk. The Corporate Risk Register was reviewed and updated four times during 2021/22 for Q1 in May 2021, for Q2 in August 2021, for Q3 in November 2021 and for Q4 in February 2022. Each update was presented to the Corporate Strategic Board (CSB) for review and challenge and Q1, Q2 and Q3 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. Q4 was not presented to the GARMS Committee as the April GARMS Committee meeting was cancelled due to the local elections.

Risks relating to COVID 19 have been included in the Corporate Risk Register since Quarter 4 2019/20, throughout 2020/21 and 2021/22. These risks changed throughout this period in response to the progress of the pandemic and covered the impact on the

provision of services, the impact on the recovery of the Council's operations post pandemic, the impact on the Harrow Community and the financial impact on the Council.

During Q1 2022/23 the key risk was reviewed and reframed to ensure the both the risk, and its causes/drivers and key actions, were consistent with the Council returning to a business-as-usual approach to service delivery and of managing Covid19 in endemic rather than pandemic terms and also consistent with its Living with Covid Strategy.

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

The Management Assurance exercise for 2021/22 will confirm whether Risk Registers were in place for 2021/22 in each of the Council's Directorates (People, Communities (Place from April 2022) and Resources) and whether these were reviewed and updated throughout the year.

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

The Council has a Corporate Anti-Fraud Strategy 2016-19 outlining its approach to tackling fraud that is reviewed annually. The refreshed Local Government Fighting Fraud & Corruption Locally Strategy (FFCL) was published online on 26<sup>th</sup> March 2020 and during 2020-21 the intention was for the authorities' own strategy to be reviewed and updated to reflect any changes and best practice that the new FFCL Strategy recommended. However this was not achieved and was rolled forward to 2021/22 along with an assessment against the checklist contained within the strategy outlining best practice for dealing with fraud and corruption in local authorities. Work undertaken on the significant governance gap identified in 2021/22 (outline in section 5 below) has further delayed the Strategy being updated, however it is envisaged that this will be completed by the time the final AGS is signed off.

### **3.18 Scrutiny**

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

- Health
- Community
- People

- Resources

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

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

During 2021/22 O&S met 10 times, P&F 3 times and H&SC 3 times.

### **3.19 Internal Audit**

The Internal Audit Service is required to comply with the Public Sector Internal Audit Standards and to be reviewed externally against these standards every five years and internally on a regular basis. An external peer review in June 2017 confirmed that the service 'generally complies' with the Public Sector Internal Audit Standards and the 2019 internal review against these standards confirmed this assessment. A further review is due to be undertaken during 2022/23.

2021/22 has been another challenging year for Internal Audit with audit work continuing to be undertaken remotely, three vacant posts and a major investigation (into the significant governance gap – see section 5) impacting on the completion of the 2021/22 Internal Audit Plan. As a result a significant portion of the plan will be rolled forward to the 2022/23 plan.

Internal audit work during 2021/22 was performed in conformance with the Public Sector Internal Audit Standards.

### **3.20 Audit Committee**

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

The purpose of the committee is to provide independent assurance to the Members on the adequacy of Harrow Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient

and effective assurance arrangements are in place. It also acts as the Standards Committee.

The GARMS Committee did not produce an Annual Report 2020/21 which would usually be produced in 2021/22 and presented to Council to confirm that the committee had successfully fulfilled its purpose/role and responsibilities as outlined in its agreed Terms of Reference and the 2021/22 annual report has yet to be drafted.

The Governance, Audit, Risk Management & Standards Committee met 5 times during 2021/22 with the meeting due to take place in April 2022 being cancelled due to the local elections.

### **3.21 Joint Working/Council Trading Companies**

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

Throughout 2021/22 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

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 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 Council also runs a shared legal service (HBPL) for which it is the lead authority however this is not a separate legal entity.

The importance of good governance within these arrangements is recognised and as part of the 2019/20 annual review of governance the governance arrangements for the shared legal service (HBPL), Concilium Business Services and Sancroft Community Care Ltd were reviewed and updated and assurance obtained that

reasonable governance arrangements are in place. Governance arrangements have not been reviewed for Concilium Group Limited as it is merely a holding company and the governance arrangements for Concilium Assets LLP were reviewed in 2020/21 and again it was confirmed that reasonable governance arrangements are in place.

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

The paragraphs above outline the separate bodies set up by the Council and their relationship with the Council however the annual review of governance 2019/20, 2020/21 and 2021/22 has highlighted that these bodies are not yet publishing their board agenda, minutes and annual reports.

#### 4. Level of Assurance

The annual review of governance 2021/22 is ongoing and therefore the level of assurance for 221/22 will be reported in the final AGS.

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 2021/22 will also be reported in the final AGS. .

#### 5. Previous Significant Governance Issues

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

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

A detailed Internal Audit review was undertaken of the system involved and all recommendations made were agreed by Management. A follow-up of the implementation of these actions will be undertaken in September 2022 to assess progress and to re-assess the risks.

Internal Audit and the Corporate Anti-fraud team also undertook extensive work to support the Police criminal investigation during 2021/22.

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

The output of the independent review and the Internal Audit reviews of the systems along with the resulting action plans will be presented to the GARMS Committee in due course and fed into the 2021/22 annual review of governance.

## **6. Significant Governance Issue 2020/21**

The above gap identified in the 2020/21 AGS remained a significant gap throughout 2021/22 although the fraud itself was stopped. Action will continue during 2022/23 to address all the recommendations made in both the internal and external reports.

## **7. Conclusion**

The annual review of governance 2021/22 is ongoing and a conclusion on the governance arrangements in place will be provided in the final AGS.

## **8. Declaration**

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



**Report for: Governance, Audit,  
Risk Management and  
Standards Committee  
(GARMS)**

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<b>Date of Meeting:</b>	2 August 2022
<b>Subject:</b>	Draft Statement of Accounts 2021-22
<b>Responsible Officer:</b>	Dawn Calvert, Director of Finance and Assurance
<b>Exempt:</b>	No
<b>Wards affected:</b>	All
<b>Enclosures:</b>	Draft Statement of Accounts 2021-22

**Section 1 – Summary and Recommendations**

This report sets out the draft Statement of Accounts 2021-22.

**Recommendations:**

The Committee is asked to consider and note the draft Statement of Accounts 2021-22.

## **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. Previous timetable deadlines have meant that the draft Statement of Accounts must be published by 31st May with the audited version being published by 31st July each year. Following the Coronavirus pandemic the legislative requirements have been relaxed and this has continued for 2021-22. The Accounts and Audit (Amendment) Regulations 2021 (SI 2021/263) have revised the deadlines to 31st July 2022 for the draft accounts and 30th November 2022 for the audited accounts.
2. 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 2021-22;
  - b. All relevant International Financial Reporting Standards (IFRS)

### **Current situation**

3. The Council's accounts for 2021-22 are now closed subject to any audit adjustments. The Council met the relaxed statutory deadline of 31st July and published its draft accounts on 25<sup>th</sup> July 2022. In addition the comprehensive schedule of required working papers has been provided to the External Auditor in accordance with the arranged audit start date. This will be the fourth year that Mazars LLP will audit the Council's accounts.
4. Members are reminded that a GARMS Committee meeting is scheduled for later in the year to consider the audited Statement of Accounts. The audited accounts presented at this future 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 2021-22. The accounts are due to be signed off by the external auditor by the end of November 2022.
5. The Pension Fund Committee will consider the draft Pension Fund Annual Report and Financial Statements at their next meeting and will be asked to consider the Pension Fund External Audit Completion Report and approve the Pension Fund Annual Report in November 2022.

6. The Public Inspection of the accounts has been taking place from 26<sup>th</sup> July 2022 and will conclude on 6<sup>th</sup> September 2022.

## **Accounts Summary**

7. The Narrative Report includes the revenue and capital outturn performance of the Council for 2021-22 and provides an outlook for the future.
8. The Expenditure and Funding Analysis compares the outturn shown in the Narration Report with the 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 £188m.
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.
11. The Balance Sheet sets out the financial position of the Council as at 31st March 2022. The overall increase in net assets of £188m is mainly due to the increase in property valuations and a decrease in long term liabilities.
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 £15m
14. The Collection Fund statement is an agent's statement that reflects the statutory obligations of the London Borough of Harrow, as billing authority to maintain a separate Collection Fund.
15. The net assets of the Pension Fund at the year end are £1,018m. This is an increase of £50m against the previous year.

## **Final Statement of Accounts 2020-21**

16. The external auditors have now completed their audit of the Council's 2020-21 accounts and Pension Fund accounts. The auditors have issued unqualified opinions. Copies of the Completion Letters are included for the Committee to consider and note.

### **Legal Implications**

The statutory framework relating to the approval of accounts is referred to in the body of the report. **Financial Implications**

There are no direct financial implications arising from this report.

### **Risk Management Implications**

There are no risk management implications.

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

Separate risk register in place? **No**

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

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

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

Was an Equality Impact Assessment carried out? **No**

There are no direct equalities implications.

### **Council Priorities**

The 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**

**Statutory Officer:**

Signed by the Chief Financial Officer

Dawn Calvert

**Date:** 25<sup>th</sup> July 2022

**Statutory Officer:**

Signed on behalf of the Monitoring Officer

Caroline Eccles

**Date:** 25<sup>th</sup> July 2022

**Chief Officer:**

Signed by the Corporate Director

Charlie Stewart

**Date:** 20<sup>th</sup> July 2022

**Mandatory Checks**

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

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

**Contact:** Yinka Ehinfun (Chief Accountant)

Email: Yinka.ehinfun@harrow.gov.uk

**Background Papers:**

1. Draft Statement of Accounts 2021-22
2. LB Harrow Audit Completion Letter 2020-21
3. LB Harrow Pension Fund Audit Completion Letter 2020-21

If appropriate, does the report include the following considerations?

- |                |    |
|----------------|----|
| 1 Consultation | No |
| 2 Priorities   | No |

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# Statement of Accounts

2021 - 2022

(Draft)

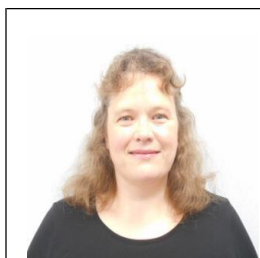


London Borough of Harrow  
Statement of Accounts  
2021 - 2022

1. Narrative Report.....	1
2. Statement of Responsibilities.....	11
3. Audit Opinion & Certificate.....	13
4. Presentation of Financial Statements.....	14
5. Notes to the Financial Statements.....	18
6. Housing Revenue Account.....	72
7. Collection Fund.....	76
8. Annual Governance Statement.....	78
9. Pension Fund Financial Statements.....	88
10. Appendices.....	120

## 1. Narrative Report

### Message from the Director of Finance and Assurance



As the Council's statutory Chief Finance Officer, I have pleasure in writing the Narrative Report to Harrow Council's Statement of Accounts for 2021-22. 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 2021-22.

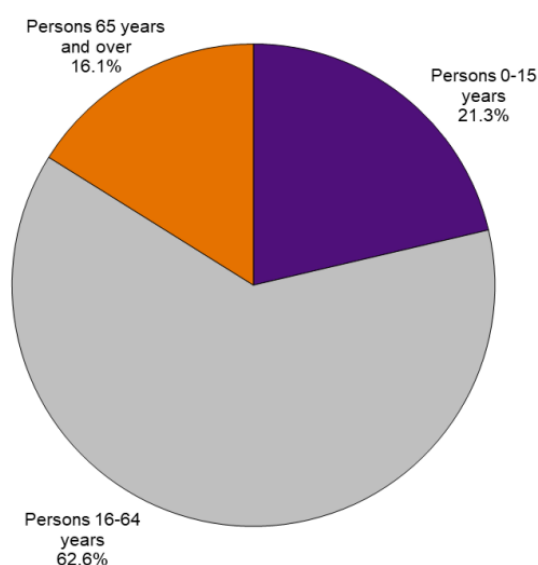
The Statement of Accounts has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA). The purpose of the Statement of Accounts is to provide information on the Council's financial position and performance, and to give confidence to stakeholders 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

**Figure 1: Harrow's population by broad age groups, Mid-2020**  
Source: 2020 Mid-Year Estimates, ONS, Crown Copyright



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 250,367 (2020 Population estimates: published on 25 June 2021). 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 15,500 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:

Chief Executive

Corporate Director - Community and Regeneration

Corporate Director - People's

Corporate Director - Resources

Director of Finance and Assurance

Director of Legal & Governance

Director of Adult Social Services

Director of Public Health

Director of HR and Organisational Development

Director of Strategy and Partnerships

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>Business Support</p> <p>Finance and Insurance</p> <p>Strategy</p> <p>Revenues and Benefits</p> <p>ICT</p> <p>Procurement</p> <p>Access Harrow</p> <p>Human Resources</p> <p>Legal and Governance</p> <p>Internal Audit/CAFT</p>	<p><b>People's Directorate</b></p> <p>Adult Services</p> <p>Children's Services</p> <p>Public Health</p> <hr/> <p><b>Community</b></p> <p>Environmental Services</p> <p>Housing General Fund</p> <p>Enterprise and Planning</p> <p>Cultural Services</p> <p>Regeneration</p>
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## 1.2 Summary of the Financial Performance of the Council

### Revenue Budget

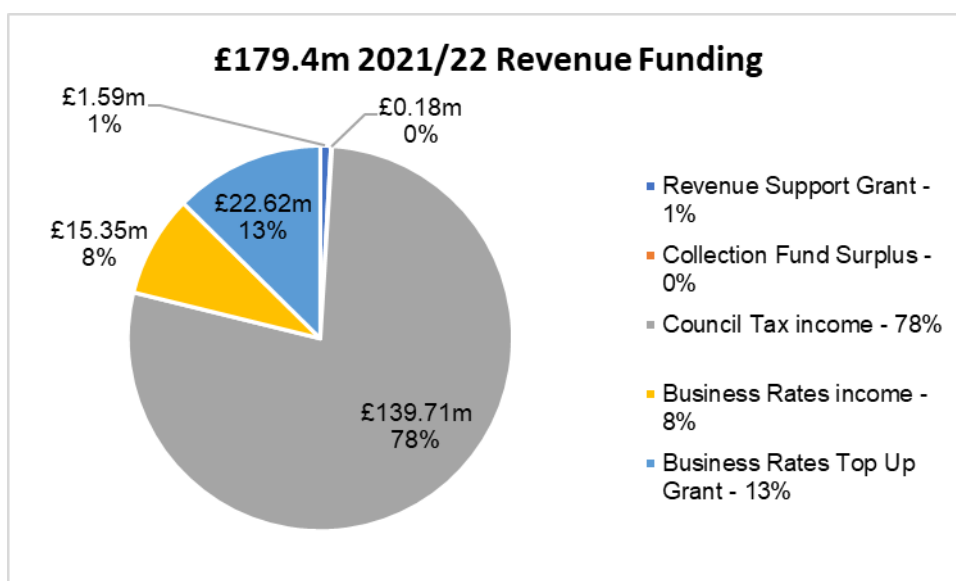
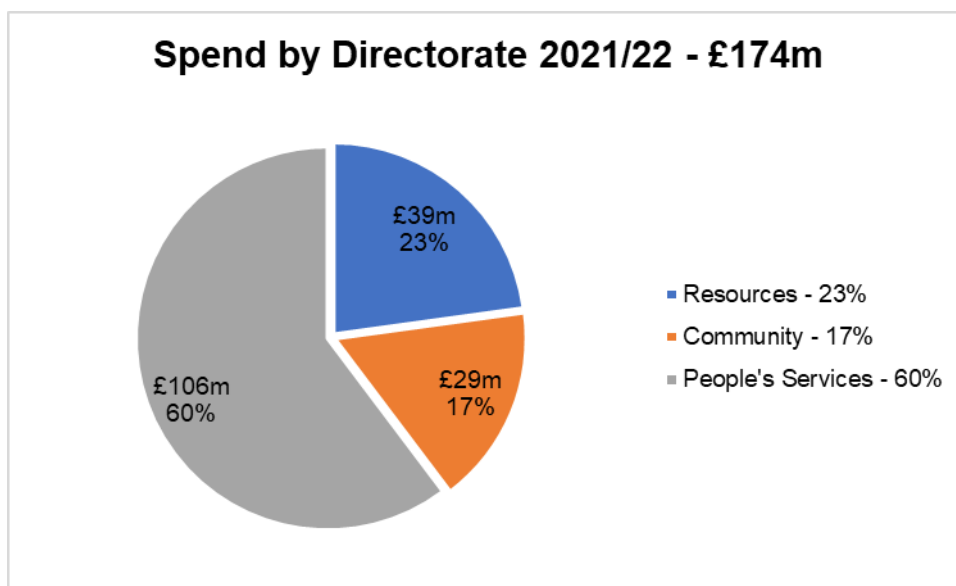
As the Local Government remains at the forefront of the response to both the public health and economic crisis caused by Covid 19, it continues to have a significant but lesser impact on local government finances than in 2020/21. The Council received 2021/22 allocations of (£6.1m) for Covid support grant, (£1.6m) for Controlling Outbreak Management Fund and (£1.1m) for compensation for loss of income as well as a number of other more specific grants/income sources. In addition, the Council administered £17.3m of grants to businesses and residents.

As the nation continues to learn to live with and cope with Covid 19, the Council delivered its services within the approved budget of £179.4m, and contained the pressures arising from the challenging financial environment and managed the risks around demand pressures.

The Council has maintained its General Fund Balances at £10m in 2021-22. This maintains the Council's capacity to manage risks arising in future years from continuing demographic pressures, the economy, welfare reforms and further changes to Central Government funding. General Fund Reserves (Capital and Revenue) have increased from £66.9m to £69.1m in 2021-22 as set out in note 5.7. The final outturn position for the year compared to the revised budget is set out below:

	Budget £000	2021-22 Actuals £000	Variation £000
<b>Directorate costs</b>			
People - Adult Services and Public Health	71,294	68,568	(2,726)
People - Children and Families	35,075	37,097	2,022
Community	32,909	29,115	(3,794)
Resources	39,553	39,336	(217)
<b>Total - Directorate</b>	<b>178,831</b>	<b>174,116</b>	<b>(4,715)</b>
<b>Other Corporate Budgets</b>			
Corporate Items	3,484	4,465	981
Commercial	(2,876)	(2,937)	(61)
<b>Net Expenditure</b>	<b>179,439</b>	<b>175,644</b>	<b>(3,795)</b>
<b>Transfer to Reserves:</b>			
<b>Contribution to Reserves</b>	0	3,795	3,795
<b>Net Expenditure</b>	<b>179,439</b>	<b>179,439</b>	<b>(0)</b>
<b>Funded by :</b>			
Revenue Support Grant		(1,585)	(1,585)
Collection Fund Surplus		(180)	(180)
Council Tax income		(139,706)	(139,706)
Business Rates income		(15,346)	(15,346)
Business Rates Top Up Grant		(22,622)	(22,622)
<b>Total</b>	<b>0</b>	<b>(179,439)</b>	<b>(179,439)</b>
<b>Surplus for the year</b>		0	
<b>General Fund balance at 31 March 2022</b>		<b>10,008</b>	

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



### Capital Programme 2021-22

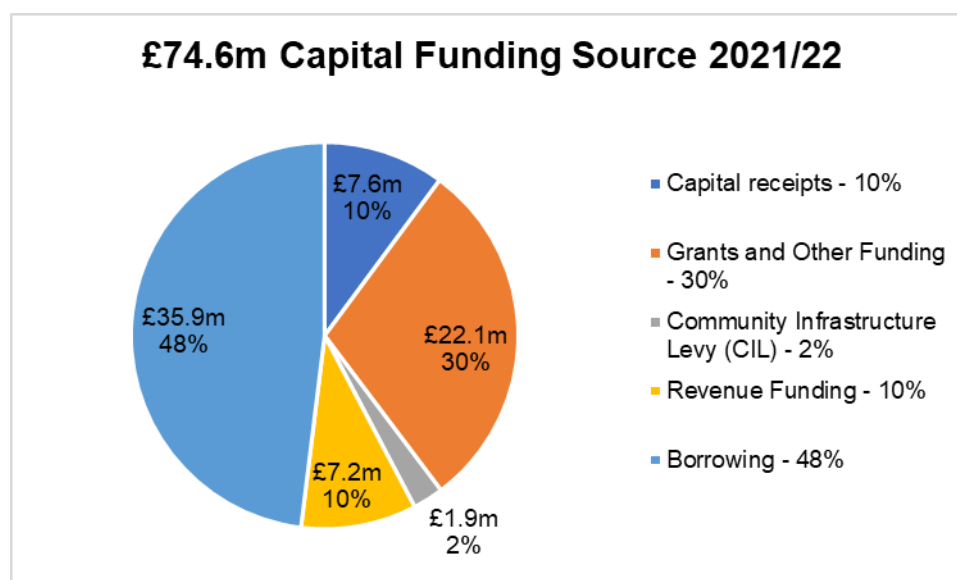
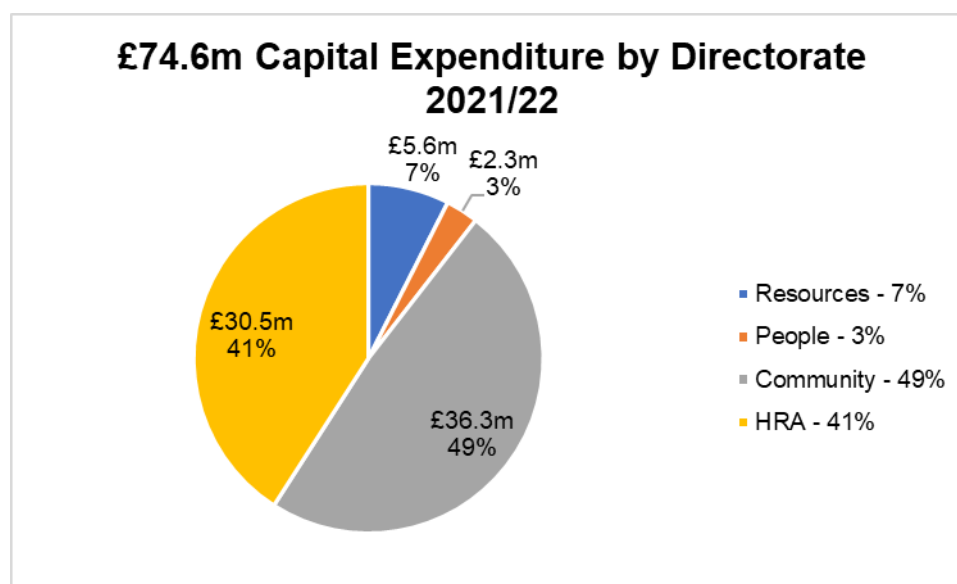
During 2021-22, the Council invested £74.6m on developing or acquiring capital assets. This was mainly funded from £35.9m borrowing and the balance of £38.7m funded from external grants, Community Infrastructure Levy (CIL) contributions, revenue contributions and capital receipts.

