

Statement of Accounts

2015 - 2016



THIS PAGE IS LEFT BLANK INTENTIONALLY

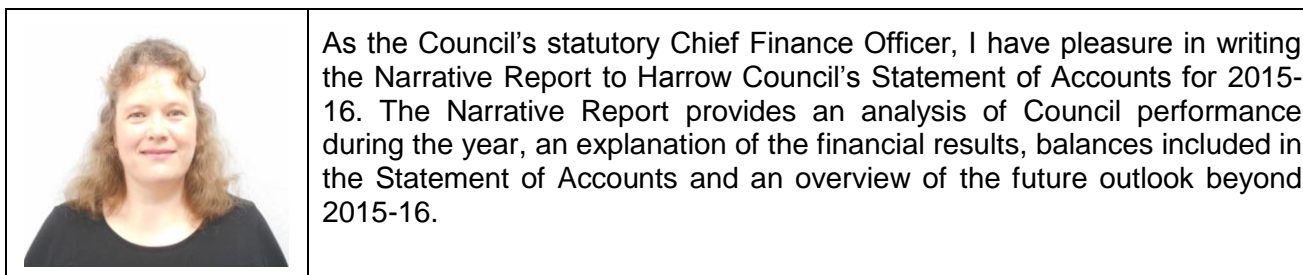
London Borough of Harrow
Statement of Accounts
2015 - 2016

1	Narrative Report.....	1
2	Statement of Responsibilities	13
3	Audit Opinion & Certificate	15
4	Presentation of Financial Statements	17
5	Notes to the Financial Statements.....	20
6	Housing Revenue Account.....	75
7	Collection Fund	79
8	Annual Governance Statement	81
9	Pension Fund Financial Statements	89
10	Appendices	111

THIS PAGE IS LEFT BLANK INTENTIONALLY

1 Narrative Report

Message from the Director of Finance



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.

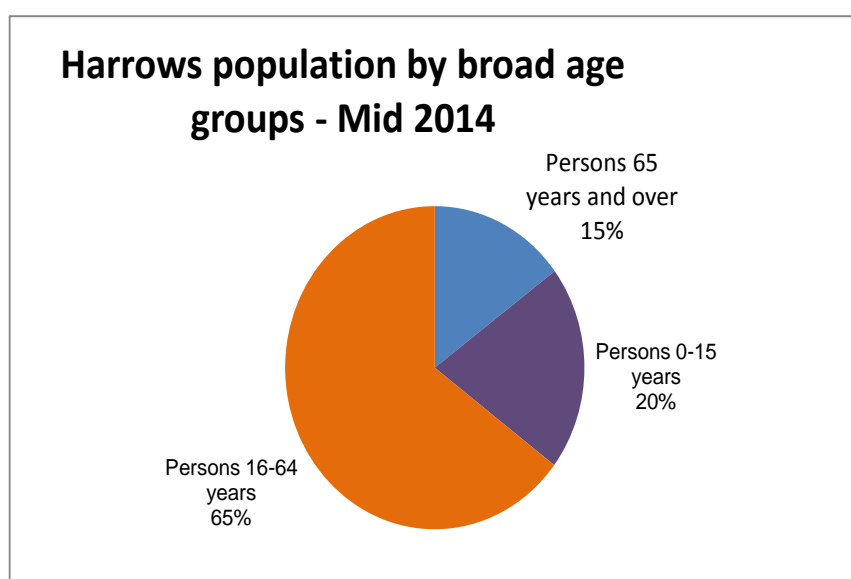
This report includes the following sections:

- 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
- 1.7 Acknowledgements

1.1 An Introduction to Harrow

Harrow's population by broad age groups, Mid-2014

Source: 2014 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 246,011 as at 30th June 2014. One fifth of the borough is composed of parkland and open spaces, creating a green belt equivalent to eight Hyde Parks. Harrow has a strong entrepreneurial tradition with over 10,000 businesses located in the borough. It is a suburb which is approximately 10 miles from central London and well-connected to a global airport hub and transport links.

Key Facts about the Council

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

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

Organisation Structure

The Corporate Strategic Board comprises the Council's senior Management Team. The Senior Management is made up of the Council's Corporate Directors and Statutory Officers, led by the Chief Executive Michael Lockwood.

Chief Executive: Michael Lockwood
 Corporate Director Community: Tom McCourt
 Corporate Director People: Chris Spencer
 Corporate Director Resources: Tom Whiting
 Director of Finance: Dawn Calvert
 Director of Legal & Governance: Hugh Peart
 Director of Adult Social Services: Bernie Flaherty
 Director of Public Health: Andrew Howe

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 style="text-align: center;">Community</p> <ul style="list-style-type: none"> • Environmental Services • Community and Culture • Housing 	<p style="text-align: center;">People's Directorate</p> <ul style="list-style-type: none"> • Adult Social Care • Public Health • Commissioning and Schools • Children and Young People's Services
<p style="text-align: center;">Regeneration and Planning</p> <ul style="list-style-type: none"> • Regeneration • Planning Services • Economic Development and Research 	<p style="text-align: center;">Resources and Commercial</p> <ul style="list-style-type: none"> • Revenues and Benefits • Customer Service and IT • Finance and Assurance • Commercial and Procurement • Human Resources • Legal and Governance

1.2 Summary of the 2015-16 Financial Performance of the Council

Revenue Budget

During the year the Council delivered its services within the approved budget, contained the pressures arising from the challenging financial environment and managed the risks around demand pressures. This resulted in a net underspend of £2.587m and represented 1.5% of the approved budget £167.381m.

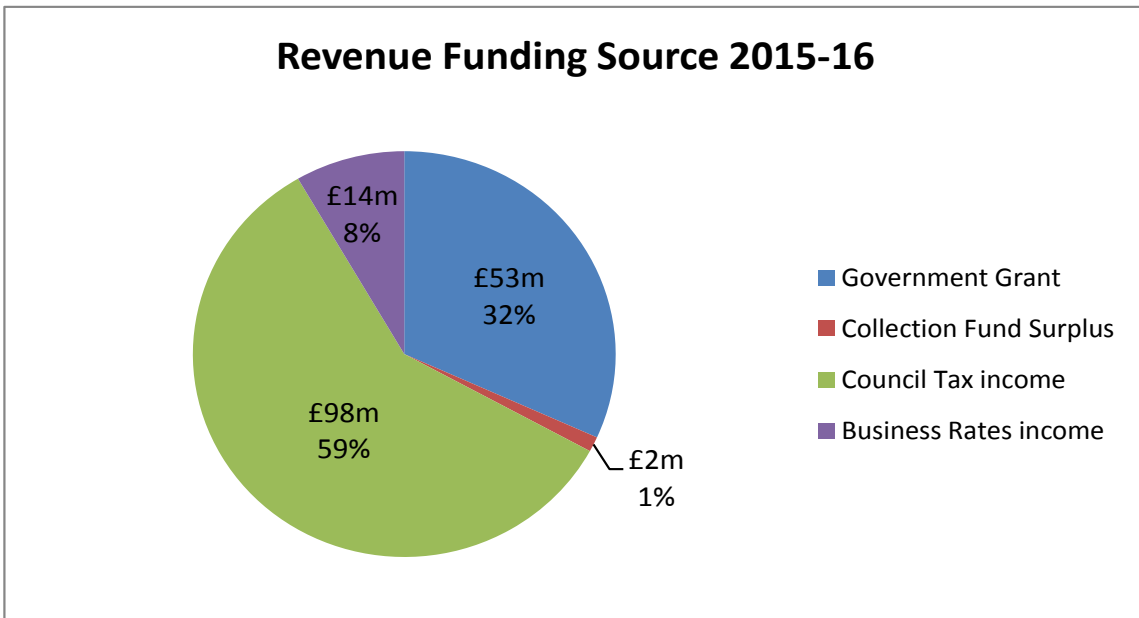
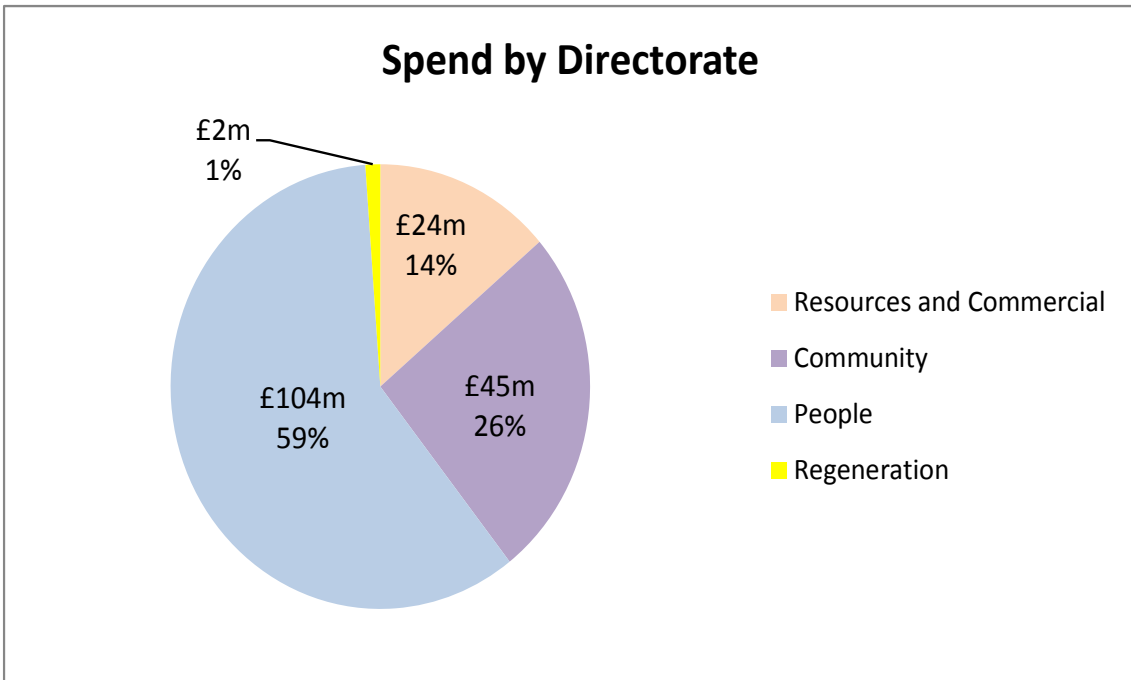
The under spend has been used to increase specific reserves. This maintains the Council's capacity to manage risks arising in future years from continuing demographic pressures, the economy, welfare reforms and further Government funding cuts.

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

	2015-16		
	Budget £000	Actuals £000	Variation £000
Directorate costs			
Resources and Commercial*	23,350	23,727	377
Community	44,248	45,005	757
People	104,647	104,584	(63)
Regeneration	1,992	1,810	(182)
Total - Directorate	174,237	175,126	889
Other operating income			
Contingencies, Corporate Items and Non-service grants	(1,113)	(4,451)	(3,338)
Capital Financing and Interest	(5,743)	(5,881)	(138)
Net Expenditure	167,381	164,794	(2,587)
Funded by :			
Government Grant	(52,973)	(52,973)	0
Collection Fund Surplus	(1,900)	(1,900)	0
Council Tax income	(98,496)	(98,496)	0
Business Rates income	(14,012)	(14,012)	0
Total	(167,381)	(167,381)	0
Underspends for the year			(2,587)
Contribution to specific reserves			
Projects in progress		1,793	
MTFS Implementation Costs		294	
Insurance Reserve		500	
Surplus for the year		0	
General Fund balance at 31 March 2015		10,008	
General Fund balance at 31 March 2016		10,008	

*Business Support figures included in Resources and Commercial

2184	2838	654
------	------	-----

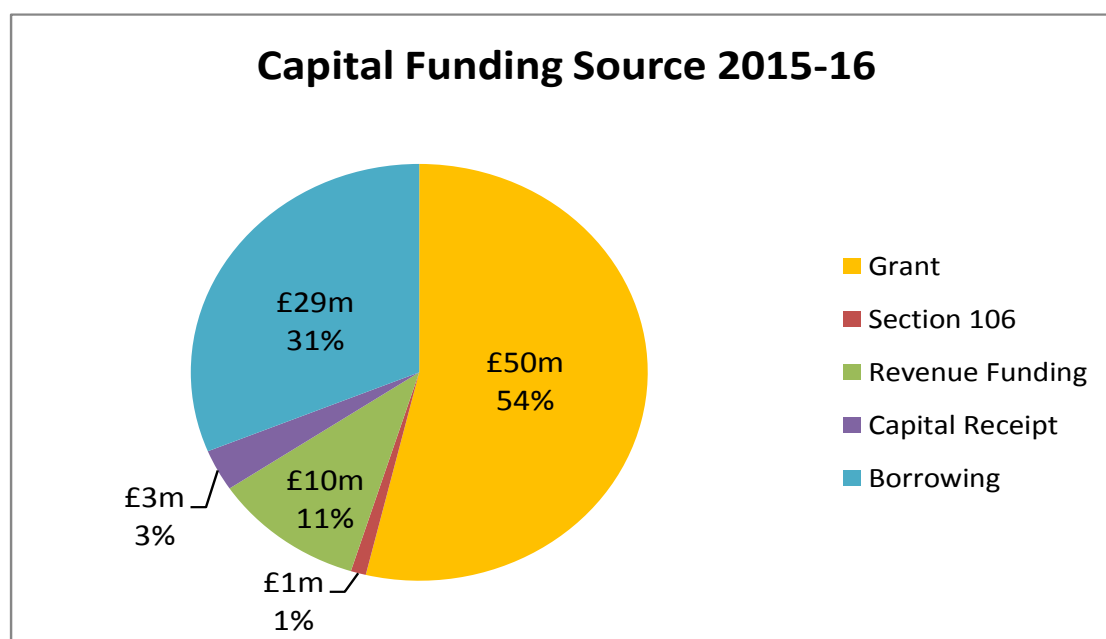
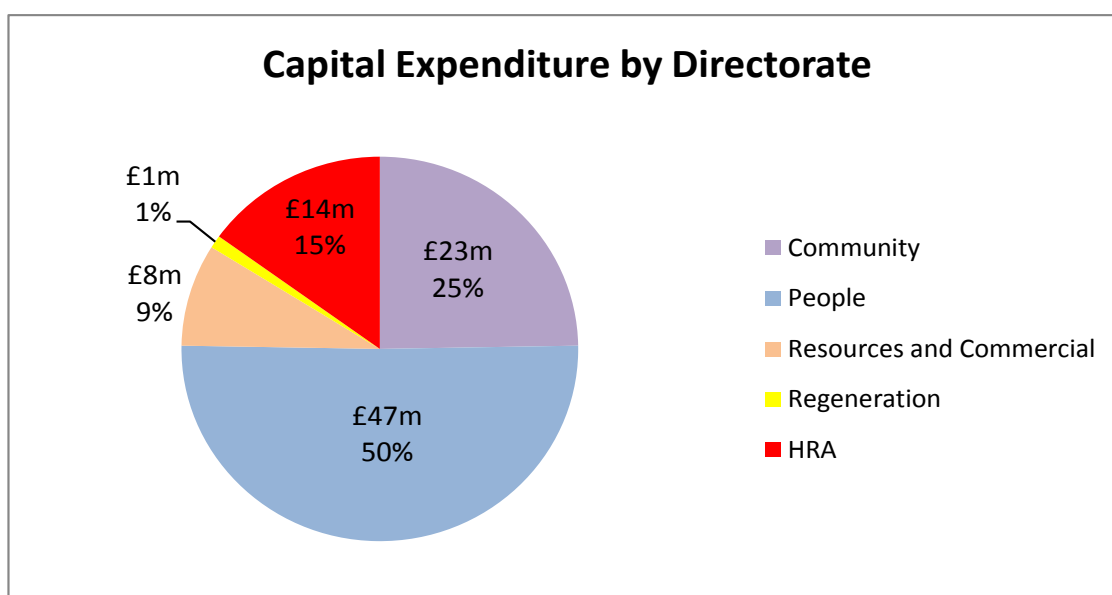


Capital Programme 2015-16

During 2015-16 the Council invested £93m on developing or acquiring capital assets as summarised below. This was mainly funded from external grants (£50m) and the balance of £43m funded from borrowing, revenue contributions and capital receipts.

Major projects included in the programme were:

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



Housing Revenue Account (HRA)

The Council provides rented accommodation of 4,856 units. In 2015-16, average Council rents were £114.99 per week. The Housing Revenue Account (HRA) outturn confirmed a surplus of £2.1m in 2015-16 reflected by an increase in HRA reserves from £4.6m to £6.7m.

Collection Fund

The in-year Council tax collection rate for 2015-16 was 97.3% which compared favourably with the target of 96.5%. Business rate collection was 94.1% which was below the target of 96% but was as expected considering the makeup of our local businesses and the low level of recovery taken to try and support our small business community. The overall position for the Collection Fund is a net surplus of £7.6m against an estimated surplus of £2.7m. This net variance of £4.9m was as a result of a number of items; there were lower losses in yield from Business Rates appeals culminating in reduced appeals provisions, higher than expected council tax yield from significant higher levels of new properties having come on stream and the Council Tax Support scheme having spent less than anticipated.

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 minimise borrowing costs. The investment portfolio achieved an average return of 0.85% in the year, which compared favourably with three months LIBID of 0.46%.

During 2015-16, no loans were repaid and no new borrowings taken. The borrowing at year end remained at £334m and the average interest rate remained at 4.3%. The strategy to fund capital expenditure was to use internal funds in recognition of the unfavourable gap between investment returns and borrowing costs.

Pensions

The Pension Fund is maintained at a level to meet the Council's long-term liability for pension benefits. The Fund's net assets reduced by £14m to £661m, reflecting the fall in market value of investments (£20m) partly offset by monies transferred from other funds (£5m). The Fund's investments return for the year was -1.9% compared to the benchmark of -0.4%.

The financial statements include the relevant pension costs and provisions required to reflect the pension accounting arrangements under the International Accounting Standards (IAS19). For balance sheet purposes, the Council's estimated liabilities for retirement benefits exceeded the assets in the relevant funds by £339m at 31st March 2016. This is £62m less than the net liabilities of £401m twelve months earlier (see note 5.38). The impact on council tax, however, is dependent on the actuarial valuation of the pension fund carried out every three years. The aim is to achieve 100% funding over 20 years and to provide stability in employer contribution rates by spreading increases over a period of time. At the latest valuation, carried out in March 2013, the fund was assessed as being 70.3% funded, corresponding to a shortfall of £234m. The Council's contribution rate for the financial year 2015-16 was 16% plus £3.7m.