Major projects included in the capital programme were:

- Continued investment in new technology to improve Council Services;
- Highways improvement programme and Street Lighting Improvements;
- Improvements to parks;
- Completion of the new Depot and Civic Hub at Forward Drive
- Provision of disabled facility grants to private sector tenants;

- Purchase of homes in Harrow for temporary accommodation;
- Completion of the Haslam House redevelopment
- Progress of the Waxwell Lane development (completion expected in 2022/23)
- Continuation of the Harrow High Streets Programme
- Improvements to the Council's housing stock including the Grange Farm development;
- Continuation of the Building Council Homes for Londoners Programme

The following charts show how the £74.6m was spent by Directorate and also how the Capital Programme was funded:



### Housing Revenue Account (HRA)

The Council's ambition to increase housing supply by 639 units through the Mayor of London's Building Council Homes for Londoners' Programme is progressing with 118 homes having been completed as at March 2022, 129 homes under construction and a further 392 in the planning and development stage.

## Collection Fund

The in-year Council tax collection rate for 2021-22 was 98.72%. This is over 1% higher than the target of 97.25% expected, moving council tax collection rates closer to pre-covid levels. Business rate collection was 95.07%, about 2% below the target of 97%. This has improved compared to 2020-21 (89.07%) but collection performance for local taxation will remain challenging due to both the time businesses will need post pandemic to recover and the cost of living crisis and the impact to the economy in the short term. The overall position for the Collection Fund is a net deficit of £20.2m (NDR £20.4m deficit; Council Tax £0.145m surplus) of which £6.0m is Harrow's share. This is mostly carried over from the previous year but also due to additional business rate reliefs announced by Central Government for which the local authority was fully compensated via s31 grants.

## Treasury Management

The main focus for Treasury Management is to maintain the value of investments, to ensure cash balances are maintained in a way to support the capital programme and maintain an adequate level of working capital, to seek optimum returns within these parameters and to minimize borrowing costs. The Monetary Policy Committee increased base rate 3 times from 0.10% as at 31st March 2021 to 0.75% as at 31st March 2022. Investment returns was 0.02% for 2021/22.

During 2021-22, there was no change to borrowing. Total Borrowing at year end was £422m and the average interest rate was 3.46%. The strategy to fund capital expenditure was to use cash balances in-year, in recognition of the unfavorable gap between investment returns and borrowing cost.

## Pensions

The Pension Fund is maintained at a level to meet the Council's long-term liability for pension benefits. In the year to 31 March 2022, the Fund's net assets increased to £1,018.0m, largely due to the increase in the market value of investments. The Fund's investment performance for the year was 5.7%.

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 £422m as at 31st March 2022. This is £96m less than the net liabilities of £518m twelve months earlier reflecting both investment returns and the reduction in the discount rate applied to the value of future pension liabilities (see note 5.40.5).

The Pension Fund is required to have sufficient funds available to meet its pension liabilities when they fall due. To achieve this, an actuarial valuation of the Fund is carried out every three years. As part of that valuation, the level of employer contributions is fixed for the next three years, and it is the level of those contributions which impacts on the Council's budget and hence on the council tax. The current strategy is to achieve 100% funding over 20 years and to provide stability in employer contribution rates by limiting increases over a period of time. At the last valuation, carried out in March 2019, the fund was assessed as being 94% funded, corresponding to a shortfall of £52m. The Council's contribution rate for the financial year 2021-22 was 16% of pensionable pay plus £7.315m, which equated to approximately 24.53% of pensionable pay.

## **Harrow's 2021-22 Achievements**

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

Highlights of the Council's key achievements for the year are set out below:

- Worked with the NHS to deliver one of the most successful Covid testing and vaccination programmes in NW London.
- Our Customer Services (Access Harrow) and Careline teams continued to provide access to key services alongside a seven-day Covid hotline and outbound telephone support to the 24,000 clinically extremely vulnerable residents
- Over 7,000 families were supported with food deliveries since the start of the pandemic, and we continued to support the most vulnerable with advice and support;
- Provided £17.3m in business grants and launched the Harrow Economic Strategy to support the economic recovery from the pandemic;
- A Priority Enforcement Team now in place to tackle a range of environmental issues such as fly tipping and Houses of Multiple Occupation;
- Maintained the standard of our educational outcomes despite the impact of the Covid-19 pandemic;
- Youth Health Champion project launched to give young people the skills, knowledge and confidence to promote healthy lifestyles to their peers;
- The *Harrow Conversation* undertaken, to engage stakeholders (including the council, GPs, NHS Trusts, voluntary and community sector and service user representatives) to shape the next stages of development for local health and social care integration in Harrow.

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

Following the 2022 Local Election result, Harrow Council intends to change its vision to '**Put Residents First**' through a refreshed Corporate Plan. Future actions and service delivery will be anchored to this new vision, whether it be handling customer enquiries, cleaning the streets or new initiatives.

#### **Regeneration**

The Council has a critical role in place shaping, ensuring that the homes built, meet the needs of current and future communities, whilst making sure that in such developments the infrastructure built supports the need of residents and the community. With the Harrow Strategic Development Partnership, and the key sites in the borough targeted for development there is a clear opportunity to ensure that community need is met by building the right homes in the right places.

#### **One-hour free Parking**

Although there is a need to recognise the importance of shifting to more sustainable modes of transport, the use of the car is still an important need for residents. One-hour free parking will support residents going about their daily business and support our local economy.

#### **The Harrow Card**

Other Councils have successfully implemented a residents' card, which offers local discounts (including parking), helping to incentivise residents to spend their hard earned down time (and money) in Harrow, be it shopping, eating in restaurants, or using the many leisure facilities in the borough. The council will develop a business case to consider bringing such a card into Harrow, and in doing so shape the offers and deals around the needs of our residents.

#### **Fly tipping, bulky waste, street cleaning**

The council intends to support residents with services that allow quick and efficient removal of waste or ease of access to our Waste and Recycling Centre. For those few that want to fly tip and break the rules, which also includes people coming to Harrow and dumping rubbish, we will improve our enforcement approach and make examples of those we successfully prosecute.

### **Treat residents and businesses as valued customers**

A key intention is to create a positive customer experience, improving responsiveness to residents, businesses, and other partners. Our most vulnerable residents are supported by the People's Directorate such as Adults and Children's Social Care. It is important that we also treat these more vulnerable residents with the care and respect they need and deserve.

We are also proposing to carry out a review of our logo, so that residents get better recognition of the high-quality services the Council delivers. We intend to ask partners to help with this so that any changes are at zero extra cost to residents.

Over the coming months we will set out more of our specific priorities and plans to put residents first through a refreshed Corporate Plan and treating them and all our many and diverse businesses as valued customers.

### **Value for Money**

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

The Covid-19 pandemic continues to have a legacy impact on the Council's finances and service delivery. Where there is a need to lobby the Government for a better deal for residents, again, the Council will lead this, so that residents ultimately gain from such actions.

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

In 2022-23, a Revenue budget of £183.3m was set along with a 2.99% increase in Council Tax which was approved by the Council in February 2022. The 2.99% increase reflected a 1.99% increase in respect of the traditional council tax increase and 1.0% for the Adult Social Care precept (ASC).

The General Fund Balance as at 31st March 2022 remains just above £10m (£10.008m). The Earmarked and Non-Earmarked Reserves are £69.1m as at 31st March 2022, which compares with £66.9m at the 1st April 2021. As pressures on the Council's finances continue, it is anticipated that these reserves will need to be monitored closely to ensure that they are adequate and proportionate to the risks faced by Harrow.

All councils, not just Harrow, continue to find themselves in a very uncertain and volatile situation as a result of external events beyond the Council's control, adversely impacting on funding and demand for Harrow services. Apart from the legacy impact of Covid-19, the impact of Brexit also still remains uncertain as does the impact of Russia's invasion on the Ukraine. Amongst all this uncertainty, the UK's rate of inflation (9.1% May 2022) is the highest it's been in 40 years.

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

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

## 1.4 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 2021-22;
- 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 Expenditure and Funding Analysis (EFA).
- **Movement in Reserves Statement (MiRS)** shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. The Total Comprehensive Expenditure and (Income) line shows the true economic cost of providing the Council's services, more details of which are shown in the CIES.
- **Balance Sheet** shows the value of the assets and liabilities recognised by the Council as at 31<sup>st</sup> March 2022, valued in accordance with proper accounting practices. The net value of these assets and liabilities is matched by the value of the Council's reserves. Usable Reserves can be used to provide services, subject to any statutory limitations on their use. Unusable Reserves cannot be used to provide services. These include reserves holding unrealised gains and losses on assets, which will only become available to provide services if the assets are sold, and reserves holding timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.
- **Cash Flow Statement** shows the changes in cash and cash equivalents of the Council during the year. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing or financing activities. Cash flows from operating activities show how the operations of the Council are funded

London Borough of Harrow Statement of Accounts 2021-22

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 [Dawn.Calvert@harrow.gov.uk](mailto: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 and Assurance**  
**25<sup>th</sup> July 2022**

## **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 2022 and its income and expenditure for the year ended 31<sup>st</sup> March 2022.



**Dawn Calvert CPFA**  
**Director of Finance and Assurance**  
**25th July 2022**

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

TO BE INCLUDED ON COMPLETION OF AUDIT

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

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

TO BE INCLUDED ON COMPLETION OF AUDIT

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

*Chartered Accountants*

## 4 Presentation of Financial Statements

### 4.1 Comprehensive Income and Expenditure Statement

2020-21				2021-22			
Gross Expenditure	Gross Income	Net Expenditure/(Income)		Notes	Gross Expenditure	Gross Income	Net Expenditure/(Income)
£000	£000	£000			£000	£000	£000
117,719	(49,841)	67,878	People - Adult Services and Public Health		132,800	(58,864)	73,936
193,937	(160,219)	33,718	People - Children and Families		222,064	(162,050)	60,014
105,874	(43,426)	62,448	Community		93,534	(39,562)	53,972
171,948	(141,608)	30,340	Resources		168,866	(147,770)	21,096
25,909	(32,089)	(6,180)	Housing Revenue Account	6.1	27,972	(33,076)	(5,104)
615,387	(427,183)	188,204	<b>Cost of Services</b>		645,237	(441,322)	203,914
14,547	(2,729)	11,818	Other Operating Income and Expenditure	5.8	10,896	(3,049)	7,847
26,347	(8,247)	18,100	Financing and Investment Income and Expenditure	5.9	28,686	(6,754)	21,932
0	(224,395)	(224,395)	Taxation and Non-Specific Grant Income	5.10	0	(241,579)	(241,579)
		(6,273)	<b>(Surplus) Deficit on Provision of Services</b>				(7,886)
		(34,663)	(Surplus) Deficit on revaluation of property, plant & equipment	5.25.1			(54,426)
		95,179	Remeasurements of net pension liability	5.25.4			(125,830)
		60,516	<b>Other Comprehensive (Income) and Expenditure</b>				(180,256)
		54,243	<b>Total Comprehensive (Income) and Expenditure</b>				(188,142)

## 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 2020 brought forward</b>	(10,008)	(7,526)	(57,149)	(18,705)	(7,741)	(35,388)	(136,517)	(333,021)	(469,538)
<b><u>Movement in reserves during 2020-21</u></b>									
<b>Total Comprehensive Expenditure and (Income)</b> (Note 4.1)	(5,230)	(1,043)	0	0	0	0	(6,273)	60,516	54,243
Adjustments between accounting basis & funding basis under regulations (Note 5.6)	(21,194)	1,382	0	4,354	1,329	(2,153)	(16,282)	16,282	0
<b>Net (Increase)/Decrease</b>	(26,424)	339	0	4,354	1,329	(2,153)	(22,555)	76,798	54,243
Movements in earmarked reserves (Note 5.7)	26,424	913	(27,336)	0	0	0	1	(1)	0
<b>(Increase)/Decrease in 2020-21</b>	0	1,252	(27,336)	4,354	1,329	(2,153)	(22,554)	76,797	54,243
<b>Balance at 31 March 2021 carried forward (Note 4.3)</b>	<b>(10,008)</b>	<b>(6,274)</b>	<b>(84,485)</b>	<b>(14,351)</b>	<b>(6,412)</b>	<b>(37,541)</b>	<b>(159,071)</b>	<b>(256,224)</b>	<b>(415,295)</b>
<b>Balance at 31 March 2021 brought forward (Note 4.3)</b>	(10,008)	(6,274)	(84,485)	(14,351)	(6,412)	(37,541)	(159,071)	(256,224)	(415,295)
<b>Adjustment to the opening balance</b>	0	0	(164)	0	0	0	(164)	0	(164)
<b>Restated balance as at 31 March 2021</b>	<b>(10,008)</b>	<b>(6,274)</b>	<b>(84,649)</b>	<b>(14,351)</b>	<b>(6,412)</b>	<b>(37,541)</b>	<b>(159,235)</b>	<b>(256,224)</b>	<b>(415,459)</b>
<b><u>Movement in reserves during 2021-22</u></b>									
<b>Total Comprehensive Expenditure and (Income)</b> (Note 4.1)	7,032	(14,918)	0	0	0	0	(7,886)	(180,256)	(188,142)
Adjustments between accounting basis & funding basis under regulations (Note 5.6)	(8,704)	15,644	0	1,072	(931)	(14,597)	(7,516)	7,516	0
<b>Net (Increase)/Decrease</b>	(1,672)	726	0	1,072	(931)	(14,597)	(15,402)	(172,740)	(188,142)
Movements in earmarked reserves (Note 5.7)	1,672	(129)	(1,540)	0	0	0	3	(1)	2
<b>(Increase)/Decrease in 2021-22</b>	0	597	(1,540)	1,072	(931)	(14,597)	(15,399)	(172,741)	(188,140)
<b>Balance at 31 March 2022 carried forward (Note 4.3)</b>	<b>(10,008)</b>	<b>(5,677)</b>	<b>(86,189)</b>	<b>(13,279)</b>	<b>(7,343)</b>	<b>(52,138)</b>	<b>(174,634)</b>	<b>(428,965)</b>	<b>(603,599)</b>

## 4.3 Balance Sheet

31-Mar-21 £000		Notes	31-Mar-22 £000
1,289,945	Property Plant and Equipment	5.11	1,349,527
77,155	Investment Property	5.13	77,930
0	Intangible Assets	5.14	13,178
15,700	Long Term Debtors	5.16	15,370
<u>1,382,800</u>	<b>Long Term Assets</b>		<u>1,456,005</u>
17,616	Short Term Investments	5.15	20,117
0	Inventories	5.17	11,819
64,053	Short Term Debtors	5.18	56,624
61,468	Cash and Cash Equivalents	5.19	77,992
<u>143,137</u>	<b>Current Assets</b>		<u>166,552</u>
(4,560)	Short Term Borrowing	5.20	(9,830)
(125,287)	Short Term Creditors	5.21	(135,207)
(4,836)	Provisions	5.22	(4,613)
<u>(134,683)</u>	<b>Current Liabilities</b>		<u>(149,650)</u>
(5,971)	Provisions	5.22	(4,900)
(422,358)	Long Term Borrowing	5.15	(417,325)
(534,488)	Other Long Term Liabilities	5.23	(437,230)
(13,142)	Capital Grants Receipts in Advance	5.35.3	(9,853)
<u>(975,959)</u>	<b>Long Term Liabilities</b>		<u>(869,308)</u>
<u>415,295</u>	<b>Net Assets</b>		<u>603,599</u>
(159,071)	Usable Reserves	5.24	(174,634)
(256,224)	Unusable Reserves	5.25	(428,965)
<u>(415,295)</u>	<b>Total Reserves</b>		<u>(603,599)</u>

## 4.4 Cash Flow Statement

2020-21 £000		Notes	2021-22 £000
6,273	Net (deficit)/surplus on the provision of services	4.1	7,886
60,460	Adjustments to net deficit on the provision of services for non cash movements	5.26.1	84,277
(17,953)	Adjustments for items included in the net deficit on the provision of services that are investing and financing activities	5.26.1	(43,863)
48,780	Net cash flow from Operating Activities		48,300
(24,724)	Investing Activities	5.26.2	(30,704)
(1,194)	Financing Activities	5.26.3	(1,072)
22,862	Net increase/(decrease) in cash and cash equivalents		16,524
38,606	Cash and cash equivalents at the beginning of the reporting period	5.19	61,468
61,468	Cash and cash equivalents at the end of the reporting period	5.19	77,992

## 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 2021-22 financial year and its position as at 31<sup>st</sup> March 2022. 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 2021-22 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 2021-22

### 5.1.2 Cash and Cash Equivalents

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

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

### 5.1.3 Material Items of Income and Expense

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

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

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

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

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

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

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

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

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

### 5.1.6 Accounting for Council Tax and NDR

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

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

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

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

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

### **5.1.7 Employee Benefits**

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

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

#### **Termination Benefits**

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

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

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

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

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

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

## The Local Government Pension Scheme

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

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

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

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

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

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

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

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

London Borough of Harrow Statement of Accounts 2021-22

## **Discretionary Benefits**

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

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

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

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

### **5.1.9 Financial Instruments**

#### **Financial Liabilities**

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

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

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

#### **Financial Assets**

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

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

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

### **Expected Credit Loss Model**

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

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

#### **5.1.10 Intangible Assets**

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

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

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

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

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors (Creditors or Capital Grants Receipts in Advance).

When conditions are satisfied, the grant or contribution is credited to the relevant service segment line (revenue grants and contributions attributable to specific services) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

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

#### **5.1.12 Investment Property**

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

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

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

#### **5.1.13 Joint Operations**

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

#### **5.1.14 Leases**

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

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

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

### **The Council as Lessee**

#### **Finance Leases**

Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet after the commencement of the lease at its fair value measured at the lease's inception (or the

London Borough of Harrow Statement of Accounts 2021-22

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 Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

### 5.1.19 Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

- Lifecycle replacement costs – recognised as additions to Property, Plant and Equipment when the relevant works are carried out.

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

#### **Provisions**

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

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

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

#### **Contingent Liabilities**

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

#### **Contingent Assets**

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

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

### **5.1.22 Reserves**

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

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

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

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service segment in the Comprehensive Income and Expenditure Statement in the year. A transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital

London Borough of Harrow Statement of Accounts 2021-22

Adjustment Account is then made so that there is no charge against Council Tax.

#### **5.1.24 Accounting for Schools**

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

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

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

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

#### **5.1.25 Value Added Tax (VAT)**

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

#### **5.1.26 Group Accounts**

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

## **5.2 Critical Judgements in Applying Accounting Policies**

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

### Funding

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

### 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 still 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	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.  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.	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.
Business Rates	The Council must meet its relevant share of backdated business rate appeals. A provision has been made within the accounts, utilising Valuation Office data and the analysis of successful appeals to date as at the end of the reporting period.	If the refunds payable are higher than the provision, the difference will reduce the balance on the Collection Fund and reduce the Council's share of business rates income in future years.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.  Pooled property funds within the Pension Fund are valued by the asset managers using professional valuers as set out in the fund arrangements. The outbreak of Covid-19 has impacted global markets and therefore our fund managers have advised that valuations have been reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book, meaning that less weight can be applied to previous market evidence to inform opinions of value. Consequently, less certainty – and a higher degree of caution – should be attached to valuations of pooled property fund assets than would normally be the case.	The actuarial loss or gain provided by the actuary's calculation can be significant. This charge to the Comprehensive Income & Expenditure Statement is notional as it is not charged to the General Fund, and does not affect Council tax levels. If the future investment returns are different from the actuarial assumptions, it will not affect the council tax. However, if the Pension Fund assets and liabilities vary significantly from those forecast by the actuary, it could mean that either higher or lower pension contributions would be payable by the Council in the future.

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

The following accounting standard changes are not yet reflected in the 2021-22 Code of Practice. They are not therefore reflected in the Statement of Accounts:

- IFRS 16 Leases (replaces IAS 17) will be implemented in 2022-23;
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:
  - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
  - IAS 37 (Onerous contracts) – clarifies the intention of the standard
  - IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
  - IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances

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

## 5.5 Expenditure and Funding Analysis

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

2020-21			2021-22		
Net Expenditure Chargeable to General Fund and HRA Balances £000	Adjustments between Funding and Accounting Basis Note 5.5.1 £000	Net Expenditure in Comprehensive Income and Expenditure Statement £000	Net Expenditure Chargeable to General Fund and HRA Balances £000	Adjustments between Funding and Accounting Basis Note 5.5.1 £000	Net Expenditure in Comprehensive Income and Expenditure Statement £000
70,963	(3,085)	67,878	68,567	5,369	73,936
43,901	(10,183)	33,718	37,097	22,917	60,014
72,155	(9,707)	62,448	29,115	24,857	53,972
(12,259)	42,599	30,340	44,660	(23,563)	21,096
1,252	(7,432)	(6,180)	597	(5,701)	(5,104)
176,012	12,192	188,204	180,036	23,879	203,914
(174,760)	(19,717)	(194,477)	(179,439)	(32,361)	(211,800)
1,252	(7,525)	(6,273)	597	(8,482)	(7,886)
			<b>Net Cost of Services</b>		
			<b>Other Income &amp; Expenditure</b>		
			<b>Surplus or Deficit</b>		
(17,534)					
1,252					
(16,282)					
			Opening General Fund and HRA Balance		
			(16,282)		
			Plus Surplus on General Fund and HRA Balance in Year		
			597		
			Closing General Fund and HRA Balance as at 31 March *		
			(15,685)		

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

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

	2021-22					
	Adjustments for Capital Purposes £000 (Note a)	Pension Adjustment s £000 (Note b)	ed Reserve s £000 (Note c)	Specific Grant Income £000 (Note d)	Other Differences £000 (Note e)	Total Adjustmen ts £000 (Note f)
People - Adult Services and Public Health	(275)	(2,943)	0	0	(2,151)	(5,369)
People - Children and Families	(5,336)	(8,146)	346	0	(9,781)	(22,917)
Community	(30,185)	(6,263)	1,098	0	10,493	(24,857)
Resources and Commercial	17,928	2,147	1,557	(51,724)	53,655	23,563
Housing Revenue Account	(172)	(949)	129	0	6,693	5,701
Cost Of Services	(18,040)	(16,154)	3,130	(51,724)	58,909	(23,879)
Other income and expenditure	(1,363)	0	0	51,724	(18,000)	32,361
Difference between General Fund and HRA (Surplus)/Deficit and Comprehensive Income and Expenditure Statement Provision of Services (Surplus)/Deficit on Provision of	(19,403)	(16,154)	3,130	0	40,909	8,482

	2020-21					
	Adjustments for Capital Purposes £000 (Note a)	Net Pension Adjustments £000 (Note b)	Earmarked Reserves £000 (Note c)	Non-Specific Grant Income £000 (Note d)	Other Differences £000 (Note e)	Total Adjustments £000 (Note f)
People - Adult Services and Public Health	(496)	1,033	(632)	0	(2,990)	(3,085)
People - Children and Families	(12,135)	3,952	(6,027)	0	4,027	(10,183)
Community	3,952	2,474	(3,971)	0	(12,162)	(9,707)
Resources and Commercial	8,577	(1,312)	(16,006)	51,125	215	42,599
Housing Revenue Account	(419)	348	(913)	0	(6,448)	(7,432)
Cost Of Services	(521)	6,495	(27,549)	51,125	(17,358)	12,192
Other income and expenditure	(15,875)	9,429	0	(51,125)	37,854	(19,717)
Difference between General Fund and HRA (Surplus)/Deficit and Comprehensive Income and Expenditure Statement Provision of Services (Surplus)/Deficit on Provision of	(16,396)	15,924	(27,549)	0	20,496	(7,525)

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

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

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

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

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

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

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

2021-22	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
<b>Adjustments to Revenue Resources:</b>						
Pension costs transferred to the Pensions Reserve	(29,052)	(949)	0	0	0	30,001
Depreciation	(36,783)	(7,944)	0	0	0	44,727
Impairment	5,250	172	0	0	0	(5,422)
Premiums and Discounts on Debt Restructure	400	45	0	0	0	(445)
Movements in market value of Investment Properties	1,393	0	0	0	0	(1,393)
Council Tax and NDR transfer to/from the Collection Fund Adjustment Account	6,278	0	0	0	0	(6,278)
Holiday pay transfer to/from the Accumulating Compensating Absences Adjustment Account	252	0	0	0	0	(252)
Transfer to Dedicated Schools Grant Reserve	(277)	0	0	0	0	277
Revenue expenditure funded from capital	(1,738)	0	0	0	0	1,738
Non Current assets written out on disposal	(2,084)	(2,180)	0	0	0	4,264
<b>Total Adjustments to Revenue Resources</b>	<b>(56,361)</b>	<b>(10,856)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>67,217</b>
<b>Adjustments between Revenue and Capital Resources:</b>						
Minimum Revenue Provision	20,974	10	0	0	0	(20,984)
Capital expenditure funded from revenue balances	2,025	129	0	0	0	(2,154)
Capital grants and contributions	22,477	14,121	0	0	(22,021)	(14,577)
Transfer of sale proceeds credited to the CIES	2,181	5,147	(7,328)	0	0	0
Administrative cost of non-current asset disposals	0	(63)	63	0	0	0
Payment to the Housing Capital Receipts Pool	0	(775)	775	0	0	0
Transfer of HRA resources to the Major Repairs	0	7,931	0	(7,931)	0	0
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>47,657</b>	<b>26,500</b>	<b>(6,490)</b>	<b>(7,931)</b>	<b>(22,021)</b>	<b>(37,715)</b>
<b>Adjustments to Capital Resources:</b>						
Use of the Major Repairs Reserve to fund capital expenditure	0	0	0	7,000	0	(7,000)
Use of the Capital Receipts Reserve to fund capital expenditure	0	0	7,562	0	0	(7,562)
Use of Capital Grants Unapplied Account to fund capital expenditure	0	0	0	0	7,424	(7,424)
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>0</b>	<b>7,562</b>	<b>7,000</b>	<b>7,424</b>	<b>(21,986)</b>
<b>Total Adjustments</b>	<b>(8,704)</b>	<b>15,644</b>	<b>1,072</b>	<b>(931)</b>	<b>(14,597)</b>	<b>7,516</b>

2020-21	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	(15,576)	(348)	0	0	0	15,924
Depreciation	(26,812)	(7,677)	0	0	0	34,489
Impairment	7,474	(79)	0	0	0	(7,395)
Premiums and Discounts on Debt Restructure	400	45	0	0	0	(445)
Movements in market value of Investment Properties	4,228	0	0	0	0	(4,228)
Council Tax and NDR transfer to/from the Collection Fund Adjustment Account	(14,787)	0	0	0	0	14,787
Holiday pay transfer to/from the Accumulating Compensating Absences Adjustment Account	(2,578)	0	0	0	0	2,578
Transfer to Dedicated Schools Grant Reserve	(3,730)	0	0	0	0	3,730
Revenue expenditure funded from capital	(1,246)	0	0	0	0	1,246
Non Current assets written out on disposal	0	(1,868)	0	0	0	1,868
<b>Total Adjustments to Revenue Resources</b>	<b>(52,627)</b>	<b>(9,927)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>62,554</b>
<b>Adjustments between Revenue and Capital Resources:</b>						
Minimum Revenue Provision	18,644	9	0	0	0	(18,653)
Capital expenditure funded from revenue balances	3,210	500	0	0	0	(3,710)
Capital grants and contributions	9,579	3,718	0	0	(3,355)	(9,942)
Transfer of sale proceeds credited to the CIES	0	4,656	(4,656)	0	0	0
Administrative cost of non-current asset disposals	0	(60)	60	0	0	0
Payment to the Housing Capital Receipts Pool	0	(5,178)	5,178	0	0	0
Transfer of HRA resources to the Major Repairs Reserve	0	7,664	0	(7,664)	0	0
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>31,433</b>	<b>11,309</b>	<b>582</b>	<b>(7,664)</b>	<b>(3,355)</b>	<b>(32,305)</b>
<b>Adjustments to Capital Resources:</b>						
Use of the Major Repairs Reserve to fund capital expenditure	0	0	0	8,993	0	(8,993)
Use of the Capital Receipts Reserve to fund capital expenditure	0	0	3,772	0	0	(3,772)
Use of Capital Grants Unapplied Account to fund capital expenditure	0	0	0	0	1,202	(1,202)
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>0</b>	<b>3,772</b>	<b>8,993</b>	<b>1,202</b>	<b>(13,967)</b>
<b>Total Adjustments</b>	<b>(21,194)</b>	<b>1,382</b>	<b>4,354</b>	<b>1,329</b>	<b>(2,153)</b>	<b>16,282</b>

## 5.7 Earmarked reserves

	Balance at 31-Mar-20	Transfers Out 2020-21	Transfers In 2020-21	Balance at 31-Mar-21	Transfers Out 2021-22	Transfers In 2021-22	Balance at 31-Mar-22
	£000	£000	£000	£000	£000	£000	£000
<b>Earmarked Reserves:</b>							
Business Risk Reserve	(7,526)	2,176	0	(5,350)	3,683	(301)	(1,968)
Adults Social Care	0	0	(1,969)	(1,969)	0	(1,800)	(3,769)
Childrens Social Care	0	0	0	0	834	(3,942)	(3,108)
Budget Planning Reserve	(2,629)	0	(14,060)	(16,689)	2,600	(8,401)	(22,490)
Capacity Building Reserve	(3,221)	1,221	0	(2,000)	148	(1,321)	(3,173)
Collection Fund Reserve	0	0	(8,925)	(8,925)	8,925	(4,635)	(4,635)
PFI Sinking Funds	(4,037)	0	(86)	(4,123)	300	(72)	(3,895)
Projects in Progress	(3,224)	3,224	(2,041)	(2,041)	2,041	(1,331)	(1,331)
Revenue Grant Reserve	(7,069)	1,228	(2,972)	(8,813)	3,786	(1,605)	(6,632)
Public Health	(1,847)	20	(545)	(2,372)	0	(302)	(2,674)
CIL - Harrow	(7,788)	3,095	(2,038)	(6,731)	2,057	(2,435)	(7,109)
Dedicated Schools Grant Reserve *	2,944	0	(2,944)	0	0	0	0
Other Earmarked Reserves	(9,197)	4,157	(2,852)	(7,892)	2,418	(2,827)	(8,301)
<b>Total Earmarked Reserves</b>	<b>(43,594)</b>	<b>15,121</b>	<b>(38,432)</b>	<b>(66,905)</b>	<b>26,792</b>	<b>(28,972)</b>	<b>(69,085)</b>
Locally Managed School Balances	(12,761)	0	(3,113)	(15,874)	347	0	(15,527)
HRA Earmarked Reserves	(794)	0	(912)	(1,706)	129	0	(1,577)
<b>Total</b>	<b>(57,149)</b>	<b>15,121</b>	<b>(42,457)</b>	<b>(84,485)</b>	<b>27,268</b>	<b>(28,972)</b>	<b>(86,189)</b>

\* The Dedicated Schools Grant has been reclassified from Earmarked Reserves to Unusable Reserves to comply with CIPFA guidance

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

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

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

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

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

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

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

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

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

**5.8 Other operating income and expenditure**

2020-21 £000		2021-22 £000
	<b>Levies</b>	
187	London Boroughs Grants Committee	187
297	London Pension Fund Authority	298
8,479	West London Waste Authority (WLWA)	9,219
205	Lee Valley Regional Park Authority	212
200	Environment Agency	205
9,368	Sub Total Levies	10,121
5,179	Payments to the Government Housing Capital Receipts Pool	775
(2,729)	Losses/(gains) on the disposal of non current assets	(3,049)
11,818	<b>Total</b>	7,847

**5.9 Financing and investment income and expenditure**

2020-21 £000		2021-22 £000
16,918	Interest payable and similar charges	18,166
9,429	Net interest on the net defined benefit liability	10,520
(1,237)	Interest receivable and similar income	(1,217)
(7,010)	Income in relation to investment properties & changes in their fair value	(5,537)
18,100	<b>Total</b>	21,932

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

2020-21 £000		2021-22 £000
(130,854)	Council tax income	(142,366)
(4,906)	Business Rates Retention	(10,891)
(22,623)	Business Rates Top-Up Grant	(23,802)
(28,395)	COVID Emergency Funding	(7,184)
(3,716)	New Home Bonus Grant	(3,185)
(12,564)	Section 31 Grants	(7,245)
(8,040)	Other General Grants	(10,308)
(13,297)	Capital grants and contributions (Note 5.35.2)	(36,598)
(224,395)	<b>Total</b>	(241,579)

## 5.11 Property, plant and equipment

2021-22	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 2021	472,799	588,289	61,628	222,123	1	84,550	17,357	1,446,747	48,403
Reversal of accumulated depreciation on revaluation	(6,989)	(7,502)	0	0	0	0	0	(14,491)	0
Additions	0	0	0	0	0	61,257	0	61,257	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	27,722	26,704	0	0	0	0	0	54,426	2,916
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	7,988	0	0	(2,591)	0	0	5,397	0
Derecognition - Disposals	(2,179)	0	0	0	0	0	(1,464)	(3,643)	0
Derecognition - Other *	0	0	(1,081)	0	0	(13,178)	0	(14,259)	0
Reclassifications/ Transfer	21,355	48,088	5,836	1,656	2,591	(79,526)	0	0	1,407
<b>At 31 March 2022</b>	<b>512,708</b>	<b>663,567</b>	<b>66,383</b>	<b>223,779</b>	<b>1</b>	<b>53,103</b>	<b>15,893</b>	<b>1,535,434</b>	<b>52,726</b>
<b>Accumulated Depreciation</b>									
At 1 April 2021	(6,989)	(12,049)	(34,921)	(102,661)	0	0	(182)	(156,802)	(3,470)
Reversal of accumulated depreciation on revaluation	6,989	7,502	0	0	0	0	0	14,491	0
Depreciation charges for 2021-22	(7,609)	(19,025)	(6,611)	(11,421)	0	0	0	(44,666)	(725)
Derecognition - Depreciation on Disposal	0	0	0	0	0	0	(11)	(11)	0
Derecognition - Other	0	0	1,081	0	0	0	0	1,081	0
<b>At 31 March 2022</b>	<b>(7,609)</b>	<b>(23,572)</b>	<b>(40,451)</b>	<b>(114,082)</b>	<b>0</b>	<b>0</b>	<b>(193)</b>	<b>(185,907)</b>	<b>(4,195)</b>
<b>Net Book Value</b>									
<b>At 31 March 2022</b>	<b>505,099</b>	<b>639,995</b>	<b>25,932</b>	<b>109,697</b>	<b>1</b>	<b>53,103</b>	<b>15,700</b>	<b>1,349,527</b>	<b>48,531</b>
<b>At 31 March 2021</b>	<b>465,810</b>	<b>576,240</b>	<b>26,707</b>	<b>119,462</b>	<b>1</b>	<b>84,550</b>	<b>17,175</b>	<b>1,289,945</b>	<b>44,933</b>

\* Derecognition – Other includes £13,178k of Assets Under Construction transferred to Intangible Assets note 5.14 on completion.

2020-21	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 2020	449,655	558,983	58,712	213,221	1	70,952	16,697	1,368,221	45,818
Reversal of accumulated depreciation on revaluation	(6,755)	(8,119)	0	0	0	0	0	(14,874)	0
Additions	3,269	7,624	1,690	7,675	441	32,871	0	53,570	9
Revaluation increases/(decreases) recognised in the Revaluation Reserve	19,087	14,273	0	0	0	0	1,303	34,663	2,576
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	7,932	0	0	(467)	0	(70)	7,395	0
Derecognition - Disposals	(2,228)	0	0	0	0	0	0	(2,228)	0
Reclassifications/ Transfer	9,771	7,596	1,226	1,227	26	(19,273)	(573)	0	0
<b>At 31 March 2021</b>	<b>472,799</b>	<b>588,289</b>	<b>61,628</b>	<b>222,123</b>	<b>1</b>	<b>84,550</b>	<b>17,357</b>	<b>1,446,747</b>	<b>48,403</b>
<b>Accumulated Depreciation</b>									
At 1 April 2020	(6,755)	(10,574)	(28,745)	(91,302)	0	0	(172)	(137,548)	(2,783)
Reversal of accumulated depreciation on revaluation	6,755	8,119	0	0	0	0	0	14,874	0
Depreciation charges for 2020-21	(7,350)	(9,594)	(6,176)	(11,359)	0	0	(10)	(34,489)	(687)
Derecognition - Depreciation on Disposal	361	0	0	0	0	0	0	361	0
<b>At 31 March 2021</b>	<b>(6,989)</b>	<b>(12,049)</b>	<b>(34,921)</b>	<b>(102,661)</b>	<b>0</b>	<b>0</b>	<b>(182)</b>	<b>(156,802)</b>	<b>(3,470)</b>
<b>Net Book Value</b>									
<b>At 31 March 2021</b>	<b>465,810</b>	<b>576,240</b>	<b>26,707</b>	<b>119,462</b>	<b>1</b>	<b>84,550</b>	<b>17,175</b>	<b>1,289,945</b>	<b>44,933</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>

### 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 £13.7m (£32.7m as at 31st March 2021). This expenditure will be incurred in 2022-23 and future years. The major capital commitments are as follows:

- HRA Building Council Homes for London scheme £7.0m (£21.1m as at 31st March 2021)
- Redevelopment of the Council's central depot £2.6m (£4.4m as at 31st March 2021)
- Redevelopment of Waxwell Lane £nil (£2.1m as at 31st March 2021)

### 5.11.3 Revaluations

The Council's 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 of non-HRA property assets are normally carried out internally at 1<sup>st</sup> April each year except for surplus and investment properties, assets held for sale and properties with greater than £450k of capital expenditure spent on them in-year which are valued at 31<sup>st</sup> March each year.

Specialist and out of borough investment properties have been valued by Crosthwaites, Fleurets, Gerald Eve and Knight Frank. All other valuations have been carried out by the Council internally. 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 2021. The Land Registry Index is used to calculate the movement in property values between 1<sup>st</sup> April 2021 and 31<sup>st</sup> March 2022. 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	25,932	109,697	53,103	0	188,732	0
Valued at fair value:								
As at 31st March 2022	505,099	443,793	0	0	0	15,700	964,592	77,930
As at 31st March 2021	0	130,208	0	0	0	0	130,208	0
As at 31st March 2020	0	38,598	0	0	0	0	38,598	0
As at 31st March 2019	0	15,482	0	0	0	0	15,482	0
As at 31st March 2018	0	11,914	0	0	0	0	11,914	0
Total Cost or Valuation as at 31st March 2022	<b>505,099</b>	<b>639,995</b>	<b>25,932</b>	<b>109,697</b>	<b>53,103</b>	<b>15,700</b>	<b>1,349,526</b>	<b>77,930</b>

### 5.11.4 Valuation of Surplus Assets

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

2020-21		2021-22
£000		£000
1,475	Surplus assets valued using level 2 inputs	0
15,700	Surplus assets valued using level 3 inputs	15,700
<u>17,175</u>	Balance at end of the year	<u>15,700</u>

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

2020-21		2021-22
£000		£000
16,525	Balance of surplus assets valued using level 3 inputs at 1st April	15,700
925	Increase in valuations during the year	0
(1,750)	Reclassification from surplus assets to other land & buildings	0
<u>15,700</u>	Balance of surplus assets valued using level 3 inputs at 31st March	<u>15,700</u>

### 5.11.5 Trust, Foundation, Voluntary Aided and Academy Schools

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

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

## 5.12 Heritage assets

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

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

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

**3. Pinner Hill Ice House:** Believed to date from the mid 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**

2020-21		2021-22
£000		£000
72,927	Balance at start of the year	77,155
0	Additions	2
0	Disposals	(620)
4,228	Net gains/(losses) from fair value adjustments	1,393
<u>77,155</u>	Balance at end of the year	<u>77,930</u>

2020-21		2021-22
£000		£000
71,195	Investment properties valued using level 2 inputs	72,364
5,960	Investment properties valued using level 3 inputs	5,566
<u>77,155</u>	Balance at end of the year	<u>77,930</u>

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

**5.14 Intangible assets**

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

Intangible assets have a useful life of 10 years.