Harrow's 2015-16 Achievements

The Council's key achievements over the last year are summarised by strategic theme below:

Build a Better Harrow

- Set in motion plans for the relocation of the Civic Centre to Wealdstone, making the Station Road site available for redevelopment and injecting a major new investment into the heart of Wealdstone
- Moved forward on the redevelopment of the Kodak site
- Agreed the Hyde Housing College Road scheme to provide a new public square, central library, retail and food and drink premises as well as new homes
- Started a Private Rental Scheme programme to provide 25 homes for rent in Honeypot Lane
- Progressed the Grange Farm estate regeneration and let a contract for the first six new affordable rent homes
- Secured £31m of funding from the GLA under a Housing Zone agreement to deliver accelerated housing targets in the Heart of Harrow opportunity area
- Started a programme to purchase 100 homes for temporary accommodation
- Won £125,000 funding for a feasibility study into a district heating network for the main regeneration sites in Harrow and Wealdstone
- Successfully completed phase 2 of the Schools Expansion Programme, ensuring sufficient places for all schoolchildren for 2016-17
- Completed works to Stanmore Library, the first in the refurbishment programme
- Secured a £3.6m investment from the Heritage Lottery Fund for Headstone Manor & Museum
- Formed a charitable trust to take over Harrow Arts Service, Harrow Music Service and Headstone Manor and Museum and obtained an award of £151,000 to support the transition
- Formed a residents' panel to promote dialogue with residents on the regeneration programme
- Started a major project to both improve resident engagement and better co-ordinate volunteering opportunities
- Exceeded 1,000 trained Community Champions, held a number of Days of Action and Estate Action Days and expanded the role of Health Champions
- Helped 277 young people into jobs or apprenticeships

Be More Business-like and Business Friendly

- Won the Best All Round Borough award at the London Small Business Friendly Borough Awards and awarded runner-up at the 2015 London Borough Apprenticeship awards "Best work with supply chains and small businesses"
- Hosted numerous events for local businesses including the Gateway Asia II programme, Harrow Business Den and "Mentoring Harrow"
- Improved Town Centre vacancy rates to better than London and national averages
- Launched Harrow Savings and Loan credit union
- Continued last year's strong performance in street cleanliness
- Launched separate collections of food waste, saving over £105,000 on disposal costs.
- Reached 80% in the percentage of customer interactions that are self-serve, with nearly 100,000 MyHarrow accounts open.
- Launched Project Phoenix, aiming to make environmental services cost neutral by 2020 and opened the MoT bay for public use.

- Entered into or progressed several shared services arrangements with other authorities including Legal Services, HR, Registrars, Procurement and Special Needs Transport
- Leading on the 28-borough re-procurement of GUM services

Protect the Most Vulnerable and Support Families

- Successfully implemented phase 1 of the Care Act
- Helped over 1,000 people apply their Personal Budgets through the innovative My Community ePurse
- Gained one of only five National Energy Community Action Awards for our Warm Homes Healthy People initiative and secured funding for 2017/18
- Formed a private lettings agency
- The Firs short break centre for children with disabilities was judged outstanding for the sixth year running
- Increased the percentage of children in Harrow in-house placements
- Secured £223,000 of funding to develop a mental health and employment service directed at people with common mental health problems that are unemployed
- Launched the Infinity programme to transform the way adult social care is delivered
- Negotiated an improved Better Care Fund allocation for 2016-17
- Completed an Active Minds project with MIND in Harrow, helping 260 people with mild to moderate mental health issues

1.3 Outlook for the Future

Medium Term Financial Strategy 2016-17 onwards

The Council, along with the rest of local government, faces continuing financial challenges in the form of ongoing funding reductions from Central Government, the impact of legislative/policy changes and increases in demand for services. The Council responded to these challenges by identifying further efficiencies and looking at ways to innovate service delivery in accordance with the savings programme agreed by Full Council in February 2016.

In formulating the 2016-17 Medium Term Financial Strategy (MTFS), the Council had to meet a savings requirement of £53m over the period 2016-17 to 2019-20 (this is in addition to a previous savings target of £31m which covered 2015-16 to 2018-19), due to reduced Government funding, increased demands on services and other cost pressures such as capital financing costs, inflation (contractual and employee) and national insurance changes. In response to these challenges, a budget of £165m along with a 3.99% increase in Council Tax was approved by the Council in February 2016. The 3.99% increase reflected a 1.99% increase in respect of the traditional council tax increase and 2% for the Adult Social Care precept (ASC). This ASC precept was introduced for the first time in 2016-17 and gives Council's the ability to levy an additional council tax precept which must be spent exclusively on Adult Social Care. The 2% increase provided additional income of approximately £2m in 2016-17 which is being used to fund adult social care pressures.

As a result costs have been contained, risks and demands managed and financial reserves strengthened despite the economically challenging environment. The General Fund Balance as at 31st March 2016, remains at £10.008m and the Earmarked Reserves are £22.9m, which compares with £23.6m at the 1st April 2015. 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 with a significant number of external events, beyond the Council's control, adversely impacting on funding and demand for Harrow services. The economy is showing some early signs of recovery

but this is not expected to lead to any change in the Government's policy regarding funding levels to Local Government. This continues to create a challenging environment for the very real role that local government plays in the local community and the positive impact that the Council can have on people's quality of life.

The major influences on the finances going forward are:-

- The continued reduction in Government funding, Government reforms, demand and inflationary pressures;
- Increase in population as evidenced by the 2011 Census data where the figures for Harrow shows there has been a 15% increase in population in the last 10 years;
- The most significant change in the demographic is the biggest growth in the birth rate with a 33% increase in 0-4 year olds increasing the demand for both school and nursery places
- Continuing high demand for Adult Social Care.
- Increased pressures in providing temporary accommodation in the Housing General Fund
- Pressure on the Housing Revenue Account due to the Government's 1% per annum rent reduction from 2016-17 to 2019/20, along with the potential impact of the levy to fund Housing Association Right-to-Buy, which is likely to lead to reduced stock numbers and a weakened financial position.

In February 2016, the Council set a 3 year budget (2016-17 to 2018-19) to address the financial challenges faced by the Council and to set out its plans for financial sustainability. This 3 year budget will be refreshed annually to ensure it accurately reflects the ongoing challenges faced.

1.4 Explanation of 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 2015-16;
- All relevant International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB);
- The Service Reporting Code of Practice (SERCOP) issued by CIPFA. SERCOP has statutory recognition and establishes proper practice for consistent financial reporting of income and expenditure.

1.5 The Statement of Accounts

- **Statement of Responsibilities for the Statement of Accounts** sets out the respective responsibilities of the Council and the Chief Finance Officer.
- **Annual Governance Statement** sets out the framework within which the effectiveness of the Council's internal controls (including financial controls) is managed and reviewed each year. The review reports on significant weaknesses, areas identified for improvement and the actions taken to strengthen these areas.
- **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 Surplus (or Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund and Housing Revenue Account balances before any discretionary transfers to or from earmarked reserves.
- **Comprehensive Income and Expenditure Statement (CIES)** shows the true economic cost of providing services in the year, valued in accordance with proper accounting practices. Differences between the true economic cost of providing services and the level of expenditure allowed by regulations to be funded by local taxation is explained in the Movement in Reserves Statement.
- **Balance Sheet** shows the value of the assets and liabilities recognised by the Council as at 31st March 2016, valued in accordance with proper accounting practices. The net value of these assets and liabilities is matched by the value of the Council's reserves. Usable Reserves can be used to provide services, subject to any statutory limitations on their use. Unusable Reserves cannot be used to provide services. These include reserves holding unrealised gains and losses on assets, which will only become available to provide services if the assets are sold, and reserves holding timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.
- **Cash Flow Statement** shows the changes in cash and cash equivalents of the Council during the year. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing or financing activities. Cash flows from operating activities show how the operations of the Council are funded by way of taxation, grant income and receipts from services provided by the Council. Cash flows from investing activities shows cash flows intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.
- **Housing Revenue Account (HRA)** shows the true economic cost in the year of providing housing services, valued in accordance with proper accounting practices. Differences between the true economic cost of providing housing services and the level of expenditure allowed by regulations to be funded by rental income is explained in the Statement of Movement on the HRA Balance.
- **The Collection Fund** is an agent's statement that reflects the statutory obligation of the billing Council to maintain a separate Collection Fund. The statement show tax income collected from local taxpayers and the distribution of this money to the Council, the Government and the GLA.

- **The Pension Fund Account** provides information about the financial position, performance and financial adaptability of the Fund. It shows contributions to the Council's Pension Fund for employees during 2015-16, together with the pensions and other benefits paid from it, movements in investments during the year and the financial position of the Fund.

1.6 Receipt of further Information

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

1.7 Acknowledgements

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



Dawn Calvert CPFA

Director of Finance

29th June 2016

2 Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

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

The Director of Finance's Responsibilities

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

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

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

The Director of Finance has also:

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

Certification by the Director of Finance:

I certify that the Statement of Accounts as set out in this document presents a true and fair view of the financial position of the Council as at 31st March 2016 and its income and expenditure for the year ended 31st March 2016.



Dawn Calvert CPFA

Director of Finance

29th June 2016

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

These accounts will be considered and approved by the Governance, Audit, Risk Management and Standards Committee (GARMSC) at the meeting to be held in September 2016.

3 Audit Opinion & Certificate

THIS PAGE IS LEFT BLANK INTENTIONALLY

4 Presentation of Financial Statements

4.1 Movement in Reserves Statement

	General Fund Balance £000	Earmarked General Fund Reserves £000	Locally Managed Schools Reserve £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2014	(10,008)	(25,154)	(13,218)	(3,574)	(7,200)	(4,582)	(20,165)	(83,901)	(75,161)	(159,062)
<u>Movement in reserves during 2014-15</u>										
(Surplus)/Deficit on the provision of services	1,909	0	0	(63,911)	0	0	0	(62,002)	0	(62,002)
Other Comprehensive Expenditure and (Income) (Note 4.2)	0	0	0	0	0	0	0	0	26,189	26,189
Total Comprehensive Expenditure and (Income) (Note 4.2)	1,909	0	0	(63,911)	0	0	0	(62,002)	26,189	(35,813)
Adjustments between accounting basis & funding basis under regulations (Note 5.5)	(1,982)	0	0	62,846	(2,609)	(3,460)	(3,997)	50,798	(50,800)	(2)
Net Increase before Transfers to Earmarked Reserves	(73)	0	0	(1,065)	(2,609)	(3,460)	(3,997)	(11,204)	(24,611)	(35,815)
Other Adjustments (Notes 5.19.1 and 5.19.2)	0	0	0	0	470	0	(470)	0	0	0
Transfers (to)/from Earmarked Reserves (Note 5.6)	73	1,589	(1,717)	55	0	0	0	0	0	0
(Increase)/Decrease in 2014-15	0	1,589	(1,717)	(1,010)	(2,139)	(3,460)	(4,467)	(11,204)	(24,611)	(35,815)
Balance at 31 March 2015 carried forward (Note 4.3)	(10,008)	(23,565)	(14,935)	(4,584)	(9,339)	(8,042)	(24,632)	(95,105)	(99,772)	(194,877)
Balance at 31 March 2015	(10,008)	(23,565)	(14,935)	(4,584)	(9,339)	(8,042)	(24,632)	(95,105)	(99,772)	(194,877)
<u>Movement in reserves during 2015-16</u>										
(Surplus)/Deficit on the provision of services	(27,135)	0	0	(47,410)	0	0	0	(74,545)	0	(74,545)
Other Comprehensive Expenditure and (Income) (Note 4.2)	0	0	0	0	0	0	0	0	(121,532)	(121,532)
Total Comprehensive Expenditure and (Income) (Note 4.2)	(27,135)	0	0	(47,410)	0	0	0	(74,545)	(121,532)	(196,077)
Adjustments between accounting basis & funding basis under regulations (Note 5.5)	28,016	0	0	45,147	(10,814)	2,522	14,675	79,546	(79,546)	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	881	0	0	(2,263)	(10,814)	2,522	14,675	5,001	(201,078)	(196,077)
Transfers (to)/from Earmarked Reserves (Note 5.6)	(881)	662	109	110	0	0	0	0	0	0
(Increase)/Decrease in 2015-16	0	662	109	(2,153)	(10,814)	2,522	14,675	5,001	(201,078)	(196,077)
Balance at 31 March 2016 carried forward (Note 4.3)	(10,008)	(22,903)	(14,826)	(6,737)	(20,153)	(5,520)	(9,957)	(90,104)	(300,850)	(390,954)

4.2 Comprehensive Income and Expenditure Statement (CIES)

2014-15			2015-16			
Gross Expenditure	Gross Income	Net Expenditure/(Income)	Notes	Gross Expenditure	Gross Income	Net Expenditure/(Income)
£000	£000	£000		£000	£000	£000
7,359	(3,777)	3,582		5,730	(3,020)	2,710
11,073	(3,296)	7,777		10,528	(2,346)	8,182
17,396	(2,305)	15,091		17,573	(3,381)	14,192
6,978	(3,288)	3,690		6,549	(4,040)	2,509
197,589	(157,566)	40,023		204,079	(161,021)	43,058
34,084	(13,456)	20,628		32,397	(14,184)	18,213
166,443	(155,724)	10,719		168,619	(157,926)	10,693
(36,632)	(31,926)	(68,558)	6.1	(17,511)	(32,140)	(49,651)
79,260	(16,851)	62,409		81,917	(18,680)	63,237
10,045	(9,208)	837		9,155	(10,047)	(892)
8,936	(1,091)	7,845		7,277	(786)	6,491
(597)	(116)	(713)		(786)	(116)	(902)
501,934	(398,604)	103,330		525,527	(407,687)	117,840
21,466	0	21,466	5.7	9,642	(7,779)	1,863
30,598	(3,934)	26,664	5.8	28,881	(7,043)	21,838
0	(213,462)	(213,462)	5.9	0	(216,086)	(216,086)
		(62,002)				(74,545)
		(22,265)	5.20.1			(42,390)
		48,454	5.20.4			(79,142)
		26,189				(121,532)
		(35,813)				(196,077)

4.3 Balance Sheet

31-Mar-15 £000		Notes	31-Mar-16 £000
871,976	Property Plant and Equipment	5.10	1,030,401
30,062	Investment Property	5.12	16,137
28,000	Long Term Investments	5.13	5,000
8,593	Long Term Debtors	5.14	13,471
<u>938,631</u>	Long Term Assets		<u>1,065,009</u>
73,260	Short Term Investments	5.13	39,894
27,785	Short Term Debtors	5.15	30,810
12,817	Cash and Cash Equivalents	5.24	29,714
<u>113,862</u>	Current Assets		<u>100,418</u>
(4,349)	Short Term Borrowing	5.13	(4,550)
(66,731)	Short Term Creditors	5.16	(66,165)
(4,115)	Provisions	5.17	(3,049)
<u>(75,195)</u>	Current Liabilities		<u>(73,764)</u>
(5,566)	Provisions	5.17	(6,320)
(334,434)	Long Term Borrowing	5.13	(334,434)
(419,071)	Other Long Term Liabilities	5.18	(356,017)
(23,350)	Capital Grants Receipts in Advance	5.32.3	(3,940)
<u>(782,421)</u>	Long Term Liabilities		<u>(700,711)</u>
<u>194,877</u>	Net Assets		<u>390,952</u>
(95,105)	Usable Reserves	5.19	(90,102)
(99,772)	Unusable Reserves	5.20	(300,850)
<u>(194,877)</u>	Total Reserves		<u>(390,952)</u>

4.4 Cash Flow Statement

2014-15 £000		Notes	2015-16 £000
62,002	Net (deficit)/surplus on the provision of services	4.2	74,545
(13,162)	Adjustments to net deficit on the provision of services for non cash movements	5.21	(1,233)
(36,352)	Adjustments for items included in the net deficit on the provision of services that are investing and financing activities	5.21	(52,295)
<u>12,488</u>	Net cash flow from Operating Activities		<u>21,017</u>
(15,547)	Investing Activities	5.22	(1,283)
(19,374)	Financing Activities	5.23	(2,837)
<u>(22,433)</u>	Net increase/(decrease) in cash and cash equivalents		<u>16,897</u>
35,250	Cash and cash equivalents at the beginning of the reporting period	5.24	12,817
<u>12,817</u>	Cash and cash equivalents at the end of the reporting period	5.24	<u>29,714</u>

5 Notes to the Financial Statements

5.1 Accounting Policies

5.1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2015-16 financial year and its position as at 31 March 2016. 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 2015-16 and the Service Reporting Code of Practice 2015-16 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 Council derive their powers from statute and their financial and accounting framework is closely controlled by primary and secondary legislation. To the extent that treatments are prescribed by law, the accounting concepts outlined above may not apply in all cases. It is a fundamental principle of the Council's accounting that, where specific legislative requirements and accounting principles conflict, legislative requirements shall take precedence.

Accruals of Income and Expenditure

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

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

5.1.2 Cash and Cash Equivalents

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

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

5.1.3 Material Items of Income and Expense

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

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

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

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

5.1.5 Events after the Balance Sheet Date

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

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

5.1.6 Charges to Revenue for Non-Current Assets

Services, support services, trading accounts and the HRA are debited with the following amounts to record the cost of holding 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 contribution in the General Fund Balance (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Capital charges to the HRA are made in accordance with the Item 8 Determination. The HRA is not required to make a MRP. Instead, depreciation charged to the HRA is transferred to the Major Repairs Reserve to be used to fund future HRA capital expenditure. Impairment and valuation losses for HRA non-dwellings, in excess of balances on the revaluation reserve, are charged against the HRA income & expenditure account with no corresponding adjustment to the Capital Adjustment Account.

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 (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made using salary and wage rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to (Surplus) or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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

Post Employment Benefits

Employees of the Council are members of three separate pension schemes:

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

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

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

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined 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 projections of projected earnings for current employees.

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

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

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

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

Discretionary Benefits

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

5.1.8 Financial Instruments

Financial Liabilities

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

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

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

Financial Assets

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

Loans and Receivables

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

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

5.1.9 Intangible Assets

The Council does not hold material intangible assets.

5.1.10 Government Grants, 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 (Grants received in advance). When conditions are satisfied, the grant or contribution is credited to the relevant service line (revenue grants and contributions attributable to specific services) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

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

5.1.11 Investment Property

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

Investment properties are measured initially at cost and subsequently 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. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

5.1.12 Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

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

The Council as Lessor

Finance Leases

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

Operating Leases

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

5.1.13 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015-16 (SERCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

These two cost categories are accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of net cost of services, in accordance with SERCOP.

5.1.14 Heritage Assets

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

Heritage Assets should generally be recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council’s accounting policies on Property, Plant and Equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below:

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

5.1.15 Property, Plant and Equipment (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; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

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

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

Where there is no market-based evidence of fair value because of the specialist nature of an asset, 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 by:

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

Impairment

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

Where impairment losses are identified, they are accounted for in the same way as revaluation decreases, except for HRA non dwellings where valuation losses in excess of balances on the revaluation reserve are written off against the HRA income & expenditure account

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

Depreciation

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

Depreciation is calculated on the following basis:

- Council dwellings – straight-line allocation over the useful life of the property as estimated by the valuer: generally 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 £2,550 to £6,300	20 years
Kitchen	£4,800	15 years
Bathroom	£2,900	15 years

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

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

Disposals

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

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

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

5.1.16 Accounting for Schools

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

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

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

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

5.1.17 Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

5.1.18 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

Provisions are charged as an expense to the appropriate service line in 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.