2020-21		2021-22
£000		£000
0	Net carrying amount at 1st April	0
0	Transfer from Assets Under Construction (5.11)	13,178
<u>0</u>	Net carrying amount at 31st March	<u>13,178</u>

**5.15 Financial instruments**

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

	Long-term		Current	
	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21
	£000	£000	£000	£000
<b>Investments</b>				
Short term investments	0	0	20,117	17,616
Cash and cash equivalents	0	0	77,992	64,967
<b>Total investments</b>	<b>0</b>	<b>0</b>	<b>98,109</b>	<b>82,583</b>
<b>Debtors</b>				
Long term debtors	15,370	15,699	0	0
Financial assets carried at amortised cost	0	0	31,182	27,657
<b>Total Debtors</b>	<b>15,370</b>	<b>15,699</b>	<b>31,182</b>	<b>27,657</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	(417,325)	(422,358)	(9,830)	(8,058)
<b>Total borrowings</b>	<b>(417,325)</b>	<b>(422,358)</b>	<b>(9,830)</b>	<b>(8,058)</b>
<b>Other Liabilities</b>				
PFI and finance lease liabilities	(14,836)	(16,265)	(1,422)	(1,306)
<b>Total other liabilities</b>	<b>(14,836)</b>	<b>(16,265)</b>	<b>(1,422)</b>	<b>(1,306)</b>
<b>Creditors</b>				
Financial liabilities carried at amortised cost	0	0	(81,755)	(39,863)
<b>Total creditors</b>	<b>0</b>	<b>0</b>	<b>(81,755)</b>	<b>(39,863)</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 £25.4m (£36.7m in 2020-21). The creditors balance excludes £52.0m (£84.4m in 2020-21).

### Gains and losses on financial instruments

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

Financial Liabilities Measured at amortised cost	Financial Assets Measured at amortised cost	Total		Financial Liabilities Measured at amortised cost	Financial Assets Measured at amortised cost	Total
2020-21 £000	2020-21 £000	2020-21 £000		2021-22 £000	2021-22 £000	2021-22 £000
16,283	0	16,283	Interest Expenses	16,215	0	16,215
0	635	635	Impairment Losses	0	1,939	1,939
16,283	635	16,918	<b>Interest payable and similar charges</b>	16,215	1,939	18,154
0	(1,237)	(1,237)	Interest income	0	(1,217)	(1,217)
0	(1,237)	(1,237)	<b>Interest and investment income</b>	0	(1,217)	(1,217)
16,283	(602)	15,681	<b>Net gain/(loss) for the year</b>	16,215	722	16,937

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

### Fair value of assets and liabilities

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

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

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

Carrying Amount	Fair Value	Difference		Carrying Amount	Fair Value	Difference
2020-21 £000	2020-21 £000	2020-21 £000		2021-22 £000	2021-22 £000	2021-22 £000
17,616	17,616	0	Investments	20,117	20,117	0
15,699	31,849	16,150	Loans and receivables	15,370	28,252	12,882
64,967	64,967	0	Cash and Cash Equivalents	78,013	78,013	0
(426,964)	(696,293)	(269,329)	Borrowing	(427,156)	(630,293)	(203,137)

**5.16 Long term debtors**

31-Mar-21		31-Mar-22
£000		£000
15,568	West London Waste Authority	15,250
132	Other Loans	120
<u>15,700</u>	<b>Total</b>	<u>15,370</u>

**5.17 Inventories**

The Council is constructing property developments for the purpose of sale.

Property developments	Other	Total		Property developments	Other	Total
2020-21	2020-21	2020-21		2021-22	2021-22	2021-22
£000	£000	£000		£000	£000	£000
0	0	0	Balance at start of the year	0	0	0
0	0	0	Purchases	11,650	227	11,877
0	0	0	Recognised as an expense in the year	0	(58)	(58)
<u>0</u>	<u>0</u>	<u>0</u>	<b>Balance unapplied at 31 March</b>	<u>11,650</u>	<u>169</u>	<u>11,819</u>

**5.18 Short term debtors**

31-Mar-21		31-Mar-22
£000		£000
25,138	Business Rates & Council Tax *	14,456
34,344	Trade debtors	38,967
4,571	Other debtors	3,201
<u>64,053</u>	<b>Total</b>	<u>56,624</u>

\*The decrease in Business Rates & Council Tax debtors is due to the reduction in the carried forward Collection Fund Deficit thereby reducing the Central Government and GLA share (£4,842k and £5.451k respectively). Refer to Section 7 of the accounts

**5.19 Cash and cash equivalents**

31-Mar-21		31-Mar-22
£000		£000
129	Cash held by the Authority	96
(3,498)	Bank current accounts	10
64,837	Short-term deposits with Banks and Building Societies	77,886
<u>61,468</u>	<b>Total Cash and Cash Equivalents</b>	<u>77,992</u>

**5.20 Short term borrowing**

31-Mar-21		31-Mar-22
£000		£000
(2,791)	Public Works Loan Board	(7,791)
(566)	Other Financial Institutions	(548)
(1,035)	Pension Fund	(1,384)
(168)	Other Loans	(107)
<u>(4,560)</u>	<b>Total</b>	<u>(9,830)</u>

**5.21 Short term creditors**

31-Mar-21 £000		31-Mar-22 £000
(10,316)	Business Rates & Council Tax	(10,269)
(96,750)	Trade Creditors	(103,018)
(18,221)	Other Creditors	(21,920)
<u>(125,287)</u>	<b>Total</b>	<u>(135,207)</u>

**5.22 Provisions**

	Insurance £000	Business Rate Appeals £000	Other Provisions £000	Total £000
<b>Short Term</b>				
<b>Balance at 1 April</b>	(1,100)	(870)	(2,866)	<b>(4,836)</b>
Additional provisions made	(23)	(600)	(1,200)	<b>(1,823)</b>
Transferred to/from Long Term	(1,071)	0	0	<b>(1,071)</b>
Amounts used	1,094	870	1,044	<b>3,008</b>
Unused amounts reversed	0	0	109	<b>109</b>
<b>Balance at 31 March</b>	<b>(1,100)</b>	<b>(600)</b>	<b>(2,913)</b>	<b>(4,613)</b>
<b>Long Term</b>				
<b>Balance at 1 April</b>	(5,971)	0	0	<b>(5,971)</b>
Transferred to/from Short Term	1,071	0	0	<b>1,071</b>
<b>Balance at 31 March</b>	<b>(4,900)</b>	<b>0</b>	<b>0</b>	<b>(4,900)</b>

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

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

**5.23 Other long term liabilities**

31-Mar-21 £000		31-Mar-22 £000
(2,739)	Finance Lease Liability (Note 5.38.1)	(2,135)
(13,526)	PFI Lease Liability ( Note 5.39)	(12,701)
(518,223)	IAS19 Pension Liability ( Note 5.40.5)	(422,394)
<u>(534,488)</u>	<b>Total</b>	<u>(437,230)</u>

**5.24 Usable reserves**

31-Mar-21 £000		Note	31-Mar-22 £000
(10,008)	General Fund	4.2	(10,008)
(84,485)	Earmarked Reserves	5.7	(86,189)
(6,274)	Housing Revenue Account	6.1	(5,677)
(6,412)	Major Repairs Reserve	6.2.4	(7,343)
(14,351)	Capital Receipts Reserve	5.24.1	(13,279)
(37,541)	Capital Grants and Contributions Unapplied	5.24.2	(52,138)
<b>(159,071)</b>	<b>Total Usable Reserves</b>		<b>(174,634)</b>

**5.24.1 Capital receipts reserve**

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

General Fund 2020-21 £000	HRA 2020-21 £000	Total 2020-21 £000		General Fund 2021-22 £000	HRA 2021-22 £000	Total 2021-22 £000
(4,572)	(14,133)	(18,705)	Balance unapplied at 1 April	(2,394)	(11,957)	(14,351)
0	(162)	(162)	Receipts in year - Others	(2,180)	0	(2,180)
0	(4,494)	(4,494)	Receipts in year - Right to Buy	0	(5,147)	(5,147)
0	60	60	Disposal Costs	0	63	63
0	5,178	5,178	Pooling payment to the DLUHC	0	775	775
2,178	1,594	3,772	Applied during the year - others	0	4,079	4,079
0	0	0	Applied during the year - Right to Buy	0	3,482	3,482
<b>(2,394)</b>	<b>(11,957)</b>	<b>(14,351)</b>	<b>Balance unapplied at 31 March</b>	<b>(4,574)</b>	<b>(8,705)</b>	<b>(13,279)</b>

**5.24.2 Capital grants and contributions unapplied**

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

General Fund 2020-21 £000	HRA 2020-21 £000	Total 2020-21 £000		General Fund 2021-22 £000	HRA 2021-22 £000	Total 2021-22 £000
(29,552)	(5,836)	(35,388)	Balance unapplied at 1 April	(31,682)	(5,859)	(37,541)
(3,332)	(23)	(3,355)	Receipts in year	(18,906)	(5,290)	(24,196)
1,202	0	1,202	Applied during the year	2,175	7,424	9,599
<b>(31,682)</b>	<b>(5,859)</b>	<b>(37,541)</b>	<b>Balance unapplied at 31 March</b>	<b>(48,413)</b>	<b>(3,725)</b>	<b>(52,138)</b>

## 5.25 Unusable reserves

31-Mar-21 £000		Notes	31-Mar-22 £000
(212,994)	Revaluation Reserve	5.25.1	(261,200)
(595,728)	Capital Adjustment Account	5.25.2	(617,736)
11,128	Financial Instruments Adjustment Account	5.25.3	10,683
518,223	Pensions Reserve	5.25.4	422,394
12,291	Collection Fund Adjustment Account	5.25.5	6,014
7,133	Accumulating Compensated Absences Adjustment Account	5.25.6	6,881
3,731	Dedicated Schools Grant Reserve *		4,007
(8)	Deferred Capital Receipts Reserve		(8)
<b>(256,224)</b>	<b>Total Unusable Reserves</b>		<b>(428,965)</b>

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

### 5.25.1 Revaluation reserve

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

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

The Reserve contains only revaluation gains accumulated since 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.

2020-21				2021-22		
General Fund £000	HRA £000	Total £000		General Fund £000	HRA £000	Total £000
(108,943)	(73,489)	(182,432)	Balance at 1 April	(121,009)	(91,985)	(212,994)
(47,531)	(19,672)	(67,203)	Upward revaluation of property, plant & equipment	(36,296)	(28,751)	(65,047)
15,879	52	15,931	Less: reversal of past impairments charged to Provision of Services	9,238	(162)	9,076
(31,652)	(19,620)	(51,272)	Upward revaluation of assets charged to the revaluation reserve	(27,058)	(28,913)	(55,971)
24,403	742	25,145	Impairment of property, plant & equipment	5,088	111	5,199
(8,225)	(311)	(8,536)	Less: impairments charged to Provision of Services	(3,650)	(4)	(3,654)
16,178	431	16,609	Impairments charged to the revaluation reserve	1,438	107	1,545
(124,417)	(92,678)	(217,095)	(Surplus) / Deficit on revaluation of non-current assets not posted to (Surplus) / Deficit on the Provision of Services	(146,629)	(120,791)	(267,420)
3,408	622	4,030	Difference between fair value depreciation and historical cost depreciation	5,030	294	5,324
0	71	71	Accumulated gains on assets sold or scrapped	777	119	896
3,408	693	4,101	Amount written off to the Capital Adjustment Account	5,807	413	6,220
<b>(121,009)</b>	<b>(91,985)</b>	<b>(212,994)</b>	<b>Balance at 31 March</b>	<b>(140,822)</b>	<b>(120,378)</b>	<b>(261,200)</b>

### 5.25.2 Capital adjustment account

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

The Account contains accumulated gains and losses on Investment Properties.

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

2020-21				2021-22		
General Fund	HRA	Total		General Fund	HRA	Total
£000	£000	£000		£000	£000	£000
(303,178)	(268,157)	(571,335)	Balance at 1 April	(321,711)	(274,017)	(595,728)
26,812	7,677	34,489	Reversal of depreciation charged to the CIES	36,783	7,944	44,727
(7,474)	79	(7,395)	Asset Impairment/ (Reversal of Impairment)	(5,587)	165	(5,422)
0	1,868	1,868	Non Current assets written out on Disposal	2,084	2,180	4,264
1,246	0	1,246	statute	1,738	0	1,738
(3,408)	(693)	(4,101)	Amounts written off from the revaluation reserve	(5,807)	(413)	(6,220)
(2,178)	(1,594)	(3,772)	Use of the Capital Receipts Reserve	0	(7,561)	(7,561)
0	(8,993)	(8,993)	Use of the Major Repairs Reserve	0	(7,000)	(7,000)
(7,449)	(3,695)	(11,144)	Capital grants credited to CIES	(2,573)	(19,430)	(22,003)
(18,644)	(9)	(18,653)	Minimum Revenue Provision	(20,974)	(10)	(20,984)
(3,210)	(500)	(3,710)	Revenue Contribution to Capital Outlay	(2,025)	(129)	(2,154)
(4,228)	0	(4,228)	Movements in the market value of Investment Properties debited/credited to CIES	(1,393)	0	(1,393)
(321,711)	(274,017)	(595,728)	Balance at 31 March	(319,465)	(298,271)	(617,736)

### 5.25.3 Financial instruments adjustment account

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

2020-21 £000		2021-22 £000
11,573	<b>Balance at 1 April</b>	11,128
	Premiums and Discounts incurred in previous years to be charged against the General Fund and HRA in accordance with statutory requirements:	
(400)	General Fund	(400)
(45)	HRA	(45)
<u>11,128</u>	<b>Balance at 31 March</b>	<u>10,683</u>

### 5.25.4 Pensions reserve

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

2020-21 £000		2021-22 £000
407,120	<b>Balance at 1 April</b>	518,223
95,179	Remeasurement of the net defined benefit liability	(125,830)
	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	
39,547	Employer's pensions contributions and direct payments to pensioners payable in the year	53,625
(23,623)		(23,624)
<u>518,223</u>	<b>Balance at 31 March</b>	<u>422,394</u>

**5.25.5 Collection fund adjustment account**

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

2020-21 £000		2021-22 £000
(2,495)	<b>Balance at 1 April</b>	12,291
	Amount by which council tax and NNDR income credited to CIES is different	
14,786	from income calculated for the year in accordance with Statute	6,277
<u>12,291</u>	<b>Balance at 31 March</b>	<u>6,014</u>

**5.25.6 Accumulating compensated absences adjustment account**

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

2020-21 £000		2021-22 £000
4,556	<b>Balance at 1 April</b>	7,133
(4,556)	Settlement or cancellation of accrual made at the end of the preceding year	
		(7,133)
7,133	Amounts accrued at the end of the current year	6,881
<u>7,133</u>	<b>Balance at 31 March</b>	<u>6,881</u>

## 5.26 Notes to the Cash Flow Statement

### 5.26.1 Operating activities

2020-21 £000		2021-22 £000
	<b>The cash flows for operating activities include the following items:</b>	
16,918	Interest payable & similar charges	18,166
(1,237)	Interest and Investment income	(1,217)
(7,010)	Other investment income	(4,144)
	<b>The surplus or deficit on the provision of services has been adjusted for the following non cash movements:</b>	
15,924	Adjustment for pension funding	30,001
507	Increase/(Decrease) in Provision	(1,294)
27,094	Impairment and Depreciation	39,305
2,576	Accumulated Absence	(252)
1,868	Carrying amount of non-current assets disposed	4,264
(4)	Other non cash items charged to CIES	(38)
(4,228)	Movement in the value of investment properties	(1,393)
(22,672)	Billing authority Collection Fund adjustments	11,115
	<b>Items on an accrual basis</b>	
(3,026)	(Increase)/Decrease in Debtors	(5,946)
42,421	Increase/(Decrease) in Creditors	8,515
60,460	<b>Adjustments for non cash movements</b>	84,277
(4,656)	Proceeds from the sale of non-current assets	(7,265)
(13,297)	Capital grants credited to surplus or deficit on the provision of services	(36,598)
(17,953)	<b>Adjustments for investment and financing activities</b>	(43,863)

### 5.26.2 Investing activities

2020-21 £000		2021-22 £000
(55,000)	Purchase of property, plant and equipment and investment property	(69,107)
19,305	Capital grants received in year	33,309
	Proceeds from the sale of property, plant and equipment and investment property	7,265
4,656	Proceeds from short-term and long-term investments	(2,501)
5,999	Other long term loans granted	330
316		
(24,724)	<b>Net cash flows from Investing Activities</b>	(30,704)

### 5.26.3 Financing activities

2020-21 £000		2021-22 £000
	Cash receipts/ (payments) for the Increase/ (reduction) of the outstanding liabilities relating to finance leases and on-balance sheet	
(948)	PFI contracts	(1,314)
(246)	Cash receipts/ (repayments) of short-term and long-term borrowing	242
(1,194)	<b>Net cash flows from financing activities</b>	(1,072)

**5.27 Expenditure and income analysed by nature**

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

2020-21			2021-22
£000	Expenditure/Income	Notes	£000
	<b>Expenditure</b>		
209,173	Employee benefits expenditure		263,220
115,914	Housing benefits		104,316
227,612	Other service expenses		201,814
30,388	Support service recharges (excl. employee costs)		43,698
32,301	Depreciation and impairment		32,188
40,893	Other expenditure	5.8 - 5.9	39,582
<b>656,281</b>	<b>Total expenditure</b>		<b>684,818</b>
	<b>Income</b>		
(113,218)	Fees, charges and other service income		(132,819)
(313,966)	Revenue grants included within cost of services	5.35.1	(308,502)
(235,370)	Other income	5.8 - 5.10	(251,383)
<b>(662,554)</b>	<b>Total income</b>		<b>(692,704)</b>
<b>(6,273)</b>	<b>(Surplus)/Deficit on Provision of Services</b>		<b>(7,886)</b>

**5.28 Road charging schemes under the Transport Act 2000**

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

2020-21		2021-22
£000		£000
(5,777)	Penalty Charge Notices	(7,430)
(643)	On street meters	(970)
(596)	Residents Permits	(858)
<b>(7,016)</b>	<b>Total income</b>	<b>(9,258)</b>
2,114	Enforcement contract/costs	2,616
1,253	Other expenditure	550
<b>3,367</b>	<b>Total expenditure</b>	<b>3,166</b>
<b>(3,649)</b>	<b>Total (surplus) for the year ending 31 March 2021</b>	<b>(6,092)</b>
	<u>Utilisation of Surplus</u>	
3,649	Concessionary fares	6,092
<b>3,649</b>		<b>6,092</b>

### 5.29 Pooled budgets – Better Care Fund

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

2020-21 £000		2021-22 £000
(8,189)	Funding provided to the pooled budget	(8,188)
(16,271)	· Harrow Contribution	(17,129)
(24,460)	· NHS Harrow CCG Contribution	(25,317)
12,904	Revenue Expenditure met from the pooled budget:	13,267
9,835	· Harrow Council	10,328
22,739	· NHS Harrow CCG	23,595
1,721	Capital Expenditure met from the pooled budget:	1,722
1,721	· Harrow Council - Disabled Facilities Grants	1,722
0	Surplus for the year	0

### 5.30 Members' Allowances

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

2020-21 £000		2021-22 £000
891	Allow ances	921
891	Total	921

### 5.31 Remuneration

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

#### 5.31.1 Remuneration bands

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

Remuneration band	Number of Council Employees			
	Number in band	Due to Lump Sum	Number in band	Due to Lump Sum
	2021-22	2021-22	2020-21	2020-21
£50,000 - £54,999	158	2	140	1
£55,000 - £59,999	98	1	76	1
£60,000 - £64,999	78	1	61	1
£65,000 - £69,999	34	1	37	0
£70,000 - £74,999	30	0	17	1
£75,000 - £79,999	25	1	20	0
£80,000 - £84,999	21	1	16	1
£85,000 - £89,999	7	0	3	0
£90,000 - £94,999	5	0	4	0
£95,000 - £99,999	5	0	3	0
£100,000 - £104,999	2	0	5	0
£105,000 - £109,999	5	0	3	0
£110,000 - £114,999	1	0	3	0
£115,000 - £119,999	1	0	3	0
£120,000 - £124,999	4	0	2	1
£125,000 - £129,999	3	0	0	0
£135,000 - £139,999	0	1	0	0
£155,000 - £159,999	0	0	0	1
£190,000 - £194,999	0	0	0	1
	477	8	393	8

### 5.31.2 Senior officer remuneration

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

Position Held	Notes	Salary (including Fees and Allowances)		Employers Pension Contribution		Total Remuneration including employers pension contributions	
		£	£	£	£	£	£
		2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
Sean Harriss (Chief Executive)	1	228,801	226,050	0	0	228,801	226,050
Charlie Stewart (Corporate Director - Resources)		162,555	160,293	40,427	39,865	202,982	200,158
Paul Hewitt (Corporate Director - People Services)	1	153,036	150,774	0	0	153,036	150,774
		<b>544,392</b>	<b>537,117</b>	<b>40,427</b>	<b>39,865</b>	<b>584,819</b>	<b>576,982</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		Total Remuneration including employers pension contributions	
		£	£	£	£	£	£
		2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
Corporate Director - Community	2	18,580	150,774	0	0	18,580	150,774
Acting Corporate Director - Community	3	125,269	0	31,154	0	156,423	0
Corporate Director - Community	4	79,586	0	19,171	0	98,757	0
Director Legal and Governance		157,234	147,054	37,781	35,268	195,015	182,322
Director of Finance		138,726	136,674	34,501	33,991	173,227	170,665
Director of Adult Social Services		135,176	133,322	33,618	33,157	168,794	166,479
		<b>654,571</b>	<b>567,824</b>	<b>156,225</b>	<b>102,416</b>	<b>810,796</b>	<b>670,240</b>

Note 1 The officer is not a member of the pension scheme.