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

Contingent Liabilities

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

Contingent Assets

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

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

5.1.19 Reserves

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

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.

5.1.20 Revenue Expenditure Funded from Capital under Statute

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

5.1.21 Value Added Tax (VAT)

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

5.1.22 Collection Fund

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

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

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

5.2 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 5.1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events:

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 dependant 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>Asset values are estimated at fair value based on quoted prices in active markets for the type of asset being valued.</p> <p>The fair value of some of the Council's investment properties cannot be estimated based on quoted prices in active markets. In these cases their fair value is measured based on similar assets in active markets. Where no active markets exist, valuation is based on the most recent valuations adjusted to current valuation by the use of indexation and impairment review.</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.	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 relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates, and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The assumptions used are reviewed yearly in respect of the calculation of the net liability and triennially in respect of the Council's pension contribution rate. Changes in assumptions may increase the net liability and future pension costs.

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

The following accounting policy changes are not yet reflected in the 2015-16 Code of Practice. They are not therefore reflected in the Statement of Accounts:

- The CIPFA Code of Practice on Transport Infrastructure Assets (the Infrastructure Code) takes effect from 1st April 2016. Under the Infrastructure Code transport infrastructure assets will be recognised as a separate class of Property, Plant and Equipment measured at depreciated replacement cost. The disclosure will require a transfer of assets between the infrastructure category and the new highways network asset category. This is likely to result in a material revaluation gain due to the change from depreciated historic cost to depreciated replacement cost basis;
- There are a number of minor amendments to International Financial Reporting Standards, but none of these are expected to have a material impact on the accounts.

5.5 Adjustment between accounting basis and funding basis under regulations

2015-16	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account:						
<u>Reversal of items debited or credited to the CIES:</u>						
Depreciation	(21,103)	(7,797)	0	0	0	(28,900)
Impairment	3,962	42,966	0	0	0	46,928
Movements in the market value of Investment Properties	4,145	0	0	0	0	4,145
Capital grants and contributions - Applied	36,396	286	0	0	15,415	52,097
Capital grants and contributions - Unapplied credited to CIES	619	121	0	0	(740)	0
Revenue expenditure funded from capital under statute	(1,736)	(383)	0	0	0	(2,119)
Non Current assets written out on disposal	(4,310)	(2,805)	(16)	0	0	(7,131)
<u>Insertion of items not debited or credited to the CIES:</u>						
Minimum Revenue Provision	15,310	16	0	0	0	15,326
Capital expenditure charged against the General Fund and HRA balances	340	0	0	0	0	340
Adjustments involving the Capital Receipts Reserve:						
Transfer of sale proceeds credited to the CIES	7,277	7,668	(14,945)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	3,282	0	0	3,282
Less Administrative Cost of disposals	(53)	0	53	0	0	0
Less payments to the Capital Receipt Pool	0	(812)	812	0	0	0
Adjustment involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA	0	6,371	0	(6,371)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	8,893	0	8,893
Adjustments involving the Financial Instruments Adjustment Account:						
Premiums and Discounts on Debt Restructure	(320)	(96)	0	0	0	(416)
Adjustments involving the Pensions Reserve:						
Charges made for retirement benefits in accordance with IAS19	(35,810)	(1,049)	0	0	0	(36,859)
Employer's pensions contributions payable in the year	19,067	661	0	0	0	19,728
Adjustments involving the Collection Fund Adjustment Account:						
Adjustment involving the Accumulating Compensated Absences Account	519	0	0	0	0	519
Total Adjustments	28,016	45,147	(10,814)	2,522	14,675	79,546

Notes to the Financial Statements

2014-15

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account:						
<u>Reversal of items debited or credited to the CIES:</u>						
Depreciation	(20,602)	(7,350)	0	0	0	(27,952)
Impairment	(1,022)	61,130	0	0	0	60,108
Movements in the market value of Investment Properties	1,395	0	0	0	0	1,395
Capital grants and contributions - Applied	20,531	42	0	0	5,971	26,544
Capital grants and contributions - Unapplied credited to CIES	9,906	62	0	0	(9,968)	0
Revenue expenditure funded from capital under statute	(2,614)	(84)	0	0	0	(2,698)
Non Current assets written out on disposal	(15,980)	(2,299)	0	0	0	(18,279)
<u>Insertion of items not debited or credited to the CIES:</u>						
Minimum Revenue Provision	16,150	12	0	0	0	16,162
Capital expenditure charged against the General Fund and HRA balances	2,538	0	0	0	0	2,538
Adjustments involving the Capital Receipts Reserve:						
Transfer of sale proceeds credited to the CIES	873	4,968	(5,849)	0	0	(8)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	2,523	0	0	2,523
Less Administrative Cost of disposals	(12)	0	12	0	0	0
Less payments to the Capital Receipt Pool	0	(705)	705	0	0	0
Adjustment involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA	0	7,338	0	(7,338)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	3,878	0	3,878
Adjustments involving the Financial Instruments Adjustment Account:						
Premiums and Discounts on Debt Restructure	(293)	(82)	0	0	0	(375)
Adjustments involving the Pensions Reserve:						
Charges made for retirement benefits in accordance with IAS19	(31,798)	(765)	0	0	0	(32,563)
Employer's pensions contributions payable in the year	17,536	579	0	0	0	18,115
Adjustments involving the Collection Fund Adjustment Account:						
Adjustment involving the Accumulating Compensated Absences Account	210	0	0	0	0	210
Total Adjustments	(1,982)	62,846	(2,609)	(3,460)	(3,997)	50,798

5.6 Transfers to/from Earmarked Reserves

	Balance at 31-Mar-14	Transfers Out 2014-15	Transfers In 2014-15	Balance at 31-Mar-15	Transfers Out 2015-16	Transfers In 2015-16	Balance at 31-Mar-16
	£000	£000	£000	£000	£000	£000	£000
General Fund:							
Compensatory Added Years	(801)	79	0	(722)	79	0	(643)
Transformation and Priority Initiatives Fund	(3,370)	352	(801)	(3,819)	630	0	(3,189)
PFI Schools	(3,246)	2,496	(2,204)	(2,954)	2,458	(2,294)	(2,790)
PFI Neighbourhood Resource Centre	(1,020)	974	(1,108)	(1,154)	986	(1,122)	(1,290)
HSIP	0	0	(1,261)	(1,261)	108	0	(1,153)
IT Implementation	0	0	(2,854)	(2,854)	1,000	0	(1,854)
Children's Social Care	0	0	(866)	(866)	647	0	(219)
Standing Up for Those in Need	0	0	(800)	(800)	0	0	(800)
Projects in progress	(3,314)	3,176	(1,598)	(1,736)	1,736	(1,793)	(1,793)
Insurance reserve	(500)	0	0	(500)	0	0	(500)
Revenue Grant Reserve	(985)	832	(55)	(208)	47	(1,144)	(1,305)
Public Health	(666)	0	(242)	(908)	10	0	(898)
Revenue Contribution to Capital from Schools	(1,847)	1,847	0	0	0	0	0
Business Risk	(2,859)	750	0	(2,109)	0	0	(2,109)
MTFS Implementation cost	(6,074)	4,390	(1,120)	(2,804)	2,692	(763)	(875)
CIL - Harrow	0	0	(200)	(200)	0	(528)	(728)
Commercialisation	0	0	0	0	479	(1,000)	(521)
Welfare Reform	0	0	0	0	0	(1,000)	(1,000)
Other earmarked reserves	(472)	318	(516)	(670)	10	(576)	(1,236)
Subtotal General Fund Reserves	(25,154)	15,214	(13,625)	(23,565)	10,882	(10,220)	(22,903)
Balances held by schools under a scheme of delegation	(13,218)	0	(1,717)	(14,935)	109	0	(14,826)
Total	(38,372)	15,214	(15,342)	(38,500)	10,991	(10,220)	(37,729)

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

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

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

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

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

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

Business Risk: Established to cover the risk of increased costs from pressure on the social care budget and other business risks.

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

Welfare Reform: established to cover the risk of increased costs from pressures on the homelessness budget.

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

5.7 Other Operating Expenditure

2014-15 £000		2015-16 £000
	Levies	
239	London Boroughs Grants Committee	260
308	London Pension Fund Authority	303
7,280	West London Waste Authority (WLWA)	7,844
247	Lee Valley Regional Park Authority	239
181	Environment Agency	183
8,255	Sub Total Levies	8,829
705	Payments to the Government Housing Capital Receipts Pool	812
12,506	Losses/(gains) on the disposal of non current assets	(7,779)
21,466	Total	1,862

5.8 Financing and investment income and expenditure

2014-15 £000		2015-16 £000
16,111	Interest payable and similar charges	15,975
14,487	Net interest on the net defined benefit liability	12,906
(1,715)	Interest receivable and similar income	(1,817)
(2,219)	Income in relation to investment properties & changes in their fair value	(5,226)
26,664	Total	21,838

5.9 Taxation and non- specific grant income

2014-15 £000		2015-16 £000
(98,011)	Council tax income	(102,443)
(13,436)	Business Rates Retention	(15,597)
(42,638)	Revenue Support Grant	(32,034)
(20,546)	Business Rates Top-Up Grant	(20,939)
(3,041)	Education Services Grant	(2,394)
(3,064)	New Home Bonus Grant	(3,867)
(1,129)	Section 31 Grants	(1,251)
(1,050)	Council Tax Freeze Grant	0
(24)	Other General Grants	(155)
(30,523)	Capital grants and contributions (Note 5.32.2)	(37,406)
(213,462)	Total	(216,086)

5.10 Property, Plant and Equipment

2015-16

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant, IT and Equipment	PFI Assets Included in Property, Plant, IT and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1 April 2015	344,597	381,803	52,729	168,641	886	37,733	986,389	27,899
Reversal of accumulated depreciation on revaluation	(6,719)	(4,515)	0	0	0	0	(11,234)	(416)
Additions	1,842	4,624	2,969	15,295	0	62,509	87,239	0
Revaluation increases recognised in the Revaluation Reserve	1,129	41,260	0	0	0	0	42,389	8,099
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	42,936	3,817	0	0	0	0	46,753	749
Derecognition - Disposals	(3,163)	(1,083)	0	0	0	0	(4,246)	0
Derecognition - Other*	0	0	(11,775)	(1,165)	0	0	(12,940)	0
Assets reclassified from assets under construction	800	5,454	422	1,200	0	(7,876)	0	0
Reclassification from Investment Properties	0	13,535	0	0	0	0	13,535	0
At 31 March 2016	381,422	444,895	44,345	183,971	886	92,366	1,147,885	36,331
Accumulated Depreciation								
At 1 April 2015	(6,719)	(8,548)	(31,354)	(66,904)	(885)	0	(114,410)	(682)
Reversal of accumulated depreciation on revaluation	6,719	4,515	0	0	0	0	11,234	416
Depreciation charges for 2015-16	(7,546)	(5,682)	(7,382)	(8,291)	0	0	(28,901)	(447)
Derecognition - Depreciation on Disposal	431	1,222	0	0	0	0	1,653	0
Derecognition - Other*	0	0	11,775	1,165	0	0	12,940	0
Reclassification of assets	(75)	75	0	0	0	0	0	0
At 31 March 2015	(7,190)	(8,418)	(26,961)	(74,030)	(885)	0	(117,484)	(713)
Net Book Value								
At 31 March 2016	374,232	436,477	17,384	109,941	1	92,366	1,030,401	35,618
At 31 March 2015	337,878	373,252	21,375	101,737	1	37,733	871,976	27,217

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

2014-15

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant, IT and Equipment	PFI Assets Included in Property, Plant, IT and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1 April 2014	286,711	375,775	119,513	196,174	886	20,911	999,970	25,824
Fully depreciated assets derecognised	0	0	(61,070)	(2,215)	0	0	(63,285)	0
Reversal of accumulated depreciation on revaluation	(6,776)	(4,507)	0	0	0	0	(11,283)	0
Additions	4,180	3,112	5,420	13,568	0	27,699	53,979	241
Revaluation increases recognised in the Revaluation Reserve	2,027	20,238	0	0	0	0	22,265	1,539
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	61,130	(2,790)	0	0	0	0	58,340	0
Derecognition - Disposals	(2,675)	(16,931)	0	0	0	0	(19,606)	0
Derecognition - Other	0	0	(11,363)	(42,634)	0	0	(53,997)	0
Assets reclassified from Asset Under Construction	0	3,328	3,803	3,747	0	(10,878)	0	295
Other movements in cost or valuation	0	3,574	(3,574)	0	0	0	0	0
At 31 March 2015	344,597	381,799	52,729	168,640	886	37,732	986,383	27,899
Accumulated Depreciation								
At 1 April 2014	(6,776)	(7,496)	(97,655)	(104,234)	(885)	0	(217,046)	(367)
Fully depreciated assets derecognised	0	0	61,070	2,215	0	0	63,285	0
Reversal of accumulated depreciation on revaluation	6,776	4,507	0	0	0	0	11,283	0
Depreciation charges for 2014-15	(7,095)	(5,240)	(8,098)	(7,519)	0	0	(27,952)	(315)
Derecognition - Depreciation on Disposal	376	1,650	0	0	0	0	2,026	0
Derecognition - Other	0	0	11,363	42,634	0	0	53,997	0
Reclassification of assets	0	(1,967)	1,967	0	0	0	0	0
At 31 March 2015	(6,719)	(8,546)	(31,353)	(66,904)	(885)	0	(114,407)	(682)
Net Book Value								
At 31 March 2015	337,878	373,253	21,376	101,736	1	37,732	871,976	27,217
At 31 March 2014	279,935	368,279	21,858	91,940	1	20,911	782,923	25,457

5.10.1 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 years;
- Infrastructure assets – 10-80 years; and
- Freehold land - not depreciated.

5.10.2 Capital Commitments

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

31-Mar-15 £000	Directorate	31-Mar-16 £000
2,811	Resources	2,769
42,767	People	10,125
1,527	Housing Services (HRA)	4,786
4,027	Community	7,109
0	Regeneration	65
<u>51,132</u>		<u>24,854</u>

5.10.3 Revaluations

The Council has a rolling programme that ensures all Property, Plant and Equipment (PPE) included in the Balance Sheet at fair value is revalued at least every five years and reviewed at year-end to ensure that their carrying amount is not materially different from their fair value. All valuations were carried out internally as at 1st April 2015. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. In estimating fair value, regard has been given to the nature of the property by reference to its use, location, size, method of construction, age, all other relevant matters, and the prevailing market forces.

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

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

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

The HRA portfolio is valued in line with the 5 year rolling programme as at 1st April. The Land Registry Index is used to calculate the movement in property values between 1st April 2015 and 31st March 2016. The movement in HRA assets has been analysed in note 6.2.3.

Rolling revaluation programme:

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Asset Under Construction £000	Total £000	Investment Property £000
Valued at historical cost	0	0	17,384	109,914	92,367	219,665	0
Valued at fair value:							
As at 31st March 2016	374,234	98,054	0	0	0	472,288	16,137
As at 31st March 2015	0	75,112	0	0	0	75,112	0
As at 31st March 2014	0	87,514	0	0	0	87,514	0
As at 31st March 2013	0	64,376	0	0	0	64,376	0
As at 31st March 2012	0	111,445	0	0	0	111,445	0
Total Cost or Valuation as at 31.03.16	374,234	436,501	17,384	109,914	92,367	1,030,400	16,137

This table excludes community assets valued at £1K

5.10.4 Trust, Foundation, Voluntary Aided and Academy Schools

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

The Trustees of these schools have control of the school buildings and associated land. The assets are therefore not shown on the Council's Balance Sheet. During the year, no additional schools transferred to Academy status.

5.11 Heritage Assets

The Council's heritage assets are as detailed below. These assets are not included on the balance sheet as it is either not practical to obtain a valuation, historical cost information is not available or the value of the assets is insignificant.

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

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

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

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

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

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

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

5.12 Investment Properties

2014-15			2015-16	
£000			£000	
29,367	Balance at start of the year		30,062	
(700)	Disposals		(4,535)	
0	Reclassification to "operational land and buildings"		(13,535)	
1,395	Net gains from fair value adjustments		4,145	
<u>30,062</u>	Balance at end of the year		<u>16,137</u>	

5.13 Financial instruments

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

	Long-term		Current	
	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15
	£000	£000	£000	£000
Investments				
Loans and receivables	5,000	28,000	39,894	73,260
Cash and cash equivalents	0	0	31,647	18,436
Total investments	5,000	28,000	71,541	91,696
Debtors				
Loans and receivables	13,471	8,593	0	0
Financial assets carried at contract amounts	0	0	16,862	15,953
Total Debtors	13,471	8,593	16,862	15,953
Borrowings				
Financial liabilities at amortised cost	(334,434)	(334,434)	(6,483)	(9,969)
Total borrowings	(334,434)	(334,434)	(6,483)	(9,969)
Other Liabilities				
PFI and finance lease liabilities	(17,032)	(18,075)	(1,017)	(1,862)
Total other liabilities	(17,032)	(18,075)	(1,017)	(1,862)
Creditors				
Financial liabilities carried at contract amount	0	0	(42,506)	(43,891)
Total creditors	0	0	(42,506)	(43,891)

The balances of debtors and creditors disclosed in the above note differ from the balance sheet because they include only balances that relate to contractual arrangements and exclude balances that relate to statutory functions. The balance of short term debtors excludes £13.95m (£11.49m in 2014-15). The creditors balance excludes £23.66m (£22.50m in 2014-15). The cash and cash equivalents and current (short term) borrowings figures differ from the balance sheet because the £1.9m bank overdraft balance has been treated as current borrowings for the purposes of this note.