Note 2 The Corporate Director left the Council on 2 May 2021. The Corporate Director was not a member of the pension scheme.

Note 3 The officer acted in the role from 26 April 2021 to 12 September 2021. The salary is for the entire year.

Note 4 The Corporate Director commenced on 13 September 2021.

### 5.32 Termination benefits

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

Exit Payments cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of Exit Payments by cost band		Total cost of Exit Payments in each band	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
							£000	£000
£0 - £20,000	24	4	3	6	27	10	165	81
£20,001 - £40,000	4	5	2	6	6	11	171	318
£40,001 - £60,000	3	0	0	1	3	1	144	40
£60,001 - £80,000	0	1	0	0	0	1	0	77
£80,001 - £100,000	0	0	0	1	0	1	0	99
£160,001 - £180,000	1	0	0	0	1	0	165	0
Total	32	10	5	14	37	24	645	615

'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

2020-21 £000		2021-22 £000
454	Exit payments not provided for in 2020-21	645
161	Employment provision (within note 5.22)	0
<u>615</u>	<b>Included in cost of services</b>	<u>645</u>

### 5.33 External audit costs

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

2020-21 £000		2021-22 £000
	Fees payable to external auditors in respect of:	
	External audit services carried out by the appointed auditor for the year	153
133		
27	Certification of grant claims and returns for the year	27
<u>160</u>	Total	<u>180</u>

### 5.34 Dedicated Schools Grant

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

Details of the deployment of DSG receivable are as follows:

	Central Expenditure £000	Expenditure £000	Total £000
Final DSG for 2021-22 before academy recoupment			239,668
Academy and high needs figure recouped for 2021-22			102,266
Total DSG after academy recoupment for 2021-22			137,402
Plus: Brought forward from 2020-21			258
Less: Carry forward to 2022-23 agreed in advance			(258)
Agreed budgeted distribution in 2021-22	55,820	81,582	137,402
In-year adjustments	(343)	0	(343)
Final budget distribution for 2021-22	55,477	81,582	137,059
Less: Actual central expenditure	56,564	0	56,564
Less: Actual ISB deployed to schools	0	81,582	81,582
<b>In year carry forward to 2022-23</b>	<b>(1,087)</b>	<b>0</b>	<b>(1,087)</b>
Plus: Carry forward to 2022-23 agreed in advance			258
Carry forward to 2022-23			0
DSG unusable reserve at the end of 2020-21			(258)
Addition to DSG unusable reserve at the end of 2021-22			(829)
Total of DSG unusable reserve at the end of 2021-22			(1,087)
Net DSG position at the end of 2021-22			(1,087)

### 5.35 Grants income

#### 5.35.1 Revenue grants included within the cost of services

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

2020-21 £000 Grant	Awarding Body	2021-22 £000
(132,448) Dedicated Schools Grant	Department for Education	(137,543)
(4,948) Pupil Premium	Department for Education	(3,807)
(2,693) Universal Infant Free School Meals	Department for Education	(2,232)
(2,744) Private finance initiative	Various	(2,509)
(11,150) Public Health	Department of Health	(11,310)
(9,596) COVID-19 Grants	Various	(7,290)
(91,109) Rent Allowance	Department of Work and Pensions	(78,440)
(25,681) HRA Rent Rebate	Department of Work and Pensions	(26,807)
(2,612) New Burdens	Department of Work and Pensions	(2,616)
(2,806) Workforce Capacity Grant	Department for Levelling Up, Housing & Communities	(4,337)
(6,407) EFA 6th Form Funding	Young People's Learning Agency	(3,105)
(6,468) Improved Better Care Fund	Department for Levelling Up, Housing & Communities	(6,468)
(15,304) Other Grants	Various	(22,038)
<b>(313,966) Total Revenue Grants included in the Comprehensive Income and Expenditure Account</b>		<b>(308,502)</b>

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

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

2020-21 £000	Grant	Awarding Body	2021-22 £000
(3,121)	LA Capital Maintenance and Basic Need Grant	Department for Education	(17,774)
(3,025)	HRA Grange Farm Phases 1 & 2	Greater London Authority	(1,903)
0	HRA RTB Buy Back Grant	Greater London Authority	(4,404)
0	HRA New Build Programme	Greater London Authority	(6,725)
(903)	Section 20 & 106 income	Various	(1,384)
(6,248)	Other	Various	(4,409)
<u>(13,297)</u>	<b>Total Capital Grants included in Comprehensive Income and Expenditure Account</b>		<u>(36,599)</u>

**5.35.3 Capital grants receipts in advance**

2020-21 £000	Grant - Capital	Awarding Body	2021-22 £000
(3,750)	Borough Intervention Agreement	Greater London Authority	(3,750)
(2,483)	Decarbonisation Scheme Funding	Department for Business, Energy & Industrial Strategy	(1,348)
(2,281)	Housing Infrastructure Funding	Greater London Authority	0
(746)	Section 106 Capital Receipts	Various	(738)
(3,882)	Other Capital Grants	Various	(4,017)
<u>(13,142)</u>			<u>(9,853)</u>

### 5.36 Related parties

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

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

#### 5.36.1 United Kingdom Government and other Public Bodies

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

#### Members and senior officers

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

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

The Council has significant influence over the decisions of 3 local charities due to a significant number of Members also being trustees on their governing bodies. In 2021-22 the Council made the following payments for grants and services:

Organisation	Amount £000
West House and Heath Robinson Museum	14
Harrow Association	34
Harrow Heritage Trust	1

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

#### 5.36.2 London Borough of Harrow Pension Fund

The Council is the Administering Authority for the Pension Fund.

2020-21  
£000

23,206	Employers Pension Contributions to the Fund
(908)	Administration expenses paid by the Fund
1,035	Cash Due to the Fund

2021-22  
£000

23,651
(1,078)
1,384

### 5.37 Capital Financing

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

2020-21 £000		2021-22 £000
564,610	Opening Capital Financing Requirement	573,154
	<i>Capital Investment</i>	
53,570	Property, Plant and Equipment	61,256
0	Investment Property	2
0	Inventories	11,650
1,246	Revenue Expenditure Funded from Capital under Statute	1,738
	<i>Sources of finance</i>	
(3,772)	Capital receipts	(7,561)
(11,144)	Government grants and other contributions	(22,001)
	Sums set aside from revenue:	
(3,710)	· Direct revenue contributions	(2,154)
(18,653)	· Minimum Revenue Provision	(20,984)
(8,993)	· Major Repairs Reserve	(7,000)
<b>573,154</b>	<i>Closing Capital Financing Requirement</i>	<b>588,100</b>
	<i>Explanation of movements in year</i>	
27,197	Increase in unsupported borrowing	35,930
(18,653)	Minimum Revenue provision	(20,984)
<b>8,544</b>	<i>Increase in Capital Financing Requirement</i>	<b>14,946</b>

### 5.38 Leases

#### 5.38.1 The Council as Lessee

#### Finance Leases

Assets acquired under finance leases are included as part of Vehicles, Plant, Furniture and Equipment in the Property, Plant and Equipment balance in the Balance Sheet. The book value of these assets is £2.5m (£3.1m in 2020-21). Outstanding lease liabilities are £2.7m (£3.3m in 2020-21) and minimum lease payments of £3.6m (£4.4m in 2020-21) will be made over the next 1 to 6 years.

#### Operating Leases

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

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

31-Mar-21 £000		31-Mar-22 £000
3,199	Not later than one year	3,096
1,548	Later than one year and not later than five years	1,117
2,088	Later than five years	2,026
<b>6,835</b>		<b>6,239</b>
<b>3,473</b>	Min. lease payments charged to revenue in 21-22	<b>3,236</b>

### 5.38.2 The Council as Lessor

#### Finance Leases

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

Although the legal form of the transfer arrangement is a lease, and the Council retains the freehold, the transfer of schools to Academy status are treated as in substance a disposal in the Council's balance sheet. No maintained schools transferred to Academy status in 2021-22.

#### 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 £4.3m in 2021-22 (£4.5m in 2020-21).

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

31-Mar-21		31-Mar-22
£000	Land and Buildings	£000
5,526	Not later than one year	6,148
18,092	Later than one year and not later than five years	18,134
16,428	Later than five years	12,019
<u>40,046</u>		<u>36,301</u>

### 5.39 Private Finance Initiative (PFI)

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

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

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

Outstanding PFI lease liabilities are as follows:

#### Special schools

2020-21		2021-22
£000		£000
(10,030)	Balance outstanding at start of year	(9,577)
1,374	Lease repayments during the year	1,394
(921)	Finance charge	(880)
<u>(9,577)</u>	Balance outstanding at year end	<u>(9,063)</u>

#### NRCs

2020-21		2021-22
£000		£000
(4,888)	Balance outstanding at start of year	(4,695)
599	Lease repayments during the year	621
(406)	Finance charge	(389)
<u>(4,695)</u>	Balance outstanding at year end	<u>(4,463)</u>

#### 5.39.1 Special schools

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

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

	Payment for Services £000	Interest £000	Principal Repayment £000	Contingent Rent £000	Total £000
<b>Schools</b>					
Payable in 2022-23	1,284	832	565	125	2,806
Payable within 2 to 5 years	7,007	2,882	1,925	(193)	11,621
Payable within 6 to 10 years	8,075	2,267	4,518	641	15,501
Payable within 11 to 12 years	2,377	261	2,055	468	5,161
<b>Total</b>	<b>18,743</b>	<b>6,242</b>	<b>9,063</b>	<b>1,041</b>	<b>35,089</b>

#### 5.39.2 Neighbourhood Resource Centres (NRC)

Three Centres have been provided under the Local Improvement Finance Trust (LIFT) initiative on Council sites under 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 2022-23	260	370	260	275	1,165
Payable within 2 to 5 years	1,261	1,257	1,165	1,279	4,962
Payable within 6 to 10 years	1,890	987	1,955	2,100	6,932
Payable within 11 to 12 years	1,108	138	1,083	1,054	3,383
<b>Total</b>	<b>4,519</b>	<b>2,752</b>	<b>4,463</b>	<b>4,708</b>	<b>16,442</b>

## 5.40 Defined benefit pension schemes

### 5.40.1 Participation in pension scheme

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

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

### 5.40.2 Transactions relating to post-employment benefits

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

Cumulative actuarial remeasurement losses of £108m have been recognised in the Movement in Reserves Statement up to and including 2021-22 (£329m in 2020-21).

Expected employer contributions for 2022-23 are £20.9m, excluding any contributions in respect of unfunded benefits.

2020-21 8000		2021-22 £000
	Cost of Services:	
29,845	• current service cost	44,217
273	• past service and settlement costs	96
0	• (Gain)/loss on settlements	(4,408)
	Financing and Investment Income and Expenditure	
25,352	• interest cost	27,840
(15,923)	• interest income on scheme assets	(17,320)
0	• Effect of business combinations & disposals	3,200
39,547	Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services	50,425
	Other Post Employment Benefit Charged to the CIES	
	Remeasurements in net liability due to	
14,582	• changes in demographic assumptions	(6,074)
258,858	• changes in financial assumptions	(85,206)
(166,684)	• return on plan assets	(34,327)
(11,577)	• changes in other experience	(223)
95,179		(125,830)
134,726	Total Post Employment Benefit Charged to the CIES	(75,405)
23,623	Actual amount charged to the General Fund balance in the year	23,624

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

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

2020-21 £000		2021-22 £000
(1,104,073)	Opening balance at 1 April	(1,389,177)
(29,845)	Current service cost	(44,217)
(25,352)	Interest cost	(27,840)
(5,667)	Contributions by scheme participants	(5,704)
	Remeasurement (gains)/losses arising from changes in:	
(14,582)	Demographic Assumptions	6,074
(258,858)	Financial Assumptions	85,206
11,577	Other Experience	223
37,668	Benefits paid	38,461
0	Effect of settlements	4,408
(45)	Past service costs	(96)
0	Effect of business combinations & disposals	(3,627)
<u>(1,389,177)</u>	Closing balance at 31 March	<u>(1,336,289)</u>

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

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

The actual return on scheme assets in the year was £51.6m (2020-21: £182.6m).

2020-21 £000		2021-22 £000
696,953	Opening balance at 1 April	870,954
15,923	Interest income on plan assets	17,320
166,684	Remeasurement gain/(loss)	34,327
(228)	Effects of settlements	0
23,623	Employer contributions	23,624
5,667	Contributions by scheme participants	5,704
(37,668)	Benefits paid	(38,461)
0	Effect of business combinations & disposals	427
<u>870,954</u>	Closing balance at 31 March	<u>913,895</u>

### 5.40.5 Scheme history

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

	2021-22 £000	2020-21 £000	2019-20 £000	2018-19 £000	2017-18 £000
Present value of liabilities	(1,336,289)	(1,389,177)	(1,104,073)	(1,212,805)	(1,116,211)
Fair value of assets	913,895	870,954	696,953	807,216	760,920
Net deficit in the scheme	(422,394)	(518,223)	(407,120)	(405,589)	(355,291)

#### 5.40.6 Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the Projected Unit Method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Scheme liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31<sup>st</sup> March 2019.

The principal assumptions used by the actuary have been:

2020-21		2021-22
	<b>Long-term expected rate of return on assets in the scheme:</b>	
26.3%	Equity investments	6.0%
	Mortality assumptions:	
	<b>Longevity at 65 for current pensioners:</b>	
22.2	Men	22.0
24.6	Women	24.4
	<b>Longevity at 65 for future pensioners:</b>	
23.5	Men	23.3
26.9	Women	26.7
	<b>Financial assumptions:</b>	
3.6%	Rate of increase in salaries	3.9%
2.9%	Rate of increase in pensions (CPI)	3.2%
2.0%	Rate for discounting scheme liabilities	2.7%
	<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%

#### 5.40.7 Scheme assets

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

31-Mar-21		31-Mar-22
14.0%	Debt Securities - Corporate Bonds	14.0%
1.0%	Private Equity	1.0%
6.0%	Real Estate: UK Property	7.0%
	Investment Funds and Unit Trusts:	
53.0%	Equities	53.0%
23.0%	Other	22.0%
3.0%	Cash and Equivalents	3.0%
<b>100%</b>		<b>100%</b>

#### 5.40.8 History of experience gains and losses

	2021-22	2020-21	2019-20	2018-19	2017-18
	%	%	%	%	%
Differences between the expected and actual return on assets	3.76	19.14	-17.05	4.09	2.22
Experience gains and (losses) on liabilities	-0.02	-0.83	-3.93	0.07	-0.02

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

	Increase in present value of scheme liabilities	
	%	£000
0.5% decrease in the real discount rate	2	23,368
0.5% increase in rate of increase in salaries	0	1,621
0.5% increase in the rate of increase in pensions	2	21,577
1 year increase in member life expectancy	4	53,452

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

**5.41 Teachers' Pension Scheme**

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

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

In 2021-22 the Council made £8.71m (£8.54m in 2020-21) of employer contributions to the TPA. The current contribution rate is 23.68% (23.68% in 2020-21).

**5.42 Nature and extent of risks arising from financial instruments**

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

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

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

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

### Credit risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with non-UK banks and financial institutions unless they are rated independently with a minimum score of AA- sovereign rating, A- long term rating or 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-22	Historical experience of default	Historical experience adjusted for market conditions at 31-Mar-22	Estimated maximum exposure to default and uncollectability 31-Mar-22
	£000	%	%	£000
UK Banks	96,386	0.00	0.00	0
UK Money Market Funds	1,617	0.00	0.00	0
Customers	20,354	1.09	18.49	4,616
Total	118,357			4,616

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-21		Amount at 31-Mar-22
£000		£000
8,839	Less than three months	15,677
1,127	Three to six months	1,672
852	Six months to one year	773
1,625	More than one year	2,232
12,443	<b>Total Debtors</b>	<b>20,354</b>

### Liquidity risk

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

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

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

The maturity structure of long term borrowing is as follows:

31-Mar-21 £000		31-Mar-22 £000
	Source of Loan:	
(348,461)	Public Works Loan Board	(343,461)
(73,800)	Market Loans	(73,800)
(97)	Other financial institutions	(64)
<u>(422,358)</u>	<b>Total</b>	<u>(417,325)</u>
	Analysis of loans by maturity:	
(5,033)	1-2 years (1.4.2023 - 31.3.2024)	(21)
(54)	3-5 years (1.4.2024 - 31.3.2027)	(43)
(20,010)	6-10 years (1.4.2027 - 31.3.2032)	(20,000)
(397,261)	More than 10 years (1.4.2032 onwards)	(397,261)
<u>(422,358)</u>	<b>Total</b>	<u>(417,325)</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 £117m (£95m in 2020-21). With the base rate currently fixed at 1.25%, 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 £1.17m.

#### **5.43 Trust funds**

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

The Council acts as a custodian for various trust funds. The balance of these trust funds at 31 March 2022 was £211k (£214k at 31 March 2021).

In addition the Council acts as administrator for the Edward Harvist Charity. Charity funds are held in a permanent endowment fund. Income from the investment is distributed to 5 Boroughs who then make grants to appropriate organisations and individuals for the public benefit to improve the lives of their residents. The value of Charity funds at 31 March 2022 was £11.4m (£10.8m at 31 March 2021).

#### **5.44 Interests in subsidiary companies**

The Council controls the following subsidiary companies:

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

Concilium Assets LLP is owned 95% by Harrow and 5% by Concilium Group Ltd. The LLP paid £406k to the Council in 2021-22 (£451k in 2020-21) mostly for the lease of residential properties.

Sancroft Community Care Ltd and Concilium Business Services Ltd are 100% owned by Concilium Group Ltd. The Council paid £1,977k to Sancroft Community Care Ltd in 2021-22 (£1,906k in 2020-21) for provision of residential care services.

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

The Statement of Accounts was authorised for issue by the Director of Finance on **XX** November 2022. Events taking place after this date are not reflected in the financial statements or notes.

## 6 Housing Revenue Account

### 6.1 Housing Revenue Account (HRA)

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

2020-21			2021-22	
£000		Note	£000	£000
	<b>Expenditure</b>			
8,025	Repairs and maintenance		9,265	
9,500	Supervision and management		10,142	
156	Rents, rates, taxes and other charges		140	
7,664	Depreciation of non current assets	6.2.3	7,931	
79	Impairment of non-current assets		0	
37	Debt management costs		37	
<u>25,461</u>	<b>Total Expenditure</b>			<u>27,515</u>
	<b>Income</b>			
(28,310)	Dwelling rents (gross)	6.2.1	(28,820)	
(513)	Non-dwelling rents (gross)	6.2.2	(496)	
(1,868)	Charges for services and facilities		(2,040)	
(1,398)	Contributions towards expenditure		(1,548)	
0	Impairment of non-current assets		(172)	
<u>(32,089)</u>	<b>Total Income</b>			<u>(33,076)</u>
	<b>Net cost of HRA Services as included in the Whole Authority Comprehensive Income and Expenditure Statement</b>			<b>(5,561)</b>
448	HRA's share of Corporate and Democratic Core			<u>457</u>
<u>(6,180)</u>	<b>Net cost of HRA Services</b>			<u>(5,104)</u>
	<b>HRA share of operating income &amp; expenditure included in the Whole Authority Comprehensive Income &amp; Expenditure Statement</b>			
(2,729)	Loss (Gain) on sale of HRA Fixed Assets		(2,904)	
5,179	Pooling payments in respect of Right to Buy disposals		775	
6,422	Interest payable and similar charges		6,446	
(19)	Interest & investment income		(10)	
(3,717)	Capital grants & contributions receivable		(14,121)	
<u>(1,044)</u>	<b>(Surplus) Deficit for the year on HRA services</b>			<u>(14,918)</u>

**Statement of Movement on the HRA Balance**

2020-21 £000		Note	2021-22 £000
(7,526)	<b>Balance on HRA at end of the previous year</b>		<b>(6,274)</b>
(1,044)	(Surplus)/deficit for the year on the HRA Income & Expenditure Statement		<b>(14,918)</b>
2,774	Adjustment between accounting basis and funding basis under regulations	6.2.9	<b>2,949</b>
1,730	Net increase or decrease before transfers from reserves		<b>(11,969)</b>
(478)	Transfer to reserves	6.2.9	<b>12,566</b>
1,252	<b>(Increase)/decrease in year on the HRA</b>		<b>597</b>
(6,274)	<b>Balance on HRA at end of the current year</b>		<b>(5,677)</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 0.71% of lettable properties were vacant (0.77% in 2020-21). The average de-pooled rents were £115.94 per week (£113.56 in 2020-21). There was an average rent increase of 2.1% over the previous year. The average increase, after taking into account service charges, was 2.05%.

**6.2.2 Non-dwelling Rents**

This includes garages. At the year-end 63.0% of garages were vacant (61.5% in 2020-21).

**6.2.3 HRA Fixed Assets**

	Land £000	Dwellings £000	Assets under construction £000	Shops £000	Garages £000	Community Halls £000	Total £000
Net book value as at 1 April 2021	215,041	250,769	20,300	4,880	4,671	7,974	<b>503,635</b>
Revaluations and additions	35,166	13,887	9,174	699	674	86	<b>59,686</b>
Disposals	(1,015)	(1,137)	0	0	0	0	<b>(2,152)</b>
Gross book value as at 31 March 2022	<b>249,192</b>	<b>263,519</b>	<b>29,474</b>	<b>5,579</b>	<b>5,345</b>	<b>8,060</b>	<b>561,169</b>
Depreciation for year	0	(7,609)	0	(39)	(170)	(113)	<b>(7,931)</b>
Net book value as at 31 March 2022	<b>249,192</b>	<b>255,910</b>	<b>29,474</b>	<b>5,540</b>	<b>5,175</b>	<b>7,947</b>	<b>553,238</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 2021 would have been £1,608m (£1,530m at 1<sup>st</sup> April 2020), therefore recognising the economic cost to the Government of providing Council housing at less than open market value of £1,142m (2020-21 £1,087m).

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-21 £000	Transfer to Reserve £000	Capital Expenditure £000	Debt Repayment £000	Balance 31-Mar-22 £000
Analysis of the Movement	(6,412)	(7,931)	6,274	726	(7,343)

#### 6.2.5 Capital Expenditure and Funding Statement

2020-21 £000		2021-22 £000
	<b>HRA Capital Expenditure</b>	
3,793	Dwellings & garages	6,402
8,744	New build	24,127
<u>12,537</u>	<b>Total</b>	<u>30,529</u>
	<b>Financed by:</b>	
8,342	Major Repairs Reserve	6,274
0	Capital receipts - Right to Buy, Affordable Housing & other	7,185
3,695	Contributions & Grants	16,255
500	Revenue Funding	129
0	Borrowing	686
<u>12,537</u>	<b>Total</b>	<u>30,529</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 5.24.1.

#### 6.2.7 Pensions (IAS 19)

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

Further details are provided in note 5.40.

## 6.2.8 Housing Revenue Account Statistics

2020-21 Total	Housing Stock	Houses	Flats	Bungalows	2021-22 Total
105	4 or more bedrooms	103	2	2	107
1,343	3 bedrooms	1,245	104	1	1,350
1,399	2 bedrooms	545	843	26	1,414
1,897	1 bedroom	4	1,774	134	1,912
4,744	LBH managed stock as at 31 March	1,897	2,723	163	4,783
743	Garages				743
1,156	Leaseholders				1,147
	<b>Summary of change in stock</b>				
4,823	Stock as at 1 April				4,744
	<b>Add/ (Less)</b>				
(21)	Sales				(22)
(62)	Demolitions				0
3	New builds & Acquisitions				61
1	Transfer from General Fund				0
4,744	<b>Total HRA stock at 31 March</b>				4,783
	<b>Measures of performance &amp; information for disclosure notes to HRA</b>				
£57.03	Average weekly costs per dwelling of management and maintenance				£56.55
£1.569m	Rent arrears (current and former tenants)				1.492m
96.43%	Rent collection rate (BVPI 66a)				96.45%
2.58%	Current tenant arrears as percentage of rent roll (whether dwellings occupied or not)				2.00%
0.77%	Rent loss through voids				0.65%
£151k	Write offs in year				£55k
£684k	Provision for bad debts				£780k

## 6.2.9 Statement of Movement on the HRA Balance

2020-21 £000		2021-22 £000
	<b>Adjustment between accounting basis and funding basis under regulations</b>	
45	Difference between amortisation of premiums & discounts determined in accordance with the Code and those determined in accordance with statute	45
	<b>Difference between any other item of income &amp; expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements</b>	
2,729	Gain (Loss) on sale of HRA fixed assets	2,904
2,774		2,949
	<b>Transfer to / (from) earmarked reserves</b>	
	<b>HRA share of contributions to/(from) Pensions Reserve :</b>	
(348)	Net charges made for retirement benefits in accordance with IAS19	(949)
	<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>	
(79)	Impairment	172
500	Capital expenditure funded from revenue balances	129
9	Minimum revenue provision	10
3,718	Capital grants and contributions	14,121
(7,677)	Depreciation transfer	(7,944)
7,664	Transfer to the Major Repairs Reserve	7,931
	<b>Transfers to/(from) other reserves</b>	
(5,178)	Pooling payments to DLUHC financed through capital reserves	(775)
913	Other	(129)
(478)		12,566
2,296		15,515

## 7 Collection Fund

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

### 7.1 Statement of Income and Expenditure

2020-21		Business Rates & Crossrail	2021-22 Council Tax	Total
£000		£000	£000	£000
<b>Income</b>				
(165,216)	Income from Council Tax	0	(174,269)	(174,269)
(25,063)	Income Collectable from Business Ratepayers	(35,545)	0	(35,545)
(1,071)	Income Collectable from Business Ratepayers - BRS	(734)	0	(734)
<u>(191,350)</u>	<b>Total Income</b>	<u>(36,278)</u>	<u>(174,269)</u>	<u>(210,548)</u>
<b>Expenditure</b>				
<b>Apportionment of Previous year surplus / deficit</b>				
45	Central Government	(9,098)	0	(9,098)
2,112	Harrow Council	(8,258)	186	(8,072)
481	Greater London Authority	(10,201)	60	(10,141)
<b>Precepts, demands and shares</b>				
16,437	Central Government	16,880	0	16,880
148,434	Local Demand (Harrow)	15,346	139,706	155,051
48,611	Greater London Authority	19,654	31,779	51,433
<b>Impairment of debts / appeals</b>				
3,784	Write offs of uncollectable amounts	610	1,340	1,951
9,189	Increase in bad debt provisions	(709)	(1,847)	(2,556)
1,000	Increase / (decrease) in provision for appeals	(900)	0	(900)
244	Costs of Collection	245	0	245
<u>230,337</u>	<b>Total Expenditure</b>	<u>23,569</u>	<u>171,224</u>	<u>194,793</u>
38,987	Movement on Fund balance: (Surplus) / Deficit for the year	(12,710)	(3,045)	(15,755)
<u>(3,026)</u>	(Surplus) / Deficit brought forward	<u>33,061</u>	<u>2,900</u>	<u>35,961</u>
<u>35,961</u>	<b>(Surplus) / Deficit carried forward</b>	<u>20,351</u>	<u>(145)</u>	<u>20,206</u>

## 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:

2020-21				2021-22			
Band D Ratio	Property Numbers	Council Tax £		Band D Ratio	Property Numbers	Council Tax £	
Valuation Bands							
6/9	371	1,237.45	A =	Not exceeding £40,000	6/9	392	1,308.24
7/9	1,885	1,443.71	B =	£40,001 - £52,000	7/9	1,994	1,526.28
8/9	14,977	1,649.95	C =	£52,001 - £68,000	8/9	14,665	1,744.32
1	25,386	1,856.19	D =	£68,001 - £88,000	1	25,041	1,962.36
11/9	24,137	2,268.68	E =	£88,001 - £120,000	11/9	24,099	2,398.44
13/9	10,789	2,681.17	F =	£120,001 - £160,000	13/9	10,926	2,834.52
15/9	9,577	3,093.65	G =	£160,001 - £320,000	15/9	9,602	3,270.60
2	2,334	3,712.38	H =	£320,001 +	2	2,452	3,924.72
	89,456		Total			89,171	
	(1,789)		Adjustment for non-collection			(1,784)	
	87,667		Council tax base			87,387	

### 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 2021-22, split between relevant preceptors at the following percentages: the Council (30%), the GLA (37%) and the Department for Levelling Up, Housing & Communities (33%).

The total non-domestic rateable value for the London Borough of Harrow at the year-end was £134.5m (£138.8m in 2020-21). The national non-domestic rate multiplier for 2021-22 remained the same at 51.2p (51.2p in 2020-21) with a lower multiplier for small businesses also remaining the same at 49.9p (49.9p in 2020-21).

### 7.1.3 Business Rate Supplement - Crossrail

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

## 8 Annual Governance Statement

### 8.1 Introduction

Throughout 2021/22 Members and staff working for Harrow Council strived to achieve the Council's vision, priorities and outcomes as outlined in the Harrow Borough Plan 2030. 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 Borough Plan 2030, that there is sound and inclusive decision making and that there is clear accountability for the use of resources in order to achieve the desired outcomes for Harrow service users and local communities.

A new Administration was elected in May 2022 and a review of the Council's priorities is underway as a result.

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

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

Bearing this in mind and taking into account the ongoing impact of the pandemic on resources the approach to the annual review process for 2020/21 was revised with a higher-level approach being taken generally with some deep dives into a few specific known risk areas, utilising work already undertaken or planned wherever possible. As this worked well and bearing in mind the impact on resources caused by the ongoing significant governance gap, a hybrid approach is being taken for the 2021/22 annual review reviewing some of the basic building blocks in detail where changes have been made and utilising work already undertaken in other areas.

The effectiveness of key elements during 2021/22 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.

The Council values are incorporated into the staff induction programme as well as the performance appraisal process.

During the year there were x formal staff disciplinary cases undertaken, x of which were within schools. There were x cases looking into Member conduct however x breaches of the Member Code of Conduct were upheld.

There were x induction sessions run during 2021/22, x of which were in person and x were remote. In total x new staff were inducted, x in person and x remotely via Microsoft Teams.

During 2020/21, in light of the impact of the covid-19 pandemic on the council, a simplified appraisal form was introduced (to review and plan staff performance and development objectives) and pending review of the staff appraisal and development system as part of the people strategy. This form continued to be used during 2021/22 however appraisals were unable to be recorded corporately during 2020/21 and 2021/22 due to the implementation phase of the new accounting, procurement and HR system (Dynamics 365).

HR KPIs and a service plan have been in place during 2021/22 with monthly and quarterly performance reporting to the Corporate Strategic Board.

### 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.

The Coronavirus Act 2020 which came into force on 25 March 2020 and associated primary and secondary legislation (statutory instruments) amongst other things:

- allowed council meetings and court hearings to be held virtually;
- removed the requirement to hold an Annual Council meeting – where one is not held all appointments made in May 2019 'roll over' until an annual meeting is held;
- provided that in the event that a councillor vacancy arises, no by election can be held until 6th May 2021 (to coincide with the postponed Greater London Authority (GLA elections);
- made provision to speed up hospital discharges into care;
- allowed registration of deaths by telephone; and
- allowed ministers to close schools and other premises.

Parts of the Act and associated primary and secondary legislation have now been repealed and in response to this the Council during 2021/22:

- re-instated in person council decision meetings from May 2021.
- held the 2021/22 Annual Council Meeting virtually on 05 May 2021;
- held local elections in May 2022
- successfully dealt with hospital discharges into care during 2021/22;

- re-instated the system of registering deaths in person from March 2022
- had no school closures.

### 8.3.3 Acting in the Public Interest

During 2021/22 the Council can demonstrate a commitment to openness and acting in the public interest. This has been achieved via the implementation of a governance structure which includes codes of conduct, a Standards Committee (GARMS), registers of interests, gifts and hospitality, a whistleblowing policy, a corporate complaints process, a Corporate Anti-fraud & Corruption Strategy, Financial Regulations and Contract Procedure Rules and a Scrutiny Function.

The Constitution was updated during 2021/22:

- May 2021
- Sep 2021
- Nov 2021
- Feb 2022

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

### 8.3.4 Communication and Consultation

The Communications Team are responsible for communicating the actions of the Council through a number of channels, including press releases and media management, marketing campaigns and brand management, internal communications, Harrow Council publications and social media. An overview of their work during 2021/22 will be included in the final annual governance statement.

Details of consultations can be found on the Council website. During 2021/22, 25 consultations with residents were undertaken covering a range of topics including new provision for children with special educational needs, the Council budget for 2022/23, various parking schemes, licensing, and the Council's Gambling Policy.

### 8.3.5 The Harrow Borough Plan 2020-2030

The Borough Plan 2020-2030 was developed during 2019/20 using feedback from the 2019 resident's survey and consultation with Cabinet Members (individually and collectively) and key partners. It replaced the Harrow Ambition Plan. Along with an overarching priority to address socio-economic inequality and disadvantage, 8 key priorities have been identified. These have been structured as 3 foundation areas for maintenance/incremental improvement and 5 areas where there are significant challenges requiring step-change improvement. In addition two crosscutting themes were identified in November 2020. This is illustrated below: -



Cross cutting themes:

- Tackling disadvantage
- Tackling racial disproportionality

### **8.3.6 Putting the Vision into Practice**

The Council's intention to engage more widely on the Borough Plan was paused due to the pandemic, however the Borough Plan was used to drive the partnership response to Covid-19 and the partnership principles were used to guide the Council's recovery. A report on key achievements against the plan was published in February 2022 covering progress made and future intentions against each of the eight priority areas and the two cross cutting themes specifically looking at tackling inequality. The council re-affirmed its commitment to delivering on the Borough Plan priorities at its Council meeting on 24 February 2022.

### **8.3.7 Decision-making**

Under the Coronavirus Act 2020 regulations The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 and other associated primary and secondary legislation decision making was undertaken via virtual (computer generated) meetings of the Cabinet and other committees during 2020/21. These regulations were revoked in May 2021 and all decisions made by Cabinet and other committees during 2021/22 were made at in person meetings.

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

### **8.3.8 Measuring Performance and External Assurance**

Corporate performance reporting was put on hold during the pandemic and remains so. Performance monitoring has continued at service level e.g. social care, education, housing, environment to ensure that service standards and quality were maintained. All services were affected by Covid so part of this monitoring was to understand changes in demand, pressures, areas of capacity that could be redeployed. Additional Covid related monitoring was put in place e.g. Gold reporting, a wide range of Public Health data - testing, vaccination, building occupancy, school attendance for children in need and key workers and much more.

Capital and revenue financial performance were reported at a minimum quarterly to the Corporate Strategic Board, Cabinet and all Members throughout the pandemic. During 2021/22 performance was reported monthly to CSB and Cabinet with the Treasury Management mid-year Review 2021/22 being reported to Cabinet in December 2021 and the Annual Report and Outturn 2021/22 being reported to Cabinet in July 2022.

An update from the 2021/22 Management Assurance exercise covering performance monitored locally across the Council will be included in the final AGS.

Details of statutory external assurance reviews of the Council were undertaken during 2021/22 will be included in the final AGS.

### **8.3.9 External Audit**

During 2021/22 the authority provided timely support, information and responses to the Council's external auditors, Mazars. The deadline for the publication of the final 2020/21 accounts was 30 November 2021. This deadline was not met as the external auditors did not complete their audit and sign-off the accounts until 26 January 2022 providing an unqualified opinion on the financial statements however the opinion on the value for money conclusion remains outstanding. The final accounts have now been published on the Harrow Council website.

The audit of the 2021/22 accounts is due to start late July 2022 with the deadline to sign off the accounts being 30th November 2022.

### 8.3.10 Roles and Responsibilities

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

### 8.3.11 Capacity & Capability

Throughout 2020/21 managing the Covid 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. This strategy was successful and priority services were maintained throughout the pandemic and throughout 2021/22. However throughout 2021/22 there was a lack of strategic leadership capacity caused by the significant demands on the senior leadership team and a heavy reliance on interims in senior posts. A new Corporate Director of Community (renamed the Place Directorate in April 2022) was appointed during 2021/22 and a new Chief Executive has now been appointed following the departure of the current Chief Executive in June 2022 who was in place since January 2018. The new Chief Executive will start in September 2022 and the Corporate Director of People is acting as Interim Chief Executive and as Head of Paid Service until then. A new Corporate Director People has also been appointed as the Interim Chief Executive is leaving the Council in September.

### 8.3.12 Financial Management

The Council's financial management arrangements during 2021/22 conformed with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015). During 2021/22 the Council delivered its services within the approved budget of £179m, contained the pressures arising from the challenging financial environment and managed the risks around demand pressures.

The Council has maintained its General Fund Balances at £10m in 2021/22. 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 increased from £66.9m to £69.1m in 2021/22.

### 8.3.13 Monitoring Officer Function

The Statutory Monitoring Officer functions to report on likely contravention of any enactment or rule of law. The duties of the Monitoring Officer are outlined in Article 12 of the Council's constitution and are undertaken by the Council's Director of Legal and Governance Services. Effective arrangements were in place during 2021/22 to discharge these duties.

### 8.3.14 Head of Paid Service Function

The requirements of the Head of Paid Service function are also outlined in Article 12 of the Council's constitution and effective arrangements were in place for the discharge of these duties by the Chief Executive throughout 2021/22.

### 8.3.15 Development Needs

Following the local government elections in May 2022, new Members received a range of induction training. Details of this training and training provided to Members during 2021/22 will be included in the final AGS.

The People Strategy for the Council is being developed through the Modernisation programme called Great People Great Culture. This is one of the four pillars of the modernisation agenda. Progress with this during 2021/22 will be reported in the final AGS.

There are six pillars to this strategy of: -

- Great Leadership
- Great place to learn and grow
- Great employer

- Great engagement
- Great Organisation and ways of working
- Great Equality, Diversity and Inclusion.

The Organisational Development Plan is being built around these pillars and for 2021/22 reflected early priorities identified by CSB.

### **8.3.16 Managing Risks**

The framework for identifying and managing risks consists of a series of Directorate Risk Registers that feed into an overarching Corporate Register that clearly identifies the owner of each risk. The Corporate Risk Register was reviewed and updated four times during 2021/22 for Q1 in May 2021, for Q2 in August 2021, for Q3 in November 2021 and for Q4 in February 2022. Each update was presented to the Corporate Strategic Board (CSB) for review and challenge and Q1, Q2 and Q3 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. Q4 was not presented to the GARMS Committee as the April GARMS Committee meeting was cancelled due to the local elections.

Risks relating to COVID 19 have been included in the Corporate Risk Register since Quarter 4 2019/20, throughout 2020/21 and 2021/22. These risks changed throughout this period in response to the progress of the pandemic and covered the impact on the provision of services, the impact on the recovery of the Council's operations post pandemic, the impact on the Harrow Community and the financial impact on the Council.

During Q1 2022/23 the key risk was reviewed and reframed to ensure the both the risk, and its causes/drivers and key actions, were consistent with the Council returning to a business-as-usual approach to service delivery and of managing Covid19 in endemic rather than pandemic terms and also consistent with its Living with Covid Strategy.

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

The Management Assurance exercise for 2021/22 will confirm whether Risk Registers were in place for 2021/22 in each of the Council's Directorates (People, Communities (Place from April 2022) and Resources) and whether these were reviewed and updated throughout the year.

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

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

### 8.3.18 Scrutiny

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

- Health
- Community
- People
- Resources

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

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

During 2021/22 O&S met 10 times, P&F 3 times and H&SC 3 times.

### 8.3.19 Internal Audit

The Internal Audit Service is required to comply with the Public Sector Internal Audit Standards and to be reviewed externally against these standards every five years and internally on a regular basis. An external peer review in June 2017 confirmed that the service 'generally complies' with the Public Sector Internal Audit Standards and the 2019 internal review against these standards confirmed this assessment. A further review is due to be undertaken during 2022/23.

2021/22 has been another challenging year for Internal Audit with audit work continuing to be undertaken remotely, three vacant posts and a major investigation (into the significant governance gap – see section 5) impacting on the completion of the 2021/22 Internal Audit Plan. As a result a significant portion of the plan will be rolled forward to the 2022/23 plan.

Internal audit work during 2021/22 was performed in conformance with the Public Sector Internal Audit Standards.