Gains and Losses on Financial Instruments

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

Financial Liabilities Measured at amortised cost	Financial Assets Loans and receivables	Total		Financial Liabilities Measured at amortised cost	Financial Assets Loans and receivables	Total
2014-15 £000	2014-15 £000	2014-15 £000		2015-16 £000	2015-16 £000	2015-16 £000
16,111	0	16,111	Interest Expenses	16,054	0	16,054
0	1,534	1,534	Impairment Losses	0	223	223
16,111	1,534	17,645	Interest payable and similar charges	16,054	223	16,277
0	(1,715)	(1,715)	Interest income	0	(1,855)	(1,855)
0	(1,715)	(1,715)	Interest and investment income	0	(1,855)	(1,855)
16,111	(181)	15,930	Net gain/(loss) for the year	16,054	(1,632)	14,422

Fair Value of Assets and Liabilities

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

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

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

Carrying Amount	Fair Value		Carrying Amount	Fair Value
2014-15 £000	2014-15 £000		2015-16 £000	2015-16 £000
101,260	102,283	Investments	44,894	45,396
8,593	8,593	Loans and receivables	13,471	27,286
18,436	18,448	Cash and Cash Equivalents	31,647	31,663
(344,386)	(410,716)	Borrowing	(340,917)	(510,034)

5.14 Long term debtors

31-Mar-15 £000		31-Mar-16 £000
8,368	West London Waste Authority	13,124
225	Other Loans	347
8,593	Total	13,471

5.15 Short term debtors

31-Mar-15		31-Mar-16
£000		£000
4,290	Central government bodies	9,067
8,018	Other local authorities	5,356
5,551	NHS bodies	3,129
9,926	Other entities and individuals	13,258
<u>27,785</u>	Total	<u>30,810</u>

5.16 Short term creditors

31-Mar-15		31-Mar-16
£000		£000
(14,278)	Central government bodies	(12,254)
(5,843)	Other local authorities	(7,888)
(2,525)	NHS bodies	(2,823)
(44,085)	Other entities and individuals	(43,201)
<u>(66,731)</u>	Total	<u>(66,165)</u>

5.17 Provisions

	Outstanding Legal Cases £000	Insurance £000	Business Rate Appeals £000	Employment £000	Other Provisions £000	Total £000
Short Term						
Balance at 1 April 2015	(719)	(1,545)	(1,260)	(179)	(412)	(4,115)
Additional provisions made in 2015-16	(188)	(1,873)	0	(237)	(356)	(2,654)
Transferred to Long Term	0	754	0	0	0	754
Amounts used in 2015-16	188	1,328	660	171	18	2,365
Unused amounts reversed in 2015-16	264	0	180	8	148	600
Balance at 31 March 2016	<u>(455)</u>	<u>(1,336)</u>	<u>(420)</u>	<u>(237)</u>	<u>(602)</u>	<u>(3,050)</u>
Long Term						
Balance at 1 April 2015	0	(5,566)	0	0	0	(5,566)
Transferred from Short Term	0	(754)	0	0	0	(754)
Balance at 31 March 2016	<u>0</u>	<u>(6,320)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(6,320)</u>

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

Insurance: The estimated liability for insurance claims that the Council self funds, including actual claims submitted, and events for which the Council has not received a claim (incurred but not reported IBNR). The Council's insurance programme consists of a range of insurance covers in three broad classes; liability, property and motor. The Council's maximum potential liability is limited by a series of aggregate stop loss covers with the Council's insurers that are triggered when the total of all claims under the cover exceeds that amount for the period of insurance. It is Council policy not to insure "pound swapping" items (e.g. theft and "all risks" on equipment), or tree related subsidence claims. All IBNR amounts are calculated by the Council's actuary. The provision includes £1.80m to cover the cost of payments to Municipal Mutual Insurance in respect of future claims.

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

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

5.18 Other long term liabilities

31-Mar-15 £000		31-Mar-16 £000
(16,959)	PFI Lease Liability (Note 5.36)	(16,501)
(1,116)	Finance Lease Liability (Note 5.35.1.1)	(531)
(400,996)	IAS19 Pension Liability (Note 5.38.5)	(338,985)
<u>(419,071)</u>	Total	<u>(356,017)</u>

5.19 Usable reserves

31-Mar-15 £000		Note	31-Mar-16 £000
(10,008)	General Fund	4.1	(10,008)
(23,565)	Earmarked Reserves General Fund	5.6	(22,903)
(14,935)	Earmarked Reserves Locally Managed Schools	5.6	(14,825)
(4,584)	Housing Revenue Account	6.1	(6,736)
(8,042)	Major Repairs Reserve	6.2.4	(5,520)
(9,339)	Capital Receipts Reserve	5.19.1	(20,153)
(24,632)	Capital Grants and Contributions Unapplied	5.19.2	(9,957)
<u>(95,105)</u>	Total Usable Reserves		<u>(90,102)</u>

5.19.1 Capital Receipts Reserve

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

General Fund 2014-15 £000	HRA 2014-15 £000	Total 2014-15 £000		General Fund 2015-16 £000	HRA 2015-16 £000	Total 2015-16 £000
(1,496)	(5,704)	(7,200)	Balance unapplied at 1 April	0	(9,340)	(9,340)
0	470	470	Transfer to/from Capital Grants Unapplied	0	0	0
(873)	(5)	(878)	Receipts in year - Others	(7,277)	(1,144)	(8,421)
0	(4,984)	(4,984)	Receipts in year - Right to Buy	0	(6,539)	(6,539)
0	0	0	Transfers between HRA and GF	(571)	571	0
13	0	13	Disposal Costs	53	0	53
0	705	705	Pooling payment to the DCLG	0	812	812
2,356	125	2,482	Applied during the year - others	0	984	984
0	53	53	Applied during the year - Right to Buy	0	2,298	2,298
<u>(0)</u>	<u>(9,340)</u>	<u>(9,340)</u>	Balance unapplied at 31 March	<u>(7,795)</u>	<u>(12,358)</u>	<u>(20,153)</u>

5.19.2 Capital Grants and Contributions Unapplied

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

General Fund	HRA	Total		General Fund	HRA	Total
2014-15	2014-15	2014-15		2015-16	2015-16	2015-16
£000	£000	£000		£000	£000	£000
(16,669)	(3,496)	(20,165)	Balance unapplied at 1 April	(20,949)	(3,683)	(24,632)
0	(470)	(470)	Transfer to/from Capital Receipt Reserve	0	0	0
(9,907)	(61)	(9,968)	Receipts in year	(619)	(263)	(882)
5,627	344	5,971	Applied during the year	14,323	1,234	15,557
(20,949)	(3,683)	(24,632)	Balance unapplied at 31 March	(7,245)	(2,712)	(9,957)

5.20 Unusable reserves

31-Mar-15				31-Mar-16
£000				£000
(35,016)	Revaluation Reserve	5.20.1		(75,163)
(24)	Deferred Capital Receipts			(18)
(473,560)	Capital Adjustment Account	5.20.2		(568,671)
5,618	Financial Instruments Adjustment Account	5.20.3		6,034
400,996	Pensions Reserve	5.20.4		338,985
(1,893)	Collection Fund Adjustment Account	5.20.5		(5,606)
4,107	Accumulating Compensated Absences Adjustment Account	5.20.6		3,589
(99,772)	Total Unusable Reserves			(300,850)

5.20.1 Revaluation reserve

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

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

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

General Fund	2014-15 HRA	Total		General Fund	2015-16 HRA	Total
£000	£000	£000		£000	£000	£000
(13,937)	(1,218)	(15,155)	Balance at 1 April	(31,556)	(3,460)	(35,016)
(36,419)	(65,420)	(101,839)	Upward revaluation of assets	(55,115)	(44,982)	(100,097)
			Downward revaluation of assets not charged to the Surplus/Deficit on the Provision of Services:			
2,305	0	2,305	Downward revaluation charged to the revaluation reserve	1,069	148	1,217
16,139	61,130	77,269	Revaluation charged to Provision of Services	13,554	42,936	56,490
(31,912)	(5,508)	(37,420)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(72,048)	(5,358)	(77,406)
			Difference between fair value depreciation and historical cost depreciation	1,093	826	1,919
356	1,633	1,989	Accumulated gains on assets sold or scrapped	0	324	324
0	415	415	Amount written off to the Capital Adjustment Account	1,093	1,150	2,243
356	2,048	2,404				
(31,556)	(3,460)	(35,016)	Balance at 31 March	(70,955)	(4,208)	(75,163)

5.20.2 Capital adjustment account

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

The Account contains accumulated gains and losses on Investment Properties.

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

2014-15				2015-16		
General Fund	HRA	Total		General Fund	HRA	Total
£000	£000	£000		£000	£000	£000
(248,460)	(156,084)	(404,544)	Balance at 1 April	(259,574)	(213,986)	(473,560)
			Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
19,103	7,338	26,441	Asset Depreciation	19,800	7,784	27,584
1,499	12	1,511	Leasing Depreciation	1,303	13	1,316
1,022	(61,130)	(60,108)	Asset Impairment/ (Reversal of Impairment)	(3,992)	(42,936)	(46,928)
15,980	2,299	18,279	Non Current assets written out on Disposal	4,310	2,815	7,125
2,614	84	2,698	Revenue expenditure funded from capital under statute	1,736	383	2,119
(2,379)	0	(2,379)	Deferred Capital receipts	0	0	0
0	(415)	(415)	Revaluation reserve on disposal to the CI&E Statement	0	(324)	(324)
37,839	(51,813)	(13,974)		23,157	(32,265)	(9,108)
(356)	(1,633)	(1,989)	Depreciation written out of the Revaluation reserve	(1,093)	(826)	(1,919)
37,483	(53,446)	(15,963)	Net written out amount of the cost of non current assets consumed in the year	22,064	(33,091)	(11,027)
			Capital financing applied in the year:	0	0	0
(2,356)	(180)	(2,536)	Use of the Capital Receipts Reserve	0	(3,282)	(3,282)
0	(3,878)	(3,878)	Use of the Major Repairs Reserve	0	(8,893)	(8,893)
(20,531)	(42)	(20,573)	Capital grants contributions credited to the CI&E Statement	(36,396)	(144)	(36,540)
(5,626)	(344)	(5,970)	Application of grants from the Capital Grants Unapplied Account	(14,322)	(1,235)	(15,557)
(16,151)	(12)	(16,163)	Minimum Revenue Provision	(15,310)	(16)	(15,326)
(2,538)	0	(2,538)	Revenue Contribution to Capital Outlay	(340)	0	(340)
(9,719)	(57,902)	(67,621)		(44,304)	(46,661)	(90,965)
(1,395)	0	(1,395)	Movements in the market value of Investment Properties debited/credited to the CI&E Statement	(4,145)	0	(4,145)
(259,574)	(213,986)	(473,560)	Balance at 31 March	(308,023)	(260,647)	(568,670)

5.20.3 Financial instruments adjustment account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums and discounts paid on the early redemption of loans.

Premiums are debited and discounts credited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the balance is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

2014-15 £000		2015-16 £000
5,243	Balance at 1 April	5,618
	Premiums and Discounts incurred in previous financial years to be charged against the Balance in accordance with statutory requirements	
293	General Fund	320
82	HRA	96
<u>5,618</u>	Balance at 31 March	<u>6,034</u>

DRAFT

5.20.4 Pensions reserve

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

2014-15 £000		2015-16 £000
338,094	Balance at 1 April	400,996
48,454	Remeasurement of the net defined benefit liability	(79,142)
32,563	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	36,198
(18,115)	Employer's pensions contributions and direct payments to pensioners payable in the year	(19,067)
400,996	Balance at 31 March	338,985

5.20.5 Collection fund adjustment account

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

2014-15 £000		2015-16 £000
(1,683)	Balance at 1 April	(1,893)
(210)	Amount by which council tax and NNDR income credited to CIES is different from income calculated for the year in accordance with Statute	(3,713)
(1,893)	Balance at 31 March	(5,606)

5.20.6 Accumulating compensated absences adjustment account

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

2014-15 £000		2015-16 £000
5,308	Balance at 1 April	4,107
(5,308)	Settlement or cancellation of accrual made at the end of the preceding year	(4,107)
4,107	Amounts accrued at the end of the current year	3,589
4,107	Balance at 31 March	3,589

5.21 Cash flow statement – operating activities

2014-15 £000		2015-16 £000
	The cash flows for operating activities include the following items:	
16,111	Interest payable & similar charges	15,975
(1,715)	Interest and Investment income	(1,817)
(2,219)	Other investment income	(5,226)
	The surplus or deficit on the provision of services has been adjusted for the following noncash movements:	
14,449	Adjustment for pension funding	17,131
1,013	Increase/Decrease(-) in Provision	(312)
(30,387)	Impairment and Depreciation	(17,852)
(1,200)	Accumulated Absence	(519)
18,279	Carrying amount of non-current assets disposed	7,125
64	Other non cash items charged to CIES	(466)
(1,395)	Movement in the value of investment properties	(4,145)
	Items on an accrual basis	
(6,693)	(Increase)/Decrease in Debtors	(3,935)
(7,292)	Increase/(Decrease) in Creditors	<u>1,740</u>
<u>(13,162)</u>	Adjustments for non cash movements	<u>(1,233)</u>
(5,829)	Proceeds from the sale of non-current assets	(14,889)
	Proceeds from short term and long term investments	
(30,523)	Capital grants credited to surplus or deficit on the provision of services	<u>(37,406)</u>
<u>(36,352)</u>	Adjustments for investment and financing activities	<u>(52,295)</u>

5.22 Cash flow statement – investing activities

2014-15 £000		2015-16 £000
(52,267)	Purchase of property, plant and equipment, investment property and intangible assets	(86,142)
(71,006)	Purchase of short-term and long-term investments	(8,960)
40,971	Capital grants received in year	17,996
5,829	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	14,889
66,946	Proceeds from short-term and long-term investments	65,000
(6,020)	Other long term loans granted	(4,066)
0	Other long term loans repaid	0
<u>(15,547)</u>	Net cash flows from investing activities	<u>(1,283)</u>

5.23 Cash flow statement – financing activities

2014-15 £000		2015-16 £000
213	Cash receipts of short- and long-term borrowing	0
0	Other receipts from financing activities	0
(2,050)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(1,888)
(18,022)	Repayments of short- and long-term borrowing	180
485	Billing authority collection fund adjustments	(1,129)
<u>(19,374)</u>	Net cash flows from financing activities	<u>(2,837)</u>

5.24 Cash and cash equivalents

31-Mar-15 £000		31-Mar-16 £000
51	Cash held by the Authority	51
(5,619)	Bank current accounts	(1,933)
18,385	Short-term deposits with Banks and Building Societies	31,596
<u>12,817</u>	Total Cash and Cash Equivalents	<u>29,714</u>

5.25 Amounts reported for Resource Allocation decisions

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

5.25.1 Directorate income and expenditure

2015-16	Regeneration	People Services	Community Services	Resources	Total
	£000	£000	£000	£000	£000
Fees, charges & other service income	(3,935)	(42,120)	(32,451)	(41,091)	(119,597)
Support service recharges	0	(31)	(5,974)	(33,009)	(39,014)
Government grants	(567)	(160,079)	(1,159)	(150,285)	(312,090)
Total Income	(4,502)	(202,230)	(39,584)	(224,385)	(470,701)
Employee expenses	3,603	131,512	24,992	52,843	212,950
Other service expenses	1,502	155,126	27,688	184,200	368,516
Support service charges	1,109	14,468	9,804	10,305	35,686
Depreciation, amortisation and impairment	108	3,741	12,643	3,354	19,846
Precepts & Levies	0	0	8,266	563	8,829
Total Expenditure	6,322	304,847	83,393	251,265	645,827
Net Departmental Costs	1,820	102,617	43,809	26,880	175,126
2014-15	Regeneration	People Services	Community Services	Resources	Total
	£000	£000	£000	£000	£000
Fees, charges & other service income	(2,814)	(41,975)	(32,292)	(37,885)	(114,966)
Support service recharges	0	1	(4,028)	(32,850)	(36,877)
Government grants	(758)	(250,495)	(1,003)	(149,936)	(402,192)
Total Income	(3,572)	(292,469)	(37,323)	(220,671)	(554,035)
Employee expenses	3,146	129,496	26,712	52,628	211,982
Other service expenses	1,714	244,294	33,337	183,160	462,505
Support service charges	1,105	13,577	8,772	10,123	33,577
Depreciation, amortisation and impairment	75	4,074	14,032	3,150	21,331
Precepts & Levies	0	0	7,708	547	8,255
Total Expenditure	6,040	391,441	90,561	249,608	737,650
Net Departmental Costs	2,468	98,972	53,238	28,937	183,615

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

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

2014-15 £000		2015-16 £000
183,615	Net expenditure in the Directorate Analysis (note 5.25.1)	175,126
(71,869)	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(51,486)
(8,416)	Amounts included in the Analysis not included in the CIES Cost of Services	(5,800)
<u>103,330</u>	Cost of Services in CIES	<u>117,840</u>

5.25.3 Reconciliation to subjective analysis and comparative

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

2015-16	Directorate Analysis	HRA not reported to management for decision making	Other not reported to management for decision making	Amounts not included in Cost of Services	Cost of services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(119,597)	(32,141)	0	(26,855)	(178,593)	0	(178,593)
Support service recharges	(39,014)	0	0	39,014	0	0	0
Interest and investment income	0	0	0	0	0	(7,043)	(7,043)
Income from council tax	0	0	0	0	0	(102,443)	(102,443)
Income from business rates retention	0	0	0	0	0	(15,597)	(15,597)
Government grants and contributions	(312,090)	(8)	0	1,476	(310,622)	(98,045)	(408,667)
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	(7,779)	(7,779)
Total income	(470,701)	(32,149)	0	13,635	(489,215)	(230,907)	(720,122)
Employee expenses	212,948	7,343	3,299	3,135	226,725	0	226,725
Other service expenses	368,519	7,354	(4,040)	(4,866)	366,967	0	366,967
Support Service charges	35,685	3,119	0	(4,751)	34,053	0	34,053
Depreciation, amortisation and impairment	19,846	(34,909)	(1,503)	(4,124)	(20,690)	0	(20,690)
Interest Payments	0	0	0	0	0	28,881	28,881
Precepts & Levies	8,829	0	0	(8,829)	0	8,829	8,829
Payments to Housing Capital Receipts Pool	0	0	0	0	0	812	812
Total expenditure	645,827	(17,093)	(2,244)	(19,435)	607,055	38,522	645,577
Surplus or deficit on the provision of services	175,126	(49,242)	(2,244)	(5,800)	117,840	(192,385)	(74,545)

2014-15

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

5.26 Road charging schemes under the Transport Act 2000

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

2014-15 £000		2015-16 £000
(7,429)	Penalty Charge Notices	(8,265)
(968)	On street meters	(1,107)
(415)	Residents Permits	(370)
<u>(8,812)</u>	Total income	<u>(9,742)</u>
1,610	Enforcement contract/costs	2,005
1,183	Other expenditure	1,013
<u>2,793</u>	Total expenditure	<u>3,018</u>
<u>(6,019)</u>	Total (surplus) for the year ending 31 March 2016	<u>(6,724)</u>
	<u>Utilisation of Surplus</u>	
6,019	Concessionary fares	6,724
<u>6,019</u>		<u>6,724</u>

5.27 Pooled Budgets

The Council is the lead body for the Public Health Service with Barnet Council. The Council's net surplus is carried forward in an earmarked reserve (note 5.6) to fund future Public Health Service expenditure. The carried forward is reduced by the £10k deficit in 2015-16:

2014-15 £000		2015-16 £000
(9,146)	Funding provided to the pooled budget	(10,059)
(14,335)	· Harrow Public Health Grant	(13,285)
<u>(23,481)</u>	· Barnet Public Health Grant	<u>(23,344)</u>
8,904	Expenditure met from the pooled budget:	10,069
14,044	· Harrow public health expenditure	13,211
<u>22,948</u>	· Barnet public health expenditure	<u>23,280</u>
(242)	(Surplus)/deficit for the year	10
(291)	· Harrow Council	(74)
<u>(533)</u>	· Barnet Council	<u>(64)</u>

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

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

2014-15 £000		2015-16 £000
(29)	Funding provided to the pooled budget:	(28)
(35)	· Harrow Contribution	(58)
(102)	· Schools Contribution	(64)
<u>(728)</u>	· Misc Income	<u>(736)</u>
<u>(894)</u>	· Integrated Care Organisation	<u>(886)</u>
881	Expenditure met from the pooled budget:	865
<u>(13)</u>	· Gross Expenditure	<u>(21)</u>
	Surplus for the year	

From 1st April 2015 the Council is the lead body for the Better Care Fund (BCF) with the NHS Harrow Clinical Commissioning Group (CCG). The purpose of the BCF is to provide care and support for vulnerable people:

2014-15 £000		2015-16 £000
	Funding provided to the pooled budget	
-	· Harrow Contribution	(6,601)
-	· NHS Harrow CCG Contribution	(7,772)
		<u>(14,373)</u>
	Revenue Expenditure met from the pooled budget:	
-	· Harrow Council	5,411
-	· NHS Harrow CCG	7,772
		<u>13,183</u>
	Capital Expenditure met from the pooled budget:	
-	· Harrow Council	1,190
		<u>1,190</u>
-	Surplus for the year	<u><u>0</u></u>

5.28 Members' Allowances

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

2014-15 £000		2015-16 £000
<u>837</u>	Allowances	<u>846</u>
<u>837</u>	Total	<u>846</u>

5.29 Remuneration

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

5.29.1 Remuneration bands

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

Remuneration band

	Number of Council Employees				Number of School Staff			
	Number in band	Due to Lump Sum	Number in band	Due to Lump Sum	Number in band	Due to Lump Sum	Number in band	Due to Lump Sum
	2015-16	2015-16	2014-15	2014-15	2015-16	2015-16	2014-15	2014-15
£50,000 - £54,999	41	2	35	2	41	0	35	0
£55,000 - £59,999	36	1	32	4	29	0	21	0
£60,000 - £64,999	16	3	8	1	13	0	13	0
£65,000 - £69,999	6	0	12	1	14	0	10	0
£70,000 - £74,999	12	0	8	3	9	0	11	1
£75,000 - £79,999	3	1	5	2	9	0	9	0
£80,000 - £84,999	3	1	3	3	7	0	8	0
£85,000 - £89,999	4	0	3	2	5	0	3	0
£90,000 - £94,999	4	0	5	0	3	0	2	0
£95,000 - £99,999	3	0	2	0	3	0	2	0
£100,000 - £104,999	1	0	1	2	0	0	0	0
£105,000 - £109,999	0	0	0	1	0	0	1	0
£110,000 - £114,999	1	0	1	0	0	0	0	0
£125,000 - £129,999	0	0	0	1	0	0	0	0
£130,000 - £134,999	0	0	0	3	0	0	0	0
£135,000 - £139,999	0	0	0	1	0	0	0	0
£140,000 - £144,999	0	0	0	1	0	0	0	0
	130	8	115	27	133	0	115	1

5.29.2 Senior officer remuneration

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

Position Held	Salary,(including Fees and Allowances)		Benefits in Kind		Total Remuneration excluding employers pension contributions		Employers Pension Contribution		Exit Payments		Total Remuneration including employers pension contributions	
	£	£	£	£	£	£	£	£	£	£	£	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Michael Lockwood (Chief Executive)	171,894	24,854	0	0	171,894	24,854	0	0	0	0	171,894	24,854
	171,894	24,854	0	0	171,894	24,854	0	0	0	0	171,894	24,854

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

Position Held	Salary,(including Fees and Allowances)		Benefits in Kind		Total Remuneration excluding employers pension contributions		Employers Pension Contribution		Exit Payments		Total Remuneration including employers pension contributions	
	£	£	£	£	£	£	£	£	£	£	£	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Corporate Director - Community, Health & Well Being	21,184	146,704	95	619	21,279	147,323	4,438	29,121	0	0	25,717	176,444
Corporate Director - People Services	56,837	0	0	0	56,837	0	0	0	0	0	56,837	0
Corporate Director - Environment and Enterprise	69,126	138,252	0	0	69,126	138,252	14,482	27,443	115,387	0	198,995	165,695
Corporate Director - Resources and Commercial	138,252	134,226	103	619	138,355	134,845	28,964	26,644	0	0	167,319	161,489
Corporate Director - Community	30,632	0	0	0	30,632	0	6,417	0	0	0	37,049	0
Divisional Director - Regeneration and Planning	97,320	0	0	0	97,320	0	20,389	0	0	0	117,709	0
Director of Legal and Democratic Services	146,888	143,669	103	619	146,991	144,288	29,725	28,518	0	0	176,716	172,806
Director - Finance and Assurance	17,060	113,325	0	0	17,060	113,325	3,574	22,495	0	0	20,634	135,820
Director of Finance	99,094	0	0	0	99,094	0	20,760	0	0	0	119,854	0
Director - Public Health	136,504	132,772	0	0	136,504	132,772	19,520	18,588	0	0	156,024	151,360
Director - Adult Social Services	120,414	122,061	103	619	120,517	122,680	25,227	24,229	0	0	145,744	146,909
	933,311	931,009	404	2,476	933,715	933,485	173,496	177,038	115,387	0	1,222,598	1,110,523

Note 1 Michael Lockwood is not a member of the pension scheme. His salary includes a payment of £6,444 for annual leave not taken.

Note 2 The Corporate Director - Community, Health and Wellbeing left the Council on 26th May 2015.

Note 3 The position of Corporate Director - People Services was filled on an interim basis at a cost to the Council, including agency fees, of £145,848. From 3rd November 2015 the Corporate Director took up the role on a permanent basis. The salary disclosed above relates to the period after 3rd November 2015. The Corporate Director is not a member of the pension scheme.

Note 4 The Corporate Director - Environment and Enterprise left the Council on 30th September 2015.

Note 5 The Corporate Director - Community commenced on 4th January 2016.

Note 6 The Divisional Director - Regeneration and Planning was appointed to the post on 1st November 2015.

Note 7 The Director's salary includes a payment of £10,450 for undertaking duties as the Council's Returning Officer and a payment of £5,004 for annual leave not taken.

Note 8 The Director - Finance and Assurance resigned on 25th May 2015. The new Director was appointed to the post on 1st June 2015 with the title Director of Finance.

Note 9 The salary of the Director – Public Health is partly funded from the pooled Public Health Service budget with Barnet Council. See note 5.27. In addition Health Education England, Public Health England and the NHS North West London Collaborative of Clinical Commissioning Groups make contributions to fund the Director's salary.

5.30 External Audit Costs

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

2014-15 £000		2015-16 £000
222	Fees Payable to external auditors in respect of: External audit services carried out by the appointed auditor for the year	151
36	Certification of grant claims and returns for the year	34
11	Other	0
<u>269</u>	Total	<u>185</u>

5.31 Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by Department for Education and known as the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the local authority area. DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget as defined in the School Finance (England) Regulations 2012.

Details of the deployment of DSG receivable for 2015-16 are as follows:

	Central Expenditure £000	Individual Schools Expenditure £000	Total £000
Final DSG allocation 2015-16			186,908,729
Less			
Academy recoupment			(57,988,729)
Final DSG after recoupment 2015-16			128,920,000
Plus: Brought forward from 2014-15			8,028,411
Less: Carry forward to 2016-17 agreed in advance			0
Agreed budgeted distribution in 2015-16	50,611,585	86,336,826	136,948,411
In-year adjustments	60,000	0	60,000
Final budget distribution for 2015-16	50,671,585	86,336,826	137,008,411
Less: Actual central expenditure	43,600,825		43,600,825
Less: Actual ISB deployed to schools		87,948,773	87,948,773
Carry forward to 2016-17	7,070,760	(1,611,947)	5,458,813

5.32 Grants income

5.32.1 Revenue grants included within the cost of services

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

2014-15 £000 Grant	Awarding Body	2015-16 £000
(126,834)	Dedicated Schools Grant	(131,628)
(5,948)	Pupil Premium	(5,461)
(1,616)	Universal Infant Free School Meals	(3,130)
(403)	Primary PE and Sports Grant	(394)
(47)	Children's Social Care Innovation Grant	(472)
(1,543)	Private finance initiative	(1,543)
(387)	Troubled Families Grant	(489)
(1,201)	Private finance initiative	(1,201)
(9,146)	Public Health	(10,059)
(122,875)	Rent Allowance	(122,929)
(1,388)	Housing Benefit Administration Grant	(1,125)
(1,139)	Discretionary Housing Benefit	(726)
(23,351)	HRA Rent Rebate	(24,587)
(483)	Social Fund Reform	0
(578)	Unaccompanied Asylum Seekers Grant	(893)
(510)	Community Learning Trust	(470)
(2,131)	EFA 6th Form Funding	(2,004)
(362)	Transport for London schemes	(502)
(3,413)	Other	(4,477)
(303,355)		(312,090)

5.32.2 Capital grants included within taxation and non specific grant income

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

2014-15 £000	Grant	Awarding Body	2015-16 £000
(532)	Community Capacity	Department of Health	0
(510)	Devolved Formula Capital	Department for Education	(417)
(9,349)	LA Capital Maintenance and Basic Need Grant	Department for Education	(13,617)
(532)	Disabled Facilities Grant	Department for Communities and Local Government	(650)
(576)	Better/ Empty Property Grants	WLP / GLA	(61)
(3,081)	Local Implementation Plan	Transport for London	(2,616)
(14,255)	Targeted Basic Needs	Department for Education	(18,376)
(734)	Outer London Fund	Greater London Authority	0
(692)	Section 106 income		(270)
(43)	Section 20 Income		(247)
(219)	Other		(1,152)
<u>(30,523)</u>	Total Capital Grants included in Comprehensive Income and Expenditure Account		<u>(37,406)</u>

5.32.3 Capital grants receipts in advance

2014-15 £000	Grant - Capital	Awarding Body	2015-16 £000
(567)	Devolved Formula Grant	Department for Education	(150)
(18,373)	Targeted Basic Needs Grant	Department for Education	(747)
0	Social Care Grant	Department of Health	(540)
(1,361)	Green Deal	Department of Energy and Climate Change	(9)
(1,730)	Section 106 Capital Receipts		(1,580)
(1,319)	Other Capital Grants		(913)
(23,350)			(3,939)

5.33 Related parties

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

5.33.1 United Kingdom Government and other Public Bodies

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

Members

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

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

The Council has significant influence over the decisions of several local charities due to a significant number of Members also being trustees on the governing body of those charities. In 2015-16, the Council made the following payments for grants and services to these charities:

Organisation	Amount £000
Age UK Harrow	292
Harrow Heritage Trust	6
Radio Harrow	5
Relate London North West	19

5.33.2 London Borough of Harrow Pension Fund

The Council is the Administering Authority for the Pension Fund.

2014-15 £000		2015-16 £000
18,115	Employers Pension Contributions to the Fund *	19,179
(1,061)	Administration expenses paid by the Fund	(853)
1,566	Cash Due to the Fund	1,752

* The previous year's balance has been amended to include payments for unfunded benefits.

5.34 Capital Financing

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

2014-15 £000		2015-16 £000
393,753	Opening Capital Financing Requirement	404,378
	<i>Capital Investment</i>	
53,980	Property, Plant and Equipment	87,239
5,604	Loan to WLWA	3,943
2,698	Revenue Expenditure Funded from Capital under Statute	2,119
	<i>Sources of finance</i>	
(2,534)	Capital receipts	(3,282)
(26,544)	Government grants and other contributions	(52,097)
	Sums set aside from revenue:	
(2,538)	· Direct revenue contributions	(340)
(16,162)	· Minimum Revenue Provision	(15,326)
(3,879)	· Major Repairs Reserve	(8,893)
404,378	<i>Closing Capital Financing Requirement</i>	417,741
	<i>Explanation of movements in year</i>	
26,786	Increase in unsupported borrowing	28,689
(16,162)	Minimum Revenue provision	(15,326)
10,625	<i>Increase in Capital Financing Requirement</i>	13,363

5.35 Leases

5.35.1 The council as Lessee

5.35.1.1 Finance Leases

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

Assets acquired under finance leases are included as part of Vehicles, Plant, Furniture and Equipment in the Property, Plant and Equipment balance in the Balance Sheet. The book value of these assets is £1.041m (£2.29m in 2014-15).

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15
	£000	£000	£000	£000
Not later than one year	581	1,477	560	1,403
Later than one year and not later than five years	545	1,150	531	1,116
	<u>1,126</u>	<u>2,627</u>	<u>1,091</u>	<u>2,519</u>
Finance costs payable in future years			35	108
			<u>1,126</u>	<u>2,627</u>

5.35.1.2 Operating Leases

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

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

31-Mar-15		31-Mar-16
£000		£000
406	Not later than one year	459
1,342	Later than one year and not later than five years	1,320
2,385	Later than five years	2,480
<u>4,133</u>		<u>4,259</u>
<u>448</u>	Min. lease payments charged to revenue in 15-16	<u>462</u>

5.35.2 The Council as Lessor

5.35.2.1 Finance Leases

The Council has granted 125 year peppercorn leases in respect of 10 maintained schools which transferred to Academy status prior to 2015-16 under the provisions of the Academies Act 2010. No additional transfers occurred in 2015-16. The transfers are not included in the Council's balance sheet although the Council retains the freehold.

Although the legal form of the arrangement is a lease, the transfer of schools to Academy status are treated as in substance a disposal in the Council's balance sheet.

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

5.35.2.2 Operating Leases

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

Operating leases have been classified as Investment Properties or Property, Plant and Equipment, generating a rental stream of £1,730k in 2015-16 (£1,453k in 2014-15).

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

31-Mar-15	Land and Buildings	31-Mar-16
£000		£000
1,218	Not later than one year	1,469
3,741	Later than one year and not later than five years	5,437
13,865	Later than five years	13,057
<u>18,824</u>		<u>19,963</u>

5.36 Private Finance Initiatives and Similar Contracts

The Council has entered into three PFI contracts.

Under these arrangements, the Council pays a unitary charge which is subject to payment deductions for service and availability failures, and increases each year for inflation based on RPI, or in the case of Sancroft Hall the GDP deflator. The Council receives an annual Government Grant with the impact of the grant evened out over the contract period by use of a sinking fund.

The contracts for the schools and the NRC's both fall within the scope of service concession arrangements under IFRIC 12 as the use of the assets is controlled by the Council and the assets revert back to the Council on the expiration of the contracts.

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

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

Outstanding PFI lease liabilities are as follows:

Special schools		
2014-15		2015-16
£000		£000
(11,952)	Balance outstanding at start of year	(11,688)
1,362	Lease repayments during the year	1,379
(1,098)	Finance charge	(1,074)
<u>(11,688)</u>	Balance outstanding at year end	<u>(11,383)</u>
NRCs		
2014-15		2015-16
£000		£000
(5,877)	Balance outstanding at start of year	(5,730)
634	Lease repayments during the year	629
(487)	Finance charge	(475)
<u>(5,730)</u>	Balance outstanding at year end	<u>(5,576)</u>

5.36.1 Special schools

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

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

	Payment for Services £000	Interest £000	Principal Repayment £000	Contingent Rent £000	Total £000
Schools					
Payable in 2016-17	1,147	1,045	301	51	2,544
Payable within 2 to 5 years	4,872	3,884	1,505	249	10,510
Payable within 6 to 10 years	7,645	3,933	2,370	0	13,948
Payable within 11 to 15 years	7,899	2,636	4,009	414	14,958
Payable within 16 + years	3,751	555	3,198	669	8,173
Total	25,314	12,053	11,383	1,383	50,133

5.36.2 Neighbourhood Resource Centres (NRC)

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

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

	Payment for Services £000	Interest £000	Principal Repayment £000	Contingent Rent £000	Total £000
NRC					
Payable in 2016-17	239	463	157	153	1,012
Payable within 2 to 5 years	1,068	1,716	725	799	4,308
Payable within 6 to 10 years	1,413	1,740	1,364	1,502	6,019
Payable within 11 to 15 years	1,981	1,132	1,740	1,957	6,810
Payable within 16 + years	1,425	270	1,590	1,586	4,871
Total	6,126	5,321	5,576	5,997	23,020

5.36.3 Sancroft Hall

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

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

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

Sancroft	Payment for Services £000	Minimum Lease Payments £000	Total £000
Payable in 2016-17	1,265	490	1,755
Payable within 2 to 5 years	5,260	2,035	7,295
Payable within 6 to 10 years	4,998	1,935	6,933
Total	11,523	4,460	15,983

5.37 Termination benefits

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

Exit Payments cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of Exit Payments by cost band		Total cost of Exit Payments in each band	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16 £000	2014-15 £000
£0 - £20,000	26	14	12	55	38	69	351	555
£20,001 - £40,000	2	15	7	9	9	24	237	713
£40,001 - £60,000	6	9	1	0	7	9	344	409
£60,001 - £80,000	1	2	0	5	1	7	74	478
£80,001 - £100,000	2	0	1	0	3	0	281	0
£100,001 - £150,000	0	4	0	2	0	6	0	721
£150,001 - £200,000	0	1	0	0	0	1	0	185
Total	37	45	21	71	58	116	1287	3061

'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

2014-15 £000		2015-16 £000
2,882	Exit payments not provided for in 2015-16	1,051
179	Employment provision (note 5.17)	236
3,061	Included in cost of services	1,287

5.38 Defined benefit pension schemes

5.38.1 Participation in pension scheme

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

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

5.38.2 Transactions relating to Post-employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions.

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

Cumulative actuarial remeasurement losses of £246.075m have been recognised in the Movement in Reserves Statement up to and including 2015-16 (£325.217m in 2014-15).

Expected employer contributions for 2016-17 are £16.667m, excluding any contributions in respect of unfunded benefits.

2014-15 £000		2015-16 £000
	Cost of Services:	
19,096	• current service cost	24,031
1,566	• past service costs	65
(2,586)	• settlements and curtailments	(804)
	Financing and Investment Income and Expenditure	
36,912	• interest cost	32,043
(22,425)	• interest income on scheme assets	(19,137)
<u>32,563</u>	Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services	<u>36,198</u>
	Other Post Employment Benefit Charged to the CIES	
	Remeasurements in net liability due to	
118,064	• changes in financial assumptions	(83,681)
(62,865)	• return on plan assets	19,020
(6,745)	• changes in other experience	(14,481)
<u>48,454</u>		<u>(79,142)</u>
<u>81,017</u>	Total Post Employment Benefit Charged to the CIES	<u>(42,944)</u>
<u>18,115</u>	Actual amount charged to the General Fund balance in the year	<u>19,067</u>

5.38.3 Reconciliation of present value of the scheme liabilities

The weighted average duration of the defined benefit obligation for scheme members is 17 years.

2014-15 £000		2015-16 £000
866,059	Opening balance at 1 April	1,002,812
19,096	Current service cost	24,031
36,912	Interest cost	32,043
5,100	Contributions by scheme participants	5,151
	Remeasurement (gains)/losses arising from changes in:	
118,064	Financial Assumptions	(83,681)
(6,745)	Other Experience	(14,481)
(33,361)	Benefits paid	(31,697)
(3,879)	Effect of settlements	(1,069)
1,566	Past service costs	65
<u>1,002,812</u>	Closing balance at 31 March	<u>933,174</u>

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

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

The actual return on scheme assets in the year was £0.116m (2014-15: £85.290m).