### 8.3.20 Audit Committee

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

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

The GARMS Committee did not produce an Annual Report 2020/21 which would usually be produced in 2021/22 and presented to Council to confirm that the committee had successfully fulfilled its purpose/role and responsibilities as outlined in its agreed Terms of Reference and the 2021/22 annual report has yet to be drafted.

The Governance, Audit, Risk Management & Standards Committee met 5 times during 2021/22 with the meeting due to take place in April 2022 being cancelled due to the local elections.

### 8.3.21 Joint Working/Council Trading Companies

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

Throughout 2021/22 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

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 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 Council also runs a shared legal service (HBPL) for which it is the lead authority however this is not a separate legal entity.

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

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

The paragraphs above outline the separate bodies set up by the Council and their relationship with the Council however the annual review of governance 2019/20, 2020/21 and 2021/22 has highlighted that these bodies are not yet publishing their board agenda, minutes and annual reports.

#### **8.4 Level of Assurance**

The annual review of governance 2021/22 is ongoing and therefore the level of assurance for 221/22 will be reported in the final AGS.

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 2021/22 will also be reported in the final AGS.

#### **8.5 Previous Significant Governance Issues**

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

The Chief Executive commissioned an independently led review, to ensure appropriate challenge and rigour, to establish what happened and what

lessons should be learned which was supported internally by work undertaken by the Internal Audit Service, the Corporate Anti-Fraud Team, Human Resources and the Council's Legal Team.

A detailed Internal Audit review was undertaken of the system involved and all recommendations made were agreed by Management. A follow-up of the implementation of these actions will be undertaken in September 2022 to assess progress and to re-assess the risks.

Internal Audit and the Corporate Anti-fraud team also undertook extensive work to support the Police criminal investigation during 2021/22.

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

The output of the independent review and the Internal Audit reviews of the systems along with the resulting action plans will be presented to the GARMS Committee in due course and fed into the 2021/22 annual review of governance.

#### **8.6 Significant Governance Issue 2020/21**

The above gap identified in the 2020/21 AGS remained a significant gap throughout 2021/22 although the fraud itself was stopped. Action will continue during 2022/23 to address all the recommendations made in both the internal and external reports.

**8.7 Conclusion**

The annual review of governance 2021/22 is ongoing and a conclusion on the governance arrangements in place will be provided in the final AGS.

**8.8 Declaration**

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

.....

Deputy Leader  
Date:

.....

Chief Executive  
Date:

Pension Fund Financial Statements

Pension Fund Certificate

Harrow Council

Pension Fund Accounts 2021-22

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 2022 and its income and expenditure for the year.

A handwritten signature in purple ink that reads "D. Calvert". The signature is written in a cursive style with a large initial 'D'.

**Dawn Calvert CPFA**  
**Director of Finance**  
**25<sup>th</sup> July 2022**

# Harrow Pension Fund Account as at 31 March 2022

2020-21	Notes	2021-22
£'000		£'000
<b>Dealings with members, employers and others directly involved in the fund</b>		
(34,661) Contributions	7	(36,058)
(2,027) Transfers in from other pension funds	8	(3,066)
(89) Other income		(33)
(36,777)		(39,157)
35,592 Benefits	9	36,974
3,908 Payments to and on account of leavers	10	6,141
0 Other Expenditure		0
39,500		43,115
<b>2,723</b>		<b>3,958</b>
<b>Net (additions)/withdrawals from dealings with members</b>		
5,155 Management expenses	11	5,331
7,878		9,289
<b>Net (additions)/withdrawals including fund management expenses</b>		
<b>Return on investments</b>		
(6,745) Investment income	12	(7,030)
(191,359) (Profit)/losses on disposal of investments and changes in the market value of investments	14A	(52,286)
(198,104)		(59,316)
<b>Net return on investments</b>		
<b>Net (increase)/decrease in the net assets available for benefits during the year</b>		
(190,226)		(50,027)
(777,758) Opening net assets of the scheme		(967,984)
(967,984)		(1,018,011)
<b>Closing net assets of the scheme</b>		

# Net Assets Statement as at 31 March 2022

31 March 2021		Notes	31 March 2022
£'000			£'000
	<b>Investment assets</b>		
933,374	Investments	14	996,706
9,083	Derivative contracts	14	1,191
20,675	Cash with investment managers	14	17,004
<b>963,132</b>			<b>1,014,901</b>
4,399	Cash deposits	14	7,288
<b>967,531</b>			<b>1,022,189</b>
	<b>Investment liabilities</b>		
(947)	Derivative contracts	14	(5,232)
<b>966,584</b>			<b>1,016,957</b>
1,662	Current assets	21	2,154
140	Long Term Debtors	21A	140
<b>968,386</b>			<b>1,019,251</b>
(402)	Current liabilities	22	(1,240)
<b>967,984</b>	<b>Net assets of fund available to fund benefits at the period end</b>		<b>1,018,011</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  
25<sup>th</sup> July 2022

# Notes to the Harrow Pension Fund Accounts for the year ended 31 March 2022

## NOTE 1: DESCRIPTION OF FUND

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

### a) General

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

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

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

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

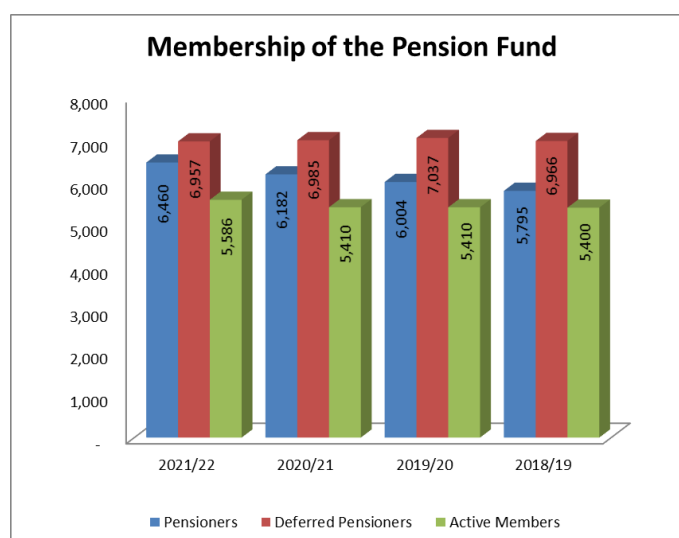
### b) Membership

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

Organisations participating in the Fund include the following:

- **Scheduled bodies:** These are the local authority and similar bodies whose staff, are automatically entitled to be members of the Fund.
- **Admitted bodies:** These are other organisations that participate in the Fund under an admission agreement. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing.

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



Pension Fund Accounts

Employer	Status	Pensioners	Deferred	Actives	Total	%
Harrow Council	Scheduled Body	6011	5741	3574	15,326	80.64
Nower Hill	Scheduled Body	38	143	168	349	1.83
Stanmore College	Scheduled Body	99	153	92	344	1.80
Heathland and Whitefriars	Scheduled Body	19	86	190	295	1.54
Hatch End High	Scheduled Body	36	131	77	244	1.28
Rooks Heath	Scheduled Body	27	98	115	240	1.26
Park High	Scheduled Body	15	84	116	215	1.13
Canons High	Scheduled Body	17	80	112	209	1.10
Bentley Wood	Scheduled Body	12	90	68	170	0.89
Harrow High	Scheduled Body	17	59	80	156	0.82
St Dominics 6th form college	Scheduled Body	45	33	54	132	0.69
Aylward Primary School	Scheduled Body	9	32	76	117	0.62
Pinner High School	Scheduled Body	3	8	104	115	0.61
Priestmead School	Scheduled Body	4	6	93	103	0.54
Salvatorian Academy	Scheduled Body	21	51	17	89	0.47
St Georges Primary	Scheduled Body	5	5	78	88	0.46
St John Fisher	Scheduled Body	3	8	60	71	0.37
St Josephs Primary	Scheduled Body	4	4	62	70	0.37
Welldon Park School	Scheduled Body	3	5	56	64	0.34
Earlsmead Academy	Scheduled Body	7	11	37	55	0.29
Alexandra Academy	Scheduled Body	5	16	30	51	0.27
Sacred Heart High School	Scheduled Body	2	6	35	43	0.23
Avanti House Secondary School	Scheduled Body	0	4	38	42	0.22
St Bernadettes	Scheduled Body	7	5	30	42	0.22
St Jerome	Scheduled Body	1	2	38	41	0.22
Krishna Avanti Academy	Scheduled Body	0	16	18	34	0.18
Jubilee Academy	Scheduled Body	0	16	16	32	0.17
Avanti House Primary School	Scheduled Body	1	11	18	30	0.16
Avanti School Trust	Scheduled Body	0	2	7	9	0.05
Hujjat Primary School	Scheduled Body	0	0	7	7	0.04
NLCS	Community Admission Body	43	46	47	136	0.72
Evergreen	Admitted Body	0	0	19	19	0.10
ISS Catering	Admitted Body	3	1	11	15	0.08
SOS Ltd	Admitted Body	0	0	7	7	0.04
Brayborne Facilities Services	Admitted Body	0	0	6	6	0.03
SOS Longfield	Admitted Body	0	0	5	5	0.03
Wates (Linbrook)	Admitted Body	1	0	4	5	0.03
Evergreen Harrow High	Admitted Body	1	0	4	5	0.03
PSC Ltd	Admitted Body	0	0	4	4	0.02
PSC Roxeth	Admitted Body	0	0	4	4	0.02
PSC Vaughan	Admitted Body	0	0	3	3	0.02
Govindas	Admitted Body	0	3	2	5	0.03
Evergreen Aylward	Admitted Body	1	0	2	3	0.02
Evergreen LBH	Admitted Body	0	1	2	3	0.02
		6,460	6,957	5,586	19,003	100

### c) Funding

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

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

Employers participating in the Fund pay different rates of contributions depending on their history, their staff profile and any deficit recovery period agreed with the Fund. Employer contribution rates are reviewed as part of the triennial actuarial valuation. The last valuation took place as at 31 March 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 20.1%.

### d) Benefits

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

	Service pre 1 April 2008	Service post 31 March 2008
<b>Pension</b>	Each year worked is worth $1/80 \times$ final pensionable salary	Each year worked is worth $1/60 \times$ 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  $1/49$ th. 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’ which can be found on the funds website

[www.harrowpensionfund.org](http://www.harrowpensionfund.org).

## NOTE 2: BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2021-22 financial year and its position as at 31 March 2022. The Accounts have been prepared on a going concern basis in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2021-22' 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 2021-22.

## 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

London Borough of Harrow Statement of Accounts 2021-22

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 Utmost (Previously Equitable Life) as its AVC providers. AVCs are paid to the AVC provider by employers and are specifically intended for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

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

#### **g) Contingent Liabilities**

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

**h) Contingent Assets**

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

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

**Accounting Standards Issued but not yet fully adopted**

The following accounting policy changes are not yet reflected in the 2021-22 Code of Practice. They are not therefore reflected in the Pension Fund Statement of Accounts:

- IFRS 16 Leases (replaces IAS 17) will be implemented in 2022-23;
- Definition of a Business: Amendments to IFRS 3 Business Combinations;
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7;
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

**NOTE 4: CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES****Pension Fund liability**

The net Pension Fund liability is calculated every three years by the appointed actuary with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in notes 19 and 20.

These actuarial revaluations are used to set the future employer contribution rates and underpin the Fund's most significant management policies.

**Unquoted private equity investments**

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

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the net assets statement at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

		Pension Fund Accounts
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 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £23.4m</li> <li>• a 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £1.6m</li> <li>• a 0.1% increase in Pension benefits would increase the liability by approximately £21.6m</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</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 £5.4m in the financial statements. There is a risk that this investment may be under or overstated in the accounts.
<b>Fair value – basis of valuation (Note 16)</b>	In March 2020, the outbreak of Covid-19 had a significant impact on global financial markets. This fall in asset prices/values was more than offset by the subsequent recovery during 2020 and 2021. However, there has been a fall back in 2022 to date, due in part to geopolitical events (the Russian invasion of Ukraine and its impact on commodity prices) and their knock-on effect on inflation. As at the valuation date, it is considered that less weight can be attached to previous market evidence to inform opinions of value on level 3 investments. Consequently, less certainty and a higher degree of caution should be attached to level 3 valuations. At the current time, it is still not possible to predict accurately the long term impact of Covid-19 on property investments in some locations and sectors of the economy.	Any reduction in investment values will result in a reduction in the Fund's net asset position.
<b>Pooled Property Fund</b>	Revaluation of Pension Fund assets within the pooled property funds are undertaken by the asset managers using professional valuers as set out in the fund agreements. For 2020/21, following the impact of Covid-19 on global markets, our fund managers advised that valuations were reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book, meaning that less weight could be applied to previous market evidence to inform opinions of value. Consequently, less certainty – and a higher degree of caution – was attached to valuations of pooled property fund assets than would normally be the case. They have not applied the same caveat to the valuations reported as at 31 March 2022.	The total property pooled investments in the financial accounts are £71.33m. There is a risk that these investments may be understated or overstated in the accounts.

## NOTE 6: EVENTS AFTER THE REPORTING DATE

These are events that occur between the end of the reporting period and the date when the financial statements are authorised for issue that provide new information about conditions that did not exist as of the balance sheet date. There were no material events after the reporting date for 2021-22.

## NOTE 7: CONTRIBUTIONS RECEIVABLE

### By category

2020-21		2021-22
£'000		£'000
(7,402)	Employees' contributions	(7,659)
	Employers' contributions:	
(18,995)	Normal contributions	(19,646)
(8,192)	Deficit recovery contributions	(8,564)
(72)	Pension strain contributions	(189)
(27,259)	Total employers' contributions	(28,399)
(34,661)	Total contributions receivable	(36,058)

### By type of employer

2020-21		2021-22
£'000		£'000
(26,336)	Administering Authority	(27,028)
(7,385)	Scheduled bodies	(7,765)
(796)	Community admission body	(746)
(144)	Transferee admission bodies	(519)
(34,661)		(36,058)

## NOTE 8: TRANSFERS IN FROM OTHER PENSION FUNDS

2020-21		2021-22
£'000		£'000
0	Group transfers	(2,499)
(2,027)	Individual transfers	(567)
(2,027)		(3,066)

## NOTE 9: BENEFITS PAYABLE

### By category

2020-21		2021-22
£'000		£'000
30,791	Pensions	31,640
4,097	Commutation and lump sum retirement benefits	4,672
704	Lump sum death benefits	662
35,592		36,974

## By type of employer

2020-21		2021-22
£'000		£'000
33,505	Administering Authority	34,367
1,711	Scheduled bodies	2,214
313	Community admission body	250
63	Transferee admission bodies	143
<b>35,592</b>		<b>36,974</b>

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

2020-21		2021-22
£'000		£'000
43	Refunds to members leaving service	54
228	Group transfers	2,350
3,637	Individual transfers	3,737
<b>3,908</b>		<b>6,141</b>

## NOTE 11: MANAGEMENT EXPENSES

2020-21		2021-22
£'000		£'000
713	Administrative costs	888
3,840	Investment management expenses	3,828
602	Oversight and governance costs	615
<b>5,155</b>		<b>5,331</b>

## NOTE 11A: INVESTMENT MANAGEMENT EXPENSES

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

2020-21	Total	Management Fees	Other Fees
		£'000	£'000
Pooled Investments - Equities	2,012	1,767	245
Pooled Investments - Alternatives	926	848	78
Pooled Investments - Other	841	771	70
Derivatives	51	51	0
Custodian	10	0	10
	<b>3,840</b>	<b>3,437</b>	<b>403</b>

**NOTE 12: INVESTMENT INCOME**

2020-21		2021-22
£'000		£'000
(2,899)	Pooled Investments - Private equity	(2,975)
(859)	Pooled Investments - Property	(1,712)
(2,987)	Pooled investments - Other	(2,343)
<b>(6,745)</b>		<b>(7,030)</b>

**NOTE 13: EXTERNAL AUDIT COSTS**

2020-21		2021-22
£'000		£'000
(19)	Payable in respect of external audit	(16)
<b>(19)</b>		<b>(16)</b>

**NOTE 14: INVESTMENTS**

Market value		Market value
31 March 2021		31 March 2022
£'000		£'000
<b>Investment assets</b>		
525,161	Pooled equities investments	541,760
122,361	Pooled bonds investments	135,362
201,053	Pooled alternative investments	197,553
16,099	Pooled infrastructure	45,180
<b>864,674</b>		<b>919,855</b>
61,561	Pooled property investments	71,330
150	Equity in London CIV	150
6,989	Private equity	5,371
9,083	Derivative contracts: forward currency	1,191
20,675	Cash with investment managers	17,004
<b>963,132</b>		<b>1,014,901</b>
4,399	<b>Cash deposits</b>	7,288
<b>967,531</b>	Total investment assets	<b>1,022,189</b>
<b>Investment liabilities</b>		
(947)	Derivative contracts: forward currency	(5,232)
<b>(947)</b>	Total investment liabilities	<b>(5,232)</b>
<b>966,584</b>	All investments	<b>1,016,957</b>

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

	Market value 31 March 2021	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Net change in market value during the year	Market value 31 March 2022
	£'000	£'000	£'000	£'000	£'000
<b>Investment assets</b>					
Pooled equities investments	525,161	235,605	(267,409)	48,403	541,760
Pooled bonds investments	122,361	101,876	(80,730)	(8,145)	135,362
Pooled alternative investments	201,053	101,512	(112,309)	7,297	197,553
Pooled property investments	61,561	0	(448)	10,217	71,330
Pooled infrastructure	16,099	25,582	0	3,499	45,180
Equity in London CIV	150	0	0	0	150
Private equity	6,989	0	(273)	(1,345)	5,371
Derivative contracts	8,136	3,571	(8,108)	(7,640)	(4,041)
	<b>941,510</b>	<b>468,146</b>	<b>(469,277)</b>	<b>52,286</b>	<b>992,665</b>
Cash with investment managers	20,675				17,004
Cash deposits	4,399				7,288
	<b>25,074</b>				<b>24,292</b>
<b>Net investment assets</b>	<b>966,584</b>				<b>1,016,957</b>

	Market value 31 March 2020	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 2021
	£'000	£'000	£'000	£'000	£'000
<b>Investment assets</b>					
Pooled equities investments	394,247	68,000	(75,447)	138,361	525,161
Pooled bonds investments	111,463	2,937	(70)	8,031	122,361
Pooled alternative investments	171,230	0	(4,271)	34,094	201,053
Pooled property investments	64,140	0	(258)	(2,321)	61,561
Pooled infrastructure	700	16,227		(828)	16,099
Equity in London CIV	150	0		0	150
Private equity	8,025	0	(303)	(733)	6,989
Derivative contracts	(4,760)	6,069	(7,928)	14,755	8,136
	<b>745,195</b>	<b>93,233</b>	<b>(88,277)</b>	<b>191,359</b>	<b>941,510</b>
Cash with investment managers	28,153				20,675
Cash deposits	2,641				4,399
	<b>30,794</b>				<b>25,074</b>
<b>Net investment assets</b>	<b>775,989</b>				<b>966,584</b>

**NOTE 14B: INVESTMENTS ANALYSED BY FUND MANAGER**

Market value 31 March 2021	Percentage of Fund	Manager	Investment assets	Market value 31 March 2022	Percentage of Fund
£'000	%			£'000	%
<b>Investments managed by London CIV</b>					
120,618	12	LCIV	Developed world equities-active	127,495	13
101,226	10	LCIV	Multi asset credit	0	0
0	0	LCIV	Alternative credit fund	103,777	10
67,238	7	LCIV	Sustainable equities	73,314	7
16,099	2	LCIV	Infrastructure funds	45,180	4
0	0	LCIV	Global bond fund	46,816	5
247,574	26	BlackRock	Global equities - passive	269,113	26
552,755	57		Total LCIV	665,695	65
<b>Investments managed outside of the London CIV</b>					
61,561	6	LaSalle	Pooled property	71,330	7
12,726	1	BlackRock	Cash with investment managers	11,027	1
97,538	10	BlackRock	Bonds - fixed interest	46,463	5
24,823	3	BlackRock	Bonds - index-linked active	42,083	4
4,399	1	Cash Deposits	Cash with Banks	7,288	0.5
89,731	9	GMO	Emerging markets equities-active	71,838	7
99,827	10	Insight	Diversified growth fund	93,776	9
7,949	1	JP Morgan	Cash with investment managers	5,977	0.5
150	0	LCIV	UK equities-passive	150	0
6,989	1	Pantheon	Private equity	5,371	1
8,136	1	Record	Forward currency contracts	(4,041)	(0)
413,829	43		Total - Managers	351,262	35
966,584	100		<b>Total Investments</b>	<b>1,016,957</b>	<b>100</b>

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

Market value 31 March 2021	% of total fund	Investment assets	Market value 31 March 2022	% of total fund
£'000			£'000	
247,574	26	Blackrock Equity Beta Portfolio	269,113	26
97,538	10	BlackRock Institutional Bond Fund - Corp Bond 10 yrs	46,463	5
89,731	9	GMO Emerging Domestic Opportunities Equity Fund	71,838	7
99,827	10	Insight Broad Opportunities Fund	93,776	9
61,561	6	LaSalle Investors UK Real Estate Fund of Funds	71,330	7
120,618	12	LCIV Global Equity Focus Fund	127,495	13
101,226	10	LCIV Multi Asset Credit	0	0
0	0	LCIV Alternative Credit Fund	103,777	10
67,238	7	LCIV Sustainable Equity Fund	73,314	7
885,313	92	<b>Total over 5% holdings</b>	857,106	84

## **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 2022 £25.9m (7.25%) compared to £24.4m (6.60%) as at 31 March 2021.