2014-15 £000		2015-16 £000
527,965	Opening balance at 1 April	601,816
22,425	Interest income on plan assets	19,136
62,865	Remeasurement gain/(loss)	(19,020)
(1,293)	Effect of settlements	(265)
18,115	Employer contributions	19,067
5,100	Contributions by scheme participants	5,151
(33,361)	Benefits paid	(31,696)
601,816	Closing balance at 31 March	594,189

5.38.5 Scheme history

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

	2015-16 £000	2014-15 £000	2013-14 £000	2012-13 £000	2011-12 £000
Present value of liabilities	(933,174)	(1,002,812)	(866,059)	(806,824)	(702,045)
Fair value of assets	594,189	601,816	527,965	483,693	431,758
Net deficit in the scheme	(338,985)	(400,996)	(338,094)	(323,131)	(270,287)

5.38.6 Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the Projected Unit Method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Scheme liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31st March 2013. Refer to pension fund accounts note 9.4.15 for more information.

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

The principal assumptions used by the actuary have been:

2014-15		2015-16
	Long-term expected rate of return on assets in the scheme:	
16.3%	Equity investments	0.0%
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.1	Men	22.1
24.4	Women	24.4
	Longevity at 65 for future pensioners:	
24.5	Men	24.5
26.9	Women	26.9
	Financial assumptions:	
3.8%	Rate of increase in salaries	3.7%
2.4%	Rate of increase in pensions (CPI)	2.2%
3.2%	Rate for discounting scheme liabilities	3.5%
	Take-up of option to convert annual pension into retirement lump sum:	
50.0%	- Pre April 2008 Service	50.0%
75.0%	- Post April 2008 Service	75.0%

5.38.7 Scheme Assets

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

31-Mar-15		31-Mar-16
13.0%	Debt Securities - Corporate Bonds	13.0%
4.0%	Private Equity	3.0%
8.0%	Real Estate: UK Property	8.0%
	Investment Funds and Unit Trusts:	
65.0%	Equities	65.0%
9.0%	Other	9.0%
1.0%	Cash and Equivalents	2.0%
100%		100%

5.38.8 History of experience gains and losses

	2015-16	2014-15	2013-14	2012-13	2011-12
	%	%	%	%	%
Differences between the expected and actual return on assets	-3.2	10.45	6.93	7.49	-5.32
Experience gains and (losses) on liabilities	1.55	0.67	-0.72	0.03	-1.41

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

	Increase in present value of scheme liabilities	
	%	£000
1 year increase in member life expectancy	3	27,995
0.5% increase in rate of increase in salaries	2	20,690
0.5% increase in the rate of increase in pensions	7	66,023
0.5% decrease in the real discount rate	9	87,600

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

5.39 Teachers' and NHS Pension Schemes

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

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

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

In 2015-16 the Council made £6.582m (£5.834m in 2014-15) of employer contributions to the TPA and £128k (£170k in 2014-15) to the NHSBSA. The current contribution rates are at 16.48% (14.1% in 2014-15 and for the first half of 2015-16) for teacher's pensions and 14.3% (14.0% in 2014-15) for NHS pensions.

In addition, the Council is responsible for all pension payments relating to added years that it has awarded, together with the related increases. In 2015-16 these amounted to £0.694m (£0.709m in 2014-15) for teacher's pensions representing 1.64% of pensionable pay. No payments were made for NHS pensions in either 2015-16 or 2014-15.

5.40 Nature and extent of risks arising from financial instruments

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

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

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments.

- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with non-UK banks and financial institutions unless they are rated independently with a minimum score of AAA sovereign rating, AA- long term rating, F1+ short term rating, or support level rating. The Council does not rely solely on the credit ratings but also has regard to other measures including credit default swaps and equity prices when selecting commercial organisations for investment. Investments are diversified across institutions to ensure 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-16	Historical experience of default	Historical experience adjusted for market conditions at 31-Mar-16	Estimated maximum exposure to default and uncollectability 31-Mar-16
	£000	%	%	£000
UK Banks	54,758	0.00	0.14	27
Overseas Banks	19,738	0.00	0.00	0
UK Money Market Funds	1,737	0.00	0.00	0
Customers	7,778	4.07%	25.56%	2,671
Total	84,011			2,698

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-15		Amount at 31-Mar-16
£000		£000
7648	Less than three months	7423
662	Three to six months	319
108	Six months to one year	36
343	More than one year	0
8,761	Total Debtors	7,778

Liquidity risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets to cover any day to day cash flow need and the Public Works Loans Board (PWLb) and money market for access to longer term funds. The Authority is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future with Prudential Indicators included in the Treasury Management Strategy setting maximum levels of debt to mature within any financial year. This also 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-15 £000		31-Mar-16 £000
	Source of Loan:	
(218,461)	Public Works Loan Board	(218,461)
(115,800)	Market Loans	(115,800)
(173)	Other financial institutions	(173)
<u>(334,434)</u>	Total	<u>(334,434)</u>
	Analysis of loans by maturity:	
(27)	1-2 years (1.4.2017 - 31.3.2018)	(10,030)
(32,082)	2-5 years (1.4.2018 - 31.3.2022)	(22,094)
(5,064)	5-10 years (1.4.2022 - 31.3.2027)	(5,049)
(297,261)	More than 10 years (1.4.2027 onwards)	(297,261)
<u>(334,434)</u>	Total	<u>(334,434)</u>

The above analysis within more than ten years category includes principal of £83.8m of LOBO – Lender Option Borrower Option loans where the lender may ask for the rate payable to be changed. The Authority has the option to either accept this increase or repay the loan in full, without penalty. In the current economic climate it is not anticipated that any of these will be called and require repayment. However, if the lenders do exercise their rights, then these loans can be repaid from prudential borrowing in 2016-17.

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 £123m (£145m in 2014-15). With the base rate currently fixed at 0.5%, the risk of exposure from a downwards move is minimised. A positive movement of 1% in rates received on average investment balances would generate additional investment income of £1.23m, although only two thirds of this would benefit the General Fund.

5.41 Trust Funds

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

The Council acts as a custodian for various trust funds. The balance of these trust funds in 2015-16 was £253k (£214k in 2014-15).

In addition the Council acts as administrator for the Edward Harvist Charity. Charity funds are held in a permanent endowment fund. Income from the investment is distributed to 5 Boroughs who then make grants to appropriate organisations and individuals for the public benefit to improve the lives of their residents. The value of Charity funds in 2015-16 was £9,173k (£9,398k in 2014-15).

DRAFT

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 0.31% of lettable properties were vacant (0.35% in 2014-15). The average depooled rents were £114.99 per week (£112.48 in 2014-15). There was an average rent increase of 5.24% over the previous year. The average increase, after taking into account service charges, was 4.63%.

6.2.2 Non-dwelling Rents

This includes garages. At the year-end 56.18% of garages were vacant (55.40% in 2014-15).

Depreciation

	Land £000	Dwellings £000	Assets under construction £000	Garages £000	Community Halls £000	Shops £000	Non operational assets £000	Total 2015-16 £000
Net book value as at 1 April 2015	104,231	233,469	179	6,218	5,570	3,242	69	352,978
Revaluations and additions	16,321	30,490	2,062	(323)	219	694	31	49,494
Value at 31 March 2016	120,552	263,959	2,241	5,895	5,789	3,936	100	402,472
Disposals	(956)	(1,775)	0	(84)	0	(224)	0	(3,039)
Gross book value as at 31 March 2016	119,596	262,184	2,241	5,811	5,789	3,712	100	399,433
Depreciation for year	0	(7,546)	0	(159)	(53)	(26)	0	(7,784)
Net book value as at 31 March 2016	119,596	254,638	2,241	5,652	5,736	3,686	100	391,649

The valuation of HRA fixed assets has been prepared on the basis of Existing Use Value and calculated in accordance with the RICS Valuation – Professional Standards dated January 2014 but subject to amendment in accordance with the Department of Communities and Local Government (DCLG) Guidance for Stock Valuation for Resource Accounting 2010 (published January 2011).

The HRA portfolio has been revalued in line with the 5 year rolling programme of valuations as set out in the Accounting Policies and Revaluations note 5.10.3.

A vacant possession valuation for dwellings at 1st April 2015 would have been £1,272.514m (£1,111.487m at 1st April 2014), therefore recognising the economic cost to the Government of providing Council housing at less than open market value of £954.385m (2014-15 £833.615m).

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

Charges for impairment of HRA assets, mainly garages, were £0.172m (2014-15 £1.765m). No non-operational land is held within the HRA.

6.2.3 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. The Council has chosen to take advantage of transitional measures which permit the excess of depreciation over the Notional Major Repairs Allowance to be transferred back to revenue from the Major Repairs Reserve.

	Balance 31-Mar-15 £000	Transfer to Reserve £000	Capital Expenditure £000	Balance 31-Mar-16 £000
Analysis of the Movement	(8,042)	(6,371)	8,893	(5,520)

6.2.4 Capital Expenditure and Funding Statement

2014-15 £000		2015-16 £000
	HRA Capital Expenditure	
4,263	Dwellings & garages	9,037
179	New build	4,517
<u>4,442</u>	Total	<u>13,554</u>
	Financed by:	
3,878	Major Repairs Reserve	8,893
178	Capital receipts - Right to Buy, Affordable Housing & other	3,282
386	Contributions & Grants	1,379
<u>4,442</u>	Total	<u>13,554</u>

6.2.5 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.

2014-15 £000		2015-16 £000
3,973	Balance at 1 April	8,079
	Receipts in year:	
4,989	Houses, Mortgage Redemptions & other	6,541
(705)	Paid to DCLG Pool	(812)
(178)	Applied in the year	(3,853)
<u>8,079</u>	Balance at 31 March	<u>9,955</u>

6.2.6 Pensions (IAS 19)

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

Further details are provided in note 5.38.

6.2.7 Housing Revenue Account Statistics

Housing Revenue Account

2014-15 Total	Housing Stock	Houses	Flats	Bungalows	2015-16 Total
104	4 or more bedrooms	101	1	0	102
1,365	3 bedrooms	1,260	93	1	1,354
1,431	2 bedrooms	545	859	25	1,429
1,978	1 bedroom	0	1,837	134	1,971
<u>4,878</u>	LBH managed stock as at 1 April	<u>1,906</u>	<u>2,790</u>	<u>160</u>	<u>4,856</u>
870	Garages				858
	Summary of change in stock				
4,915	Stock as at 1 April				4,878
	Less				
(37)	Sales				(35)
0	Transfers				2
0	Acquisitions				11
<u>4,878</u>	Total HRA stock at 31 March				<u>4,856</u>
	Measures of performance & information for disclosure notes to HRA				
£58.74	Average weekly costs per dwelling of management and maintenance				£57.60
£1.129m	Rent arrears (current and former tenants)				£1.017m
98.32%	Rent collection rate (BVPI 66a)				97.09%
1.58%	Current tenant arrears as percentage of rent roll (whether dwellings occupied or not)				2.12%
0.33%	Rent loss through voids				0.31%
£0.170m	Write offs in year				£0.057m
£0.736m	Provision for bad debts				£0.693m

6.2.9 Statement of Movement on the HRA Balance

2014-15 £000		2015-16 £000
	Adjustment between accounting basis and funding basis under regulations	
(82)	Difference between amortisation of premiums & discounts determined in accordance with the Code and those determined in accordance with statute	(96)
	Difference between any other item of income & expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	
<u>2,670</u>	Gain on sale of HRA fixed assets	<u>4,863</u>
<u>2,588</u>		<u>4,767</u>
	Transfer to / (from) earmarked reserves	
	HRA share of contributions to/from Pensions reserve :	
(765)	Net charges made for retirement benefits in accordance with IAS19	(1,049)
579	Employer's contributions payable in the year	661
	Sums directed by the Secretary of State to be credited to the HRA that are not expenditure in accordance with the Code	
	Transfer to / (from) the Capital Adjustment Account	
61,130	Impairment	42,966
(84)	Revenue expenditure funded from capital resources under statute	(383)
42	Capital expenditure funded by Grants	144
12	Voluntary set aside	16
(12)	Finance Lease Depreciation	(13)
(7,338)	Depreciation transfer	(7,784)
7,338	Transfer to the Major Repairs Reserve	6,371
	Transfers to/from Capital Reserves	
(705)	Pooling payments to DCLG financed through capital reserves	(812)
116	Other	373
<u>60,313</u>		<u>40,490</u>
<u>62,901</u>		<u>45,257</u>

7 Collection Fund

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

7.1 Statement of Income and Expenditure

2014-15		2015-16		Total
£000		Business Rates & Crossrail £000	Council Tax £000	£000
Income				
(123,435)	Income from Council Tax	0	(128,365)	(128,365)
(50,710)	Income Collectable from Business Ratepayers	(51,712)	0	(51,712)
(1,191)	Income Collectable from Business Ratepayers - BRS	(1,203)	0	(1,203)
(175,336)	Total Income	(52,915)	(128,365)	(181,280)
Expenditure				
Apportionment of Previous year surplus				
0	Central Government	(668)	0	(668)
1,676	Harrow Council	(401)	2,301	1,900
420	Greater London Authority	(267)	568	301
Precepts, demands and Shares				
109,560	Local Demand (Harrow)	13,931	98,496	112,427
34,333	Greater London Authority	10,485	23,540	34,025
24,156	Central Government	23,218	0	23,218
Impairment of Debts/appeals				
594	Write offs of uncollectable amounts	3,100	975	4,075
2,091	Increase in bad debt provisions	505	(33)	472
4,200	Increase in provision for appeals	(2,800)	0	(2,800)
264	Costs of Collection	259	0	259
177,294	Total Expenditure	47,362	125,847	173,209
1,958	Movement on Fund balance: Surplus(-)/Deficit for the year	(5,553)	(2,517)	(8,070)
(1,495)	Surplus(-)/Deficit brought forward	4,500	(4,036)	464
463	Surplus(-)/Deficit carried forward	(1,053)	(6,553)	(7,606)

Notes to the Collection Fund

7.1.1 Income from Council Tax

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

Band D Ratio	2014-15 Property Numbers	Council Tax £	Valuation Bands	Band D Ratio	2015-16 Property Numbers	Council Tax £
6/9	229	1,006.18	A = Not exceeding £40,000	6/9	232	1,019.57
7/9	1,359	1,173.88	B = £40,001 - £52,000	7/9	1,437	1,189.50
8/9	11,925	1,341.58	C = £52,001 - £68,000	8/9	12,288	1,359.43
1	22,662	1,509.28	D = £68,001 - £88,000	1	23,014	1,529.36
11/9	22,780	1,844.67	E = £88,001 - £120,000	11/9	22,930	1,869.22
13/9	10,047	2,180.07	F = £120,001 - £160,000	13/9	10,165	2,209.08
15/9	9,395	2,515.46	G = £160,001 - £320,000	15/9	9,440	2,548.93
2	2,167	3,018.56	H = £320,001 +	2	2,205	3,058.72
	<u>80,564</u>		Total		<u>81,711</u>	
	(2,014)		Adjustment for non-collection		(1,916)	
	<u>78,550</u>		Council tax base		<u>79,795</u>	

7.1.2 Business Rates

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

The total non-domestic rateable value for the London Borough of Harrow at the year-end was £125.5m (£125.4m in 2014-15) and the national non-domestic rate multiplier for 2015-16 was 0.493 (0.482 in 2014-15).

7.1.3 Business Rate Supplement - Crossrail

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

8 Annual Governance Statement

8.1 Scope of Responsibility

- 8.1.1 Harrow Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under 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.
- 8.1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk i.e. it is responsible for ensuring a sound system of governance.
- 8.1.3 The Council has approved and adopted a Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. The code has been taken into account in drafting our constitution and a copy can be obtained from Harrow Council, Civic Centre, Station Road, Harrow, Middlesex HA1 2XF or from our website at:
http://harrowhub.harrow.gov.uk/info/200190/audit/991/code_of_corporate_governance
- 8.1.4 This statement explains how the Council has complied with the code and the governance framework and also meets the requirements of regulation 6) of the Accounts and Audit Regulations 2015 in relation to the publication of this Annual Governance Statement.

8.2 The Purpose of the Governance Framework:

- 8.2.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled, and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its corporate priorities and consider whether those priorities have led to the delivery of appropriate, cost-effective services.
- 8.2.2 The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Harrow Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 8.2.3 The governance framework has been in place at Harrow Council for the year ended 31 March 2016 and up to the date of approval of the statement of accounts.

8.3 The Governance Framework

- 8.3.1 The key elements of Harrow's governance framework are set out in our Code of Corporate Governance. A brief description of them is contained in the following paragraphs.
- 8.3.2 In May 2014, a new Administration took control of the Council, and agreed at Council on the 12th June 2014 a new vision and set of priorities
- 8.3.3 The vision and priorities are based on the new Administrations understanding of the views of local residents developed by listening to many people, from community groups, women's

groups, businesses and trade unions over the last year in the run up to the local elections. These formed part of the Administration's manifesto which was publicly campaigned upon.

- 8.3.4 The Council's strategic direction, its vision and priorities are reviewed annually and set out in the Corporate Plan. The Council's Corporate Plan 2016-2019, the Harrow Ambition Plan 2020, was agreed in February 2016. It sets out the key activities and targets that will evidence delivery of the plan over the next three years. Together with the Final Revenue Budget 2016-17 and the three year Medium Term Financial Strategy (2016-17 to 2018-19), they outline what the Council intends to do and how we will do it.
- 8.3.5 The Council's vision: Working together to make a difference for Harrow and its priorities; build a better Harrow; be more business-like and business friendly and protect the most vulnerable and support families, have been informed by historical consultation exercises as have some of the actions or proposals within the plan. Where necessary, further consultation will be undertaken with residents and communities to shape the delivery of the other proposals, in keeping with the ambition of the Administration to consult and engage.
- 8.3.6 Harrow Council works in partnership with many different organisations, both public and private sector, to deliver the best outcomes for our community. Harrow Strategic Partnership (now disbanded) established the principles for partnership through its constitution. These have been taken forward through the 2 principal partnership bodies: the Harrow Safer Neighbourhoods Board and the Health and Wellbeing Board. Details of partnership arrangements, priorities and protocols can be found via the links.
- 8.3.7 The Council also has a number of shared service arrangements and commercial partnership arrangements in place to help deliver the best outcomes for our community in terms of costs and service delivery. Each of these has governance structures in place, designed as appropriate for the individual arrangement.
- 8.3.8 The development of the Council's medium term financial strategy continues to be extremely challenging because:
- The Government's deficit reduction strategy is making significant reductions in the funding available to local authorities
 - Changes to the way the Government funds local authorities are transferring significant risks to local authorities that were previously borne by Central Government
 - The Central Government Financial Settlement has not moved fully to a multi-year Settlement and funding decision are still notified very late in the budget setting process
 - Harrow Council remains one of the lowest funded councils both in London and nationally. Considerable savings have been made in previous years and this makes it increasingly difficult to identify new areas for efficiencies and reductions
 - The demand for services from our residents and expectations from central government are growing all the time
 - Statutory guidelines around provision of many service areas and a demanding regulatory environment particularly Ofsted
- 8.3.9 During 2015-16 two consultations with residents took place, one on the Public Health Budget and the other on The Bridge. (More detail to be included in final AGS).
- 8.3.10 The authority strives to deliver best value for money to its residents by improving performance and minimising costs. Each directorate is required to identify efficiencies and improvements as part of their commissioning plans, considered by the Commissioning Panels. The Council's Reputation Tracker in March 2015 showed the second highest

residents' satisfaction score in eight years and 48% of respondents agreed or strongly agreed that the Council gives local people good value for money.