## **NOTE 15: ANALYSIS OF DERIVATIVES**

### **Objectives and policies for holding derivatives**

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and the various investment managers.

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the Fund's equity portfolio is in overseas stock markets. To reduce the volatility associated with fluctuating currency rates, the Fund has a passive currency programme in place managed by Record Currency Management Limited. The Fund hedges 50% of the exposure in various developed world currencies within the equities portfolio.

**Analysis of Open forward currency contracts:-**

Settlement	Currency bought	Local value	Currency sold	Local value	Asset value	liability value
		000		000	£'000	£'000
Up to one month	CHF	7,201	GBP	(5,914)	32	
One to six months	GBP	2,433	AUD	(4,244)	7	
One to six months	GBP	5,842	CAD	(9,569)	22	
Over six months	GBP	25,543	EUR	(29,670)	346	
One to six months	GBP	5,045	HKD	(51,712)	20	
Over six months	GBP	10,912	JPY	(1,662,200)	491	
One to six months	GBP	726	NOK	(8,249)	10	
One to six months	GBP	109	NZD	(205)	0	
One to six months	GBP	2,810	SEK	(34,259)	13	
One to six months	GBP	907	SGD	(1,612)	2	
Over six months	GBP	86,414	USD	(113,445)	241	
Up to one month	JPY	765,400	GBP	(4,785)	7	
Up to one month	AUD	4,244	GBP	(2,429)		(8)
Up to one month	CAD	9,569	GBP	(5,843)		(22)
Up to one month	EUR	14,979	GBP	(12,695)		(32)
One to six months	GBP	2,287	AUD	(4,244)		(135)
One to six months	GBP	5,552	CAD	(9,569)		(268)
One to six months	GBP	11,778	CHF	(14,402)		(140)
One to six months	GBP	241	EUR	(288)		(2)
Over six months	GBP	12,646	EUR	(14,979)		(69)
One to six months	GBP	4,930	HKD	(51,712)		(86)
Over six months	GBP	4,820	JPY	(765,400)		(8)
One to six months	GBP	692	NOK	(8,249)		(25)
One to six months	GBP	103	NZD	(205)		(5)
One to six months	GBP	249	SEK	(3,077)		(2)
One to six months	GBP	883	SGD	(1,612)		(22)
One to six months	GBP	5,416	USD	(7,323)		(147)
Over six months	GBP	162,875	USD	(219,567)		(3,943)
Up to one month	HKD	51,712	GBP	(5,037)		(20)
One to six months	JPY	65,700	GBP	(420)		(9)
Over six months	JPY	65,700	GBP	(421)		(9)
Up to one month	NOK	8,249	GBP	(727)		(10)
Up to one month	NZD	205	GBP	(109)		(0)
Up to one month	SEK	18,668	GBP	(1,529)		(7)
Up to one month	SGD	1,612	GBP	(907)		(2)
Up to one month	USD	113,445	GBP	(86,440)		(261)

**Open forward currency contracts at 31 March 2022****1,191 (5,232)****Net forward currency contracts at 31 March 2022****(4,041)****Prior year comparative****Open forward currency contracts at 31 March 2021****9,083 (947)****Net forward currency contracts at 31 March 2021****8,136**

## NOTE 16: FAIR VALUE – BASIS OF VALUATION

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the most appropriate price available at the reporting date

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments including pooled funds for global equities, corporate and UK index linked bonds and diversified growth funds	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Market quoted investments including pooled funds for global equities and diversified growth funds	Level 1	Published market price or other value ruling on the final day of the accounting period	Not required	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year end.	Exchange rate risk	Not required
Pooled Investments - Alternative Credit / Bonds	Level 2	Fixed income securities are priced based on evaluated prices provided by Independent pricing services	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 International Private Equity and Venture Capital Valuation (2012)	EBITDA multiple, Revenue multiple, Discount for lack of marketability, Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

## Sensitivity of assets valued at Level 3

The Fund has determined that the sensitivity of the level 3 investments should be at the level determined by independent advisers for equity investments generally. Set out below is the consequent potential impact on the closing value of investments held at 31 March 2022 using data provided by PIRC.

	Assessed valuation range (+/-)	Valuation at 31 March 2022	Value on increase	Value on decrease
		£000	£000	£000
Private Equity	6.52%	5,371	5,722	5,021
Pooled investments - Infrastructure	7.03%	45,180	48,357	42,004
Pooled investments - property funds	4.10%	71,330	74,255	68,406
		121,881	128,334	115,431

	Assessed valuation range (+/-)	Valuation at 31 March 2021	Value on increase	Value on decrease
		£000	£000	£000
Private Equity	7.47%	6,989	7,511	6,467
Pooled investments - Infrastructure	7.11%	16,099	17,243	14,954
Pooled investments - property funds	2.20%	61,561	62,913	60,209
		84,649	87,667	81,630

## 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 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial assets at fair value through profit and loss</b>				
Pooled equities investments	541,760			541,760
Pooled bonds investments	88,546	46,816		135,362
Pooled alternative investments	93,776	103,777		197,553
Pooled property investments			71,330	71,330
Pooled infrastructure			45,180	45,180
Private equity			5,371	5,371
Derivative contracts: forward currency		(4,041)		(4,041)
Cash Deposits / Other	24,292	150		24,442
<b>Total</b>	<b>748,374</b>	<b>146,702</b>	<b>121,881</b>	<b>1,016,957</b>

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial assets at fair value through profit and loss</b>				
Pooled equities investments	525,161			525,161
Pooled bonds investments	122,361			122,361
Pooled alternative investments	99,827	101,226		201,053
Pooled property investments			61,561	61,561
Pooled infrastructure			16,099	16,099
Private equity			6,989	6,989
Derivative contracts: forward currency		8,136		8,136
Cash Deposits / Other	25,074	150		25,224
<b>Total</b>	<b>772,423</b>	<b>109,512</b>	<b>84,649</b>	<b>966,584</b>

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

None

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

Period 2021/22	Market Value 31 March 2021	Transfers into level 3	Transfers out of level 3	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Gains/ (losses)	Market Value 31 March 2022
	£000	£000	£000	£000	£000	£000	£000
Private Equity	6,989	0	0	0	(273)	(1,345)	5,371
Pooled - Infrastructure	16,099	0	0	25,582	0	3,499	45,180
Pooled - property	61,561	0	0	0	(448)	10,217	71,330
	84,649	0	0	25,582	(721)	12,371	121,881

Period 2020/21	Market Value 31 March 2020	Transfers into level 3	Transfers out of level 3	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Gains/ (losses)	Market Value 31 March 2021
	£000	£000	£000	£000	£000	£000	£000
Private Equity	8,025	0	0	0	(303)	(733)	6,989
Pooled - Infrastructure	700	0	0	16,227	0	(828)	16,099
Pooled - property	64,140	0	0	0	(258)	(2,321)	61,561
	72,865	0	0	16,227	(561)	(3,882)	84,649

## NOTE 17: FINANCIAL INSTRUMENTS

The following table analyses the carrying amounts of financial instruments by category and net assets statement heading. No financial instruments were reclassified during the accounting period.

31 March 2021			31 March 2022			
Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	
£'000	£'000	£'000	£'000	£'000	£'000	
Financial assets						
525,161	0	0	Pooled equities investments	541,760	0	0
122,361	0	0	Pooled bonds investments	135,362	0	0
			Pooled alternative			
201,053	0	0	investments	197,553	0	0
16,099	0	0	Pooled Infrastructure	45,180	0	0
61,561	0	0	Pooled property investments	71,330	0	0
150	0	0	Equity in London CIV	150	0	0
6,989	0	0	Private equity	5,371	0	0
9,083	0	0	Derivative contracts	1,191	0	0
0	26,109	0	Cash	0	25,676	0
0	767	0	Debtors	0	910	0
942,457	26,876	0		997,897	26,586	0
Financial liabilities						
(947)	0	0	Derivative contracts	(5,232)	0	0
0	0	(402)	Creditors	0	0	(1,240)
(947)	0	(402)		(5,232)	0	(1,240)
941,510	26,876	(402)		992,665	26,586	(1,240)
967,984			Grand Total			1,018,011

## 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

London Borough of Harrow Statement of Accounts 2021-22

Fund manages its liquidity risk to ensure there is sufficient liquidity to meet its forecast cash flows. The Council manages these investment risks as part of its overall Pension Fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Committee. The Committee reviews the Fund's risk register on a regular basis.

### Market risk

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

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

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

### Price risk

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

The Fund's investment managers mitigate this price risk through diversification.

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's advisers, the Council has determined that the following movements in price risk are reasonably possible.

Assets type	Potential market movements (+/-) %
Equities	14.10
Bonds	7.90
Alternatives	7.00
Pooled Property	4.10
Private Equity	6.50

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 2022	Percentage change	Value on increase	Value on decrease
	£'000	%	£'000	£'000
<b>Investment portfolio assets:</b>				
Pooled equities investments	537,719	14.10	613,538	461,901
Pooled bond investments	135,362	7.90	146,056	124,669
Pooled alternative investments	197,553	7.00	211,382	183,724
Pooled property investments	71,330	4.10	74,255	68,406
Private Equity	5,371	6.50	5,721	5,022
Pooled Infrastructure	45,180	7.00	48,343	42,018
Equity - London CIV	150	0.00	150	150
<b>Total</b>	<b>992,665</b>		<b>1,099,445</b>	<b>885,890</b>

Asset type	Value as at 31 March 2021	Percentage change	Value on increase	Value on decrease
	£'000	%	£'000	£'000
<b>Investment portfolio assets:</b>				
Pooled equities investments	533,297	14.20	609,025	457,569
Pooled bond investments	122,361	7.70	131,783	112,939
Pooled alternative investments	201,053	7.10	215,328	186,778
Pooled property investments	61,561	2.20	62,915	60,207
Private Equity	6,989	7.50	7,513	6,465
Pooled Infrastructure	16,099	7.10	17,242	14,956
Equity - London CIV	150	0.00	150	150
<b>Total</b>	<b>941,510</b>		<b>1,043,956</b>	<b>839,064</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 2022 and 31 March 2021 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 2022	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£'000		£'000	£'000
Cash and cash equivalents	24,292	0	24,292	24,292
Fixed interest securities	46,463	465	46,928	45,998
Global bond fund	46,816	468	47,284	46,348
<b>Total change in assets available</b>	<b>117,571</b>	<b>933</b>	<b>118,504</b>	<b>116,638</b>

Assets exposed to interest rate risk	Carrying amount as at 31 March 2021	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£'000		£'000	£'000
Cash and cash equivalents	25,074	0	25,074	25,074
Fixed interest securities	97,538	975	98,513	96,562
<b>Total change in assets available</b>	<b>122,612</b>	<b>975</b>	<b>123,587</b>	<b>121,636</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 7.2%

A 7.2% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available as follows.

The Fund is now invested in the LCIV Global Bond. The underlying manager hedges currency exposure within its mandate.

Currency Exposure - asset type	Asset Value as at 31 March 2022	Change to net assets	
		+7.2%	-7.20%
	£'000	£'000	£'000
Overseas Pooled Equities	516,310	553,484	479,136

Currency Exposure - asset type	Asset Value as at 31 March 2021	Change to net assets	
		+7.1%	-7.1%
	£'000	£'000	£'000
Overseas Pooled Equities	496,012	531,229	460,795

### 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 2022 was £24.3m (31 March 2021: £25.1m). This was held with the following institutions.

Summary	Balances at 31 March 2021	Balances at 31 March 2022
	£'000	£'000
<b>Bank accounts</b>		
Royal Bank of Scotland	4,399	7,288
JP Morgan	7,949	5,977
BlackRock	12,726	11,027
	<b>25,074</b>	<b>24,292</b>

### Liquidity risk

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

The Council has immediate access to its Pension Fund cash holdings.

The Fund considers liquid assets to be those that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2022 the value of illiquid assets was £121.9m. This represented 11.98% of the total Fund assets (31 March 2021: £84.6m).

### 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 (this will also minimise the costs to be borne by Council Tax payers).
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions, are sufficient to meet expected future pension benefits payable.

London Borough of Harrow Statement of Accounts 2021-22

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 for some employers are being phased in over the 3 years' 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 1.25% p.a.

The average future life expectancy at age 65 based on the Actuary's Fund-specific mortality review is as follows:

	Male	Female
Current pensioners	22.0	24.3
Future pensioners (assumed to be aged 45)	23.1	26.3

### 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 2021		31 March 2022
£m		£m
(1,389)	Present value of promised retirement benefits	(1,337)
871	Fair value of scheme assets	914
<b>(518)</b>	<b>Net Liability</b>	<b>(423)</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

	2020-21	2021-22
	% pa	% pa
Inflation/pensions increase rate assumption	2.9	3.2
Salary increase rate	3.6	3.9
Discount rate	2.0	2.7

## NOTE 21: CURRENT ASSETS

31 March 2021		31 March 2022
£'000		£'000
<b>Short Term Debtors:</b>		
561	Contributions due - employers	768
66	Sundry debtors	2
1,035	Cash owed to Fund	1,384
<b>1,662</b>		<b>2,154</b>

## NOTE 21A: LONG TERM DEBTORS

31 March 2021		31 March 2022
£'000		£'000
140	Lifetime Tax Allowances	140
<b>140</b>		<b>140</b>

## NOTE 22: CURRENT LIABILITIES

31 March 2021		31 March 2022
£'000		£'000
(119)	Sundry creditors	(191)
0	Transfer values	(752)
(283)	Benefits payable	(297)
<b>(402)</b>		<b>(1,240)</b>

**NOTE 23: ADDITIONAL VOLUNTARY CONTRIBUTIONS**

Market value 31 March 2021		Market value 31 March 2022
£'000		£'000
2,676	Prudential Assurance	2,681
617	Clerical Medical	577
237	Utmost (Previously Equitable Life)	237
<b>3,530</b>		<b>3,495</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 monthly, and settlement of any outstanding balance is adjusted when the Council pays its contributions to the fund.

31 March 2021		31 March 2022
£'000		£'000
(20,663)	Employer's Pension Contributions to the Fund	(21,187)
908	Administration expenses paid to the Council	1,078
1,035	Cash held by the Council	1,384

**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 Pension Fund Manager.

Total remuneration payable from the Pension Fund to these key management personnel is set out below:

31 March 2021		31 March 2022
£'000		£'000
105	Short-term benefits	112
0	Termination benefits	0

**NOTE 26: CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS**

Outstanding capital commitments at 31 March 2022 totalled £77.8m (31 March 2021: £53.3m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held by Pantheon Ventures and commitments in the LCIV Infrastructure Fund and LCIV Renewable Infrastructure Fund.

**NOTE 27: CONTINGENT ASSETS**

One admitted body employer in the Fund holds an insurance bond/guarantee to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Fund and payment will only be triggered in the event of employer default.

## London Borough of Harrow Pension Fund (“the Fund”) Actuarial Statement for 2021/22

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 severely disrupted by COVID 19 in March 2020, but over most of 2020/21 and 2021/22 they recovered strongly. However, due to the war in Ukraine, March 2022 markets were particularly volatile, which affects values as at the accounting date. All other things being equal, the funding level of the Fund as at 31 March 2022 is likely to be better than that reported at the previous formal valuation as at 31 March 2019.

It is important to note that the formal triennial funding valuation exercise is as at 31 March 2022 and this may show a different picture when the finalised position is disclosed in next year's annual report. In particular, changes in Fund membership, changes in anticipated real investment returns, and changes in demographic assumptions will affect the valuation results. The Funding Strategy Statement will also be reviewed as part of the triennial funding valuation exercise.



Laura McInroy FFA

24 June 2022

For and on behalf of Hymans Robertson LLP

## Appendices

### Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Impairment:** a reduction in the carrying value of a non-current asset below it's previously assessed carrying value due to obsolescence, damage or adverse change in the statutory environment.

**Infrastructure Assets:** a classification of non-current assets which have no market value, and which exist primarily to facilitate transportation and communication requirements (e.g. highways and footpaths) and similar environmental works.

**Levies:** payments to London-wide bodies, e.g. Environment Agency, Lee Valley Regional Park and West London Waste Authority. The cost of these bodies is borne by the local Council in the area concerned, based on their Council tax base, and is met from the General Fund.

**Minimum Revenue Provision (MRP):** the minimum amount which must be charged to the Council's revenue account and set aside as provision for credit liabilities.

**Net Realisable Value:** the amount at which an asset could be sold after the deduction of any direct selling costs.

**Non-Distributable Cost:** these include overheads for which no user benefits and should not be apportioned to services. Examples are spare computer capacity and empty offices. These also include pension costs in relation to scheme members past service.

**Non-Domestic Rate (NDR):** a flat rate in the pound set by Central Government and levied on businesses in the borough. NDR is now shared between the Council (30%), Central Government (33%) and the Greater London Authority (37%).

If the Council's baseline is greater than its funding baseline, it pays tariff payments to the Government. If the Council's NDR baseline is less than its funding baseline it receives top-up payments from the Government.

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

**Precepts:** a charge on the Collection Fund by another public body (a precepting authority), determined by legislation.

**Pension Fund:** the Fund for staff in the Local Government Pension Scheme, maintained on an actuarial basis, which makes pension payments on retirement of participants; it is financed by contributions from the employer, employees and from investment income.

**Post Balance Sheet Events:** are events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Director of Finance signs the Statement of Accounts.

**Prior Year Adjustments:** those material adjustments applicable to prior years arising from changes in accounting policies or correction of fundamental errors.

**Property, Plant and Equipment:** tangible assets that yield benefit to the Council and the services it provides for a period of more than one year.

**Provisions:** monies set aside for liabilities and losses which are likely to be incurred but where exact amounts or dates are uncertain.

**Private Finance Initiative (PFI):** PFI is the procurement of public services and assets by a public body where the private sector is responsible for the design, construction, finance and operation of an asset or service for a specified time after which it is transferred back into the public sector.

**Public Works Loan Board (PWLb):** a government agency that provides long term and medium term loans to Local Authorities at interest rates only slightly higher than those at which the government itself can borrow.

**Related Party:** the relationship between a senior officer, elected Member, and their families, with another body that has, or might develop a business relationship with the Council.

**Revenue Expenditure:** the day-to-day running costs relating to the accounting period irrespective of whether or not the amounts due have been paid. These costs would include salaries and wages, premises and the costs of supplies and services.

**Revenue Support Grant:** the main grant received from central government to support the Council's revenue expenditure.

**Taxbase:** the number of Band D equivalent properties in a local authority's area. The council tax base is taken into account when it calculates its council tax, and when central government calculates entitlement to Formula Grant.

**Trust Funds:** money held in trust by the Council for a specified purpose.

**The Code of Practice (The Code):** aims to specify the principles and practices of accounting required to prepare a Statement of Accounts which presents fairly the financial position and transactions of the Council.

## Abbreviations

ASB	Accounting Standards Board
AVC	Additional Voluntary Contributions
BCF	Better Care Fund
BRS	Business Rate Supplement
CCG	Clinical Commissioning Group
CFR	Capital Financing Requirement
CIES	Consolidated Income & Expenditure Statement
CIL	Community Infrastructure Levy
CIPFA	Chartered Institute of Public Finance and Accountancy
CSB	Corporate Strategic Board
DSG	Dedicated Schools Grant
DRC	Depreciated Replacement Cost
EFA	Expenditure Funding Analysis
EUV	Existing Use Value
EUV-SH	Existing Use Value – Social Housing
GARMS	Governance, Audit, Risk Management and Standards Committee
HRA	Housing Revenue Account
IASB	International Accounting Standards Board
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
LIBID	London Interchange Bid Rate
LGPS	Local Government Pension Scheme
LOBO	Lenders Option Borrowers Option
MiRS	Movement in Reserves Statement
MMI	Municipal Mutual Insurance
MRP	Minimum Revenue Provision
MTFS	Medium Term Financial Strategy
NDR	Non-Domestic Rates
NPV	Net Present Value
PFI	Private Finance Initiative
PPE	Property, Plant & Equipment
PWLB	Public Works Loan Board
RCCO	Revenue Contribution to Capital Outlay
RICS	Royal Institute of Chartered Surveyors
RSG	Revenue Support Grant
VAT	Value Added Tax
WLWA	West London Waste Authority

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