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

8.3.12 Delegations are regularly reviewed and approved. Matters specifically reserved for Council and Cabinet are reviewed and updated in accordance with legislation when issued. Officer Delegations were consider by Council in February and December 2015 and Portfolio Holder Delegations were considered in May 2016.

8.3.13 A scrutiny function is in place which comprises an Overview and Scrutiny Committee, a Performance and Finance Sub Committee, a Health and Social Care Sub Committee and lead scrutiny councillors for:

Health

Community, Health and Wellbeing

Children and Families

Environment and Enterprise

Corporate Resources

The function is driven by the need to hold the Council and our partners to account both for their policy direction and performance and the establishment of the performance and finance sub committee is a key component in ensuring that the function is focused on the issues of the greatest importance to the Council. The lead members ensure that expertise to tackle particular areas of service delivery is maintained, and fed into the work programme of the committees.

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

http://harrowhub/info/200293/values_and_behaviours/1088/code_of_conduct

8.3.15 The Council has a duty to manage its risks effectively and this is achieved through a consistent corporate process in a hierarchical series of risk registers. The Corporate risk register is reviewed by the Corporate Strategy Board and the Governance, Audit, Risk Management and Standards Committee. All Directorates have risk registers and these are reviewed by Directorate Management Teams and material changes reported to the Improvement Boards quarterly. During 2015-16 work began on the update of the Council's risk appetite statement which defines the amount of risk that the organisation is willing to seek or accept in the pursuit of its long term objectives. This will be finalised and made public in the next few months.

8.3.16 A Corporate Anti-fraud Policy and Corruption Strategy is maintained by the Council's Corporate Anti-fraud team. During 2015-16 following a self-assessment against the new CIPFA Fraud Code a detailed action plan was agreed and implementation begun to

address the weakness identified in raising awareness of fraud and identifying fraud risk locally.

- 8.3.17 Throughout 2015-16 the authority's financial management arrangements have conformed with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). Following the post-holder's departure in May 2015 the post has been filled by the officer who was previously the Deputy CFO. This has helped to provide a smooth transition and a consistent approach to the Council's finances. The CFO reports operationally to the Corporate Director of Resources and Commercial and has the right of access to Leader of the Council as necessary or appropriate on matters relating to their statutory role. In addition the CFO and the Monitoring Officer have open and free access to the Chief Executive. The Monitoring Officer meets with the Chief Executive as required and the CFO has a monthly 1:1 meeting with him. The CFO and the Monitoring Officer sits on the Corporate Strategy Board. The authority's assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit. The Head of Internal Audit is a middle manager with extensive internal audit experience who has regular and open engagement with the Leadership Team and the Audit Committee (GARMS).
- 8.3.18 The Council's top management team form the Corporate Strategic Board (CSB). It is chaired by the Chief Executive and since June 2015 comprises the three corporate directors, the Director of Legal Services, the Director of Finance (CFO), the Director of Public Health and the Director of Adult Social Services. CSB meets weekly (except the 1st Wednesday of the Month) to discuss future strategy, major change, cross Council issues and the medium term financial strategy (MTFS). On a quarterly basis, CSB holds a performance morning to review service and financial performance information, risk and programme monitoring etc.
- 8.3.19 The role of the Statutory Monitoring Officer is to report on likely contravention of any enactment or rule of law and the Statutory Monitoring Officer provisions are contained in Part 3 of the Constitution. Effective arrangements are in place to discharge the monitoring officer function via the Director of Legal and Governance Services. During 2014/15 the Council entered into an agreement (agreed by Cabinet March 2015) with Buckinghamshire County Council and the postholder now works at the County Council 2 days a week and at Harrow Council 3 days a week. As the postholder is contactable 5 days a week and a Deputy Monitoring Officer is also in post this arrangement does not impact on the fulfilment of this Statutory role. The arrangements for the discharge of the Head of Paid Service is covered in the constitution and this role was fulfilled by the Chief Executive.
- 8.3.20 The Governance, Audit, Risk Management and Standards (GARMS) Committee undertake the core functions of an audit committee as identified in CIPFA's Guidance Audit Committees – Practical Guidance for Local Authorities. Its terms of reference encompass the review and monitoring role of a range of risk related services, including monitoring performance on corporate governance generally. The GARMS Committee is independent of the executive and scrutiny functions. As the political make-up of the Council changed in May 2014 the GARM Committee membership changed but has not changed significantly since.
- 8.3.21 A whistleblowing policy exists and was last reviewed in 2013/14.

http://harrowhub/info/200293/values_and_behaviours/1091/whistleblowing

It is accessible on the intranet, covered in the Staff Handbook and referenced in the staff induction checklist. A complaints procedure is also in place and is available on the Harrow Council website (How to make a complaint). A review of complaints, including the number

and reason for complaints, the timescales for resolution and the actions taken as a result forms part of the quarterly directorate Improvement Board reports.

- 8.3.22 A Member Development Programme is in place that includes mandatory training on their statutory role. Access to development is also available to all members via e-learning. The Member Development Training Programme is reviewed quarterly by Democratic Services who ensure Members have access to appropriate training. During 2015-16 Members were provided with training on the Code of Conduct, Register of Interests and the Council's Social Media Protocol. Learning and Development Plans for staff are produced annually and ensure the 'golden thread' between the Council's vision and objectives, through to Service Planning and individual objectives for staff. During 2014-15 the Council, following an external, independent assessment, received the Investors in People accreditation. The assessor highlighted the Council's significant commitment to wellbeing, communications, staff engagement and staff loyalty.
- 8.3.23 The Council's Reputation Tracker seeks residents' opinions on a wide range of service and community issues. A survey was carried out in March 2015 following the appointment of the new communications supplier, Lambeth Communications and the results used to develop the Communications Plan during 2015-16. A specific event was also run for Cabinet on the results of the research from the Reputation Tracker. Service User Groups are in place in some Directorates for example, Neighbourhood Champions and Park User Groups in Environment and Enterprise; the Local Account Group in Adults Social Care and the Whitefriars sub-group of the School Expansion Programme Stakeholders Reference Group in Childrens. Harrow's Community Involvement Toolkit provides practical advice and guidance including how to engage "seldom heard" groups and a consultation portal is used to co-ordinate consultation activity across the Council.
- 8.3.24 During 2015-16 a series of facilitated workshops were held with staff from across the Council to explore (using a tried and tested tool called the Competing Values Framework) how we currently work and the positive behaviours that staff see around the organisation that they want to keep and to think about the desired future culture and the shift in behaviours and values required to deliver it. A workshop was also held for elected members. From these workshops the following new values were created:
- Be Courageous
- Do It Together
- Make It Happen
- Our values need to underpin everything that we do and have therefore been built in to the new Harrow Ambition Plan. A 12 month long embedding programme has been designed and was launched at the managers' conference in March 2016.
- 8.3.25 In May 2015 a report went to Cabinet providing an update of the Council's performance against its equalities agenda in the last twelve months (2014/15) as well as summarising the actions taken in response to the recommendations from the investigation commissioned in March 2014 into alleged institutional racism. Delivery against the Action Plan was regularly monitored by the Corporate Equality Group who also oversaw the review of the Plan and development of the new Corporate Equality Objectives and Action Plan agreed by cabinet in April 2016.
- 8.3.26 At Cabinet in June 2015 a Commercialisation Strategy was agreed as part of the response to addressing the Council's funding gap and a vision with a set of objectives were laid out for commercialisation. The Strategy also identified a number of priority opportunities for commercialisation and in July 2015 Cabinet agreed that the Council would set up a

company to deliver services to customers for the purpose of generating revenue, a holding company to group the trading vehicles together and an LLP to hold certain property assets. This will result in the use of corporate vehicles wholly owned by the Council to deliver services, whether that is to third party customers to generate income, or to the Council as a more efficient model for service delivery or investment.

- 8.3.27 Following consultation a new senior management structure was agreed by Cabinet in June 2015. The new structure achieved a significant reduction in senior management revenue costs and more importantly the agreed proposals go beyond structural changes to also deliver service benefits to Harrow residents. Key highlights include:

A co-ordinated commissioning arrangement across the Council;

Development and exploitation of commercial/business opportunities;

To bring significant external investment into the Borough to contribute to the physical, social and economic regeneration of Harrow;

To promote a step change in how the Council engages with and involves local people;

To build some new cultural values that will underpin everything that we do but will also reflect the times and new challenges we now face. There is a need to embed a culture that encourages innovation, creativity and calculated risk taking and for us to become a more entrepreneurial and 'business-like' Council to reflect our greater emphasis on commercialisation;

To require senior managers to be more effective leaders.

- 8.3.28 A draft Regeneration Strategy was approved for public consultation by Cabinet in December 2014. The draft strategy covers the current period to 2026, setting out three core objectives:

Place – providing the homes, schools and other infrastructure needed to meet the demands of our growing population and business base, with high quality town and district centres that attract business investment and foster community engagement;

Communities - Creating new jobs, breaking down barriers to employment, tackling overcrowding and fuel poverty in our homes and working alongside other services to address health and welfare issues;

Business - reinforcing our commercial centres, promoting Harrow as an investment location, addressing skills shortages and supporting new business start-ups, developing local supply chains through procurement.

An engagement programme with local residents was undertaken, with a new Residents Panel formed to provide a continued dialogue with residents as the programme develops. This will be supported by a programme of site by site engagement as individual proposals are developed.

8.4 Review of Effectiveness

- 8.4.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have the responsibility for the development and maintenance of the governance environment, assurance provided by managers, the Corporate Governance Group, the

Corporate Governance Working Group, the Internal Audit annual report, and also by comments made by the External Auditors and other review agencies and inspectorates.

8.4.2 The effectiveness of the governance framework has been evaluated by:

Undertaking an annual review of governance arrangements in place against the Council's governance framework as reflected in the Code of Corporate Governance;

Considering the Head of Internal Audit's overall annual opinion on the adequacy and effectiveness of the authority's control environment;

Review of the overall assessment and the draft Annual Governance Statement by the Corporate Governance Group, the Corporate Strategy Board and the Governance, Audit & Risk Management Committee;

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

8.5 Annual Review of Governance

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

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

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

8.6 Head of Internal Audit's Opinion

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

8.6.2 The overall audit opinion for the Council's control environment for 2015-16 has yet to be fully assessed. The detailed report setting out the reasoning behind this assessment will be considered by the Governance, Audit, Risk Management and Standards Committee (GARMS) in July 2016.

8.7 Declaration (Part I)

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

8.8 Significant Governance Issues

- 8.8.1 The review process for 2015-16 will identify any significant governance gaps.
- 8.8.2 An overarching action plan will be agreed as part of this process to address the gaps identified to further enhance our governance arrangements.

8.9 Declaration (Part II)

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

Signed
Councillor Sachin Shah	Michael Lockwood
Leader	Chief Executive
Date xxx 2016	xxx 2016

9 Pension Fund Financial Statements

Pension Fund Certificate

Harrow Council

Pension Fund Accounts 2015-16

I certify that the Financial Statements set out in Section 9 present fairly the financial position of the Pension Fund as at 31st March 2016 and its income and expenditure for the year.

A handwritten signature in black ink that reads "D. Calvert". The signature is written in a cursive style with a large initial 'D'.

Dawn Calvert CPFA

Director of Finance

29th June 2016

9.1 Administration of the Fund

The Harrow Pension Fund ('the Fund') is part of the Local Government Pension Scheme ("LGPS") and is administered by the London Borough of Harrow. The Council is the reporting entity for the Fund. It is a contributory defined benefit pension scheme designed to provide pensions and other benefits for pensionable employees of the Council and a range of other scheduled and admitted bodies. Teachers are not included as they have a separate national pension scheme.

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

The Fund is financed by accumulated contributions paid by employees and their employers together with returns from the Fund's investments. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2013. Currently, almost all employer contribution rates range from 15% to 28% of pensionable pay.

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

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

a) Memberships

Membership of the LGPS is voluntary. Full-time, part-time and casual employees where there is a mutuality of obligation and who have a contract of more than three months are brought into the Fund automatically, but have the right to "opt out" if they so wish. Casual employees with no mutuality of obligation are not eligible for membership. Contributors to the Fund are contracted out of the State Second Pension.

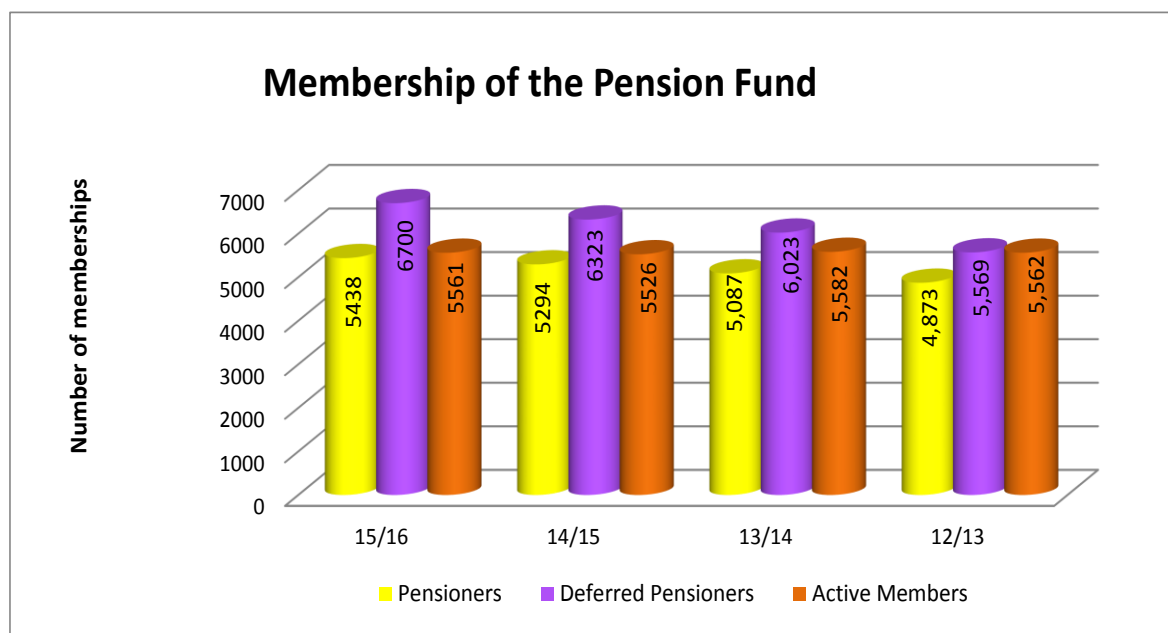
Organisations participating in the Fund are:

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

There are 30 employer organisations within the Harrow Pension Fund including the Council itself, as detailed in the next page.

Membership of the Fund

Employer	Status	Actives	Deferred	Pensioners	Total	%
Harrow Council	Scheduled Body	4,086	5,660	5,087	14,833	83.80
Alexandra School	Scheduled Body	23	3	1	27	0.15
Avanti Free School	Scheduled Body	28	4	0	32	0.18
Aylward Primary School	Scheduled Body	77	6	0	83	0.47
Bentley Wood School	Scheduled Body	61	60	7	128	0.72
Canons High School	Scheduled Body	101	37	7	145	0.82
Harrow College	Scheduled Body	142	271	142	555	3.13
Harrow High School	Scheduled Body	63	45	6	114	0.64
Hatch End School	Scheduled Body	86	117	11	214	1.21
Heathland and Whitefriars	Scheduled Body	153	18	2	173	0.98
Krishna Avanti Primary	Scheduled Body	22	7	0	29	0.16
Nower Hill High School	Scheduled Body	124	99	7	230	1.30
Park High School	Scheduled Body	88	50	4	142	0.80
Pinner High Academy	Scheduled Body	1	0	0	1	0.01
Rooks Heath College	Scheduled Body	107	40	7	154	0.87
Salvatorian College	Scheduled Body	42	44	6	92	0.52
St Bernadettes	Scheduled Body	30	0	0	30	0.17
St Dominics College	Scheduled Body	53	27	33	113	0.64
Stanmore College	Scheduled Body	78	144	69	291	1.64
NLCS	Community Admission Body	77	34	28	139	0.79
Birkin	Transferee Admission Body	10	0	0	10	0.06
Carillion Services	Transferee Admission Body	55	19	18	92	0.52
Chartwells	Transferee Admission Body	16	2	1	19	0.11
Engie (Cofely)	Transferee Admission Body	2	0	0	2	0.01
Govindas	Transferee Admission Body	5	0	0	5	0.03
Granary Kids	Transferee Admission Body	1	1	1	3	0.02
Jubilee Academy	Transferee Admission Body	14	11	0	25	0.14
Linbrook	Transferee Admission Body	4	1	0	5	0.03
Sopria Steria	Transferee Admission Body	9	0	1	10	0.06
Taylor Shaw	Transferee Admission Body	3	0	0	3	0.02
	Total	5,561	6,700	5,438	17,699	100.00



b) Governance

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

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

9.2 Investment Policy and Performance

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

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

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

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

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

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

During the year there were no changes to either the investment strategy or investment managers

Market Commentary

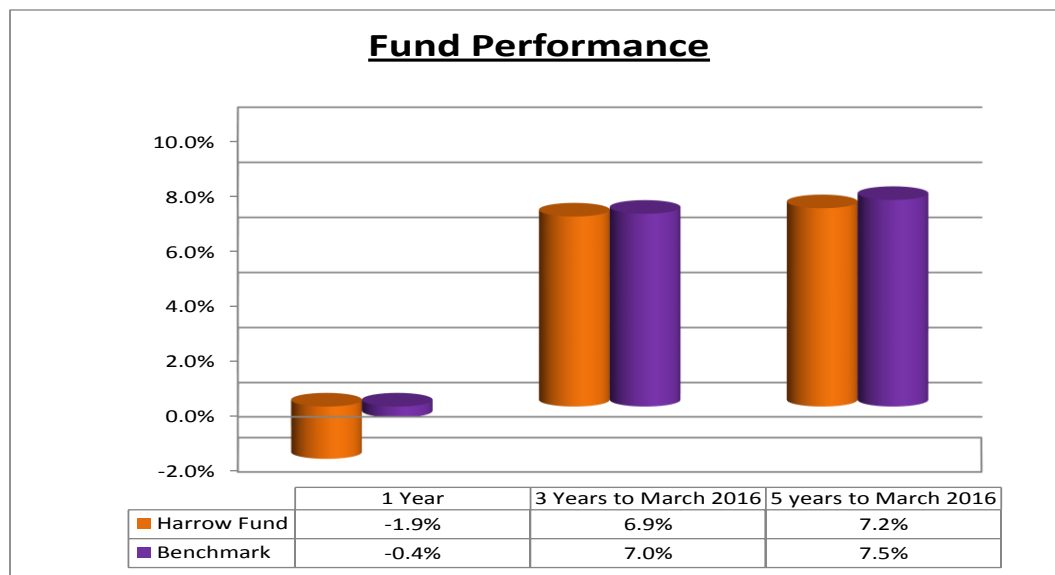
All equity markets, with the exception of North America, produced negative returns over the year. In spite of a surprise outright majority being returned in May's general election, domestic equities lost ground in the early part of the period. After rebounding to some extent in the December quarter, they ended the period down 4%, reflecting the high exposure to oil majors and commodities, which continued to suffer as oil prices fell.

In sterling terms, North America was the strongest performing of the major overseas markets returning 3%. In contrast, the poorest performing areas were the emerging and lesser Asia Pacific markets which gave up between 7 and 8%. Elsewhere, Europe lost 3% and Japan 4%. Currency had a major influence on international equity returns with the weakness of Sterling insulating UK investors against much lower base currency returns.

After the double-digit returns of the previous year, bond performance was much more subdued with an aggregate return in low single figures. Yields fell at the outset of the year and by Christmas, returns were looking quite negative. Central Government comments and risk aversion generally in the closing quarter, however saw yields pick up. Long dated bonds produced the best of the returns whilst corporate issues were marginally down over the period. Index-Linked gilts returned 2% and overseas bonds 4%.

Alternative investments in aggregate enjoyed a good year, however fortune was mixed. Private equity returned 14%, whilst hedge fund performance was flat. Pooled multi-asset (diversified growth) investments had a disappointing year, returning -3%. Property continued its strong run, returning 11%.

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



The Fund's return of -1.9% during 2015-16 was due to the relatively poor performance of equities generally and the UK in particular and the disappointing performance of some of the fund managers. Returns over the longer time periods were broadly in line with the expected performance benchmarks.

The average local authority fund (as measured by State Street Global Services Performance Services) returned 0.2% on its assets during the year. The Council's Fund was ranked in the 89th percentile (2014-15: 14th) in the local authority annual league table of investment returns for the year.

The under performance of 2.1% against the average local authority fund was due mainly to the performance of the diversified growth funds and stock selection by equity fund managers.

9.3 London Borough of Harrow Pension Fund Financial Statements

9.3.1 Pension Fund Account for the year ended 31st March 2016

2014-15 £000		Notes	2015-16 £000
	Dealings with members, employers and others directly involved in the fund		
(28,013)	Contributions receivable	9.4.4	(28,333)
(1,267)	Transfers in from other pension funds		(5,839)
(35)	Other income		(261)
<u>(29,315)</u>			<u>(34,433)</u>
32,008	Benefits payable	9.4.5	31,265
2,266	Payments to and on account of leavers	9.4.6	3,239
<u>34,274</u>			<u>34,504</u>
4,959	Net additions/reductions from dealings with members		71
3,958	Management expenses	9.4.7	4,630
	Returns on Investments		
(10,863)	Investment income	9.4.8	(10,425)
(82,082)	Profit/losses on disposal of investments and changes in the market value of investments	9.4.9	19,568
<u>(92,945)</u>	Net Returns on Investments		<u>9,143</u>
(84,028)	Net (increase)/decrease in the net assets available for benefits during the year		13,844
(590,817)	Net assets at start of year		(674,845)
<u>(674,845)</u>	Net assets at end of year		<u>(661,001)</u>

9.3.2 Net Assets Statement

2014-15 £000		Notes	2015-16 £000
	Investment Assets		
669,407	Investments	9.4.10	654,554
1,459	Derivative contracts	9.4.11	878
1,137	Cash with investment managers	9.4.18	44
<u>672,003</u>			<u>655,476</u>
5,793	Cash deposits	9.4.18	11,485
<u>677,796</u>			<u>666,961</u>
	Investment Liabilities		
(4,108)	Derivative contracts	9.4.11	(7,266)
<u>673,688</u>			<u>659,695</u>
2,051	Current assets	9.4.13	2,069
(894)	Current liabilities	9.4.13	(763)
<u>674,845</u>	Net assets of the Fund available to fund benefits at 31 March 2016		<u>661,001</u>

The Financial Statements summarise the transactions of the Fund and show the value as at 31st March 2016 of the assets and liabilities recognised by the Fund. They do not take account of the obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial position of the Fund, which does take account of such obligations, is disclosed in notes 9.4.15 and 9.4.16.

9.4 Notes to the Pension Fund Financial Statements

9.4.1 Accounting Policies

The Statement of Accounts summarises the Fund's transactions for the 2015-16 financial year and its position as at 31 March 2016. The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

Contribution income

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

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the 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.

Transfers to and from other Schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with The Local Government Pension Scheme Regulations

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

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase Scheme benefits are accounted for on a receipts basis. Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement

Investment income

- i) Interest income is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination;
- ii) Distributions from pooled Funds are recognised at the date of issue;
- iii) Changes in the net market value of investments are recognised in the year and comprise all realised and unrealised gains/losses during the year.

Benefits payable

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

Taxation

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

Management expenses

The Code does not require any breakdown of pension fund administrative expenses. However in the interest of greater transparency, the Council discloses its Pension Fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs (2014).

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 investments 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 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 2015-16.

Financial assets

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

The values of investments as shown in the Net Assets Statement have been determined as follows:

i) Market-quoted investments

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

ii) Fixed interest securities

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

iii) Unquoted investments

Investments in unquoted property pooled funds are valued at the net asset value as advised by the fund manager.

Investments in private equity funds and unquoted listed partnerships are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the International Private Equity and Venture Capital Valuation Guidelines 2012. The Fund's private equity investments are valued by the manager at 31 December 2015 and are adjusted to take into account distributions/contributions and exchange rate movements taking place up to 31 March 2016

iv) Pooled investment vehicles

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

Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

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

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

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.

Financial liabilities

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

Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on an annual basis by the 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 (9.4.16).

Additional Voluntary Contributions

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

AVCs are not included in the accounts in accordance with section 4 (2)(b) of The Local Government Pension Scheme (Management and Investments of Funds) Regulations 2009 but are disclosed as a note only

9.4.2 Critical Judgements in applying accounting policies

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

Unquoted private equity investments

It is important to recognise the subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities are valued by the investment managers using the International Private Equity and Venture Capital Valuation Guidelines 2012. The value of unquoted private equities at 31 March 2016 was £20.6m (31 March 2015 £23.0m).

Pension Fund liability

The Pension Fund liability is calculated every three years by the appointed actuary. Annual updates in the intervening years use the methodology in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in notes 9.4.15 and 9.4.16. Valuations are subject to significant variances based on changes to the underlying assumptions.

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance: <ul style="list-style-type: none"> • a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £88m • a 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £21m • a one-year increase in assumed life expectancy would increase the liability by approximately £28m
Private equity	Private equity investments are valued at fair value in accordance with <i>International Private Equity and Venture Capital Valuation Guidelines 2012</i> . These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £20.6m. There is a risk that this investment may be under or overstated in the accounts.

9.4.4 Contributions Receivable

By category

2014/15 £'000		2015/16 £'000
(6,561)	Employees' contributions	(6,599)
	Employers' contributions:	
(16,580)	Normal contributions	(16,763)
(3,934)	Deficit recovery contributions	(4,549)
(938)	Pension strain contributions	(422)
<u>(21,452)</u>	Total employers' contributions	<u>(21,734)</u>
<u>(28,013)</u>		<u>(28,333)</u>

By authority

2014/15 £'000		2015/16 £'000
(21,243)	Administering Authority	(21,504)
(5,410)	Scheduled bodies	(5,667)
(504)	Community admission body	(519)
(856)	Transferee admission bodies	(643)
<u>(28,013)</u>		<u>(28,333)</u>

9.4.5 Benefits Payable

By category

2014/15 £'000		2015/16 £'000
25,188	Pensions	26,454
6,068	Commutation and lump sum retirement benefits	4,074
752	Lump sum death benefits	737
<u>32,008</u>		<u>31,265</u>

By authority

2014/15 £'000		2015/16 £'000
30,268	Administering Authority	29,070
1,398	Scheduled bodies	1,508
203	Community admission body	290
139	Transferee admission bodies	397
<u>32,008</u>		<u>31,265</u>

9.4.6 Payments to and on Account of Leavers

2014-15 £000		2015-16 £000
44	Refunds to members leaving service	60
2,222	Individual transfers	3,179
<u>2,266</u>		<u>3,239</u>

9.4.7 Management Expenses

2014-15 £000		2015-16 £000
823	Administrative costs	642
2,569	Investment management expenses	3,452
566	Oversight and governance costs	536
3,958		4,630

9.4.8 Investment Income

2014-15 £000		2015-16 £000
(3,200)	Pooled investments - units trusts and other managed funds	(2,687)
(1,940)	Pooled Property Investments	(1,708)
(5,723)	Private equity net distributions	(6,030)
(10,863)		(10,425)

9.4.9 Investments

	Market value 31 March 2015 £'000	Purchases during the year and derivative payments £'000	Sales during the year and derivative receipts £'000	Net change in market value during the year £'000	Market value 31 March 2016 £'000
Investment assets					
Fixed interest securities	69,247	3,130	(231)	(2,745)	69,401
Index-linked securities	17,130	1,032	(422)	(163)	17,577
Pooled equity investments	449,979	0	(1,742)	(11,150)	437,087
Pooled property investments	50,562	0	(474)	3,393	53,481
Equity in London CIV	0	150	0	0	150
Private equity	22,954	0	(564)	(1,819)	20,571
Alternative investments	59,535	0	(365)	(2,883)	56,287
Derivative contracts:net forward currency	(2,649)	3,867	(3,405)	(4,201)	(6,388)
Cash re Transition	268	0	(268)	0	0
	667,026	8,179	(7,471)	(19,568)	648,166
Cash with investment managers	869				44
Cash deposits	5,793				11,485
	6,662				11,529
Total investment assets	673,688			(19,568)	659,695

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

Manager	2015-16		2014-15		Investment assets
	£'000	%	£'000	%	
BlackRock	69,401	11	69,247	10	Fixed interest securities
BlackRock	17,577	3	17,130	3	Index-linked securities
GMO	71,463	11	76,541	11	Emerging markets equities-active
Longview	75,499	11	75,561	11	Developed world equities-active
Oldfields	70,701	11	77,276	11	Developed world equities-active
State Street	219,424	33	220,601	33	Global equities-passive
London CIV	150	0	0	0	UK equities-passive
Aviva	53,481	8	50,562	8	Pooled property
Pantheon	20,571	3	22,954	3	Private equity
Insight	27,071	4	28,857	4	Diversified growth fund
Standard Life	29,216	4	30,678	5	Diversified growth fund
Record	(6,388)	-1	(2,649)	0	Forward currency contracts
BlackRock	44	0	865	0	Cash with investment managers
JP Morgan	0	0	272	0	Cash with investment managers
	11,485	2	5,793	1	Cash deposits
	659,695	100	673,688	100	

Investments Exceeding 5% of the Total Value of Net Assets

2014-15			2015-16	
£000	%		£000	%
220,601	33	SSGA MPF All World Equity Index Sub-Fund	219,424	33
75,561	11	Longview Partners - Global Pooled Equities FD K Class	75,499	11
76,541	11	GMO Emerging Domestic Opportunities Equity Fund	71,463	11
77,276	12	Overstone Global Equity CCF (USD Class A1 Units)	70,701	11
69,247	10	BlackRock Institutional Bond Fund - Corp Bond 10 yrs A Class	69,401	11
50,562	8	Aviva Investors UK Real Estate Fund of Funds	53,481	8
569,788	85	Total over 5% holdings	559,969	85

9.4.10 Investments

2014-15			2015-16	
£000			£000	
Pooled Investments				
UK				
69,247	Fixed Interest Securities	Corporate	69,401	
17,130	Index Linked Securities	Public Sector	17,577	
50,562	Managed Funds - Property	Unit Trusts	53,481	
136,939			140,459	
Global				
220,601	Managed Funds - Equities	Unitised Insurance Policy	219,424	
229,378	Managed Funds - Equities	Other	217,663	
449,979			437,087	
30,678	Managed Funds - Alternatives	Unit Trusts	29,216	
28,857	Managed Funds - Alternatives	Other	27,071	
59,535			56,287	
22,954	Managed Funds - Private Equity	Other	20,571	
1,459	Derivatives		878	
-	Equity in London CIV		150	
1,137	Cash with investment managers		44	
5,793	Cash Deposits		11,485	
677,796	Total Investment Assets		666,961	
Investment Liabilities				
(4,108)	Derivatives		(7,266)	
(4,108)	Total Investment Liabilities		(7,266)	
673,688	Net Investment Assets		659,695	

9.4.11 Derivatives

2014-15 £000		2015-16 £000
	Investment Assets	
1,459	Forward foreign exchange contracts	878
	Investment Liabilities	
(4,108)	Forward foreign exchange contracts	(7,266)
<u>(2,649)</u>	Net Derivatives	<u>(6,388)</u>

Settlement	Currency bought	Local value 000	Currency sold	Local value 000	Asset value £'000	liability value £'000
Up to one month	GBP	2,360	AUD	(4,967)		(299)
Up to one month	GBP	3,136	CAD	(6,507)		(365)
Up to one month	GBP	4,143	CHF	(6,112)		(300)
Up to one month	GBP	5,100	EUR	(6,878)		(356)
Up to one month	HKD	40,399	GBP	(3,651)		(27)
Up to one month	GBP	3,493	HKD	(40,399)		(132)
Up to one month	GBP	12,164	JPY	(2,204,400)		(1,486)
Up to one month	GBP	26,631	USD	(40,405)		(1,484)
One to six months	GBP	2,634	AUD	(4,967)		(13)
One to six months	GBP	3,469	CAD	(6,507)		(31)
One to six months	GBP	4,416	CHF	(6,112)		(44)
One to six months	GBP	5,037	EUR	(6,878)		(432)
One to six months	GBP	9,885	JPY	(1,797,900)		(1,276)
One to six months	GBP	23,283	USD	(34,707)		(860)
Over six months	GBP	5,429	EUR	(6,878)		(55)
Over six months	GBP	11,137	JPY	(1,797,900)		(54)
Over six months	GBP	21,473	USD	(30,965)		(52)
Up to one month	AUD	4,967	GBP	(2,646)	13	
Up to one month	CAD	6,507	GBP	(3,470)	31	
Up to one month	CHF	6,112	GBP	(4,400)	43	
Up to one month	EUR	6,878	GBP	(5,402)	53	
Up to one month	JPY	2,204,400	GBP	(13,320)	330	
Up to one month	USD	40,405	GBP	(27,791)	325	
One to six months	USD	3,742	GBP	(2,546)	57	
One to six months	GBP	3,651	HKD	(40,399)	26	
Open forward currency contracts at 31 March 2016					878	(7,266)
Net forward currency contracts at 31 March 2016						(6,388)
Prior year comparative						
Open forward currency contracts at 31 March 2015					1,459	(4,108)
Net forward currency contracts at 31 March 2015						(2,649)

The scheme objective in using derivatives is to reduce risk in the portfolio by entering into forward contracts to mitigate the effect of currency risk from overseas investments held in the portfolio without disturbing the underlying assets. The overseas equity portfolio is 50% hedged against the currency risk arising from developed market currencies. Non sterling currency exposure hedged at the year end is £172m. The main currency exposures before hedging in sterling are US\$ £84m, Yen £41m and Euro £20m.

9.4.12 Additional Voluntary Contributions (AVCs)

AVC contributions of £0.31m were paid directly to the providers during the year (2014-15 £0.36m).

2014-15 £'000		2015-16 £'000
1,208	Prudential Assurance	1,233
812	Clerical Medical	741
266	Equitable Life Assurance Society	237
<u>2,286</u>		<u>2,211</u>

9.4.13 Current Assets & Liabilities

Current Liabilities		
2014-15 £'000		2015-16 £'000
(355)	Sundry creditors	(167)
(212)	Transfer values payable (leavers)	(430)
(327)	Benefits payable	(166)
<u>(894)</u>		<u>(763)</u>
Current Assets		
2014-15 £'000		2015-16 £'000
(4)	Central government bodies	(15)
(212)	Other local authorities	(431)
(678)	Other entities and individuals	(317)
<u>(894)</u>		<u>(763)</u>
Current Assets		
2014-15 £'000		2015-16 £'000
1,645	Other local authorities	1,752
4	NHS bodies	4
381	Scheduled/Admitted bodies	297
21	Other entities and individuals	16
<u>2,051</u>		<u>2,069</u>
Current Assets		
2014-15 £'000		2015-16 £'000
381	Contributions due - employers	297
79	Transfer values receivable (joiners)	0
25	Sundry debtors	20
1,566	Cash owed to Fund	1,752
<u>2,051</u>		<u>2,069</u>
<u>1,157</u>	Net Current Assets	<u>1,306</u>

9.4.14 Related Party Transactions

2014-15 £000		2015-16 £000
(16,162)	Employer's pension contribution to the Fund	(16,351)
1,061	Administration expenses paid to the Council	853
1,566	Cash held by Council	1,752

The Fund is required under IAS24 to disclose details of material transactions with related parties.

The Council is a related party to the Pension Fund. Details of the contributions made to the Fund by the Council and expenses refunded to the Council are set out above. Details of total contributions made in the year are set out in note 9.4.4 to the accounts.

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

9.4.15 Actuarial Valuation

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

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

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

Assumption

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

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

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

9.4.16 Actuarial present value of promised retirement benefits

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

The valuation of liabilities as at 31 March 2016 has been carried out using assumptions that are in line with IAS 19 as opposed to the Pension Fund's funding assumptions. These are as follows:

2014-15		2015-16	
2.4%	Rate of inflation	2.2%	
3.8%	Rate of increase in salaries	3.7%	
2.4%	Rate of increase in pensions	2.2%	
3.2%	Rate for discounting scheme liabilities	3.5%	

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

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation at 31 March 2013. The present value of funded liability at 31 March 2016 (£894m) has been estimated by the actuary as comprising £397m in respect of employee members, £158m in respect of deferred pensioners and £339m in respect of pensioners. The actuary is satisfied that the aggregate liability is a reasonable estimate of the actuarial present value of benefit promises.

9.4.17 Financial Instruments

Classification of Financial Instruments

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

2014-15			2015-16		
Fair Value	Loans & Receivables	Financial Liabilities	Fair Value	Loans & Receivables	Financial Liabilities
£000		£000	£000		£000
Pooled Funds UK					
69,247	0	0	69,401	0	0
17,130	0	0	17,577	0	0
449,979	0	0	437,087	0	0
0	0	0	150	0	0
50,562	0	0	53,481	0	0
22,954	0	0	20,571	0	0
59,535	0	0	56,287	0	0
1,459	0	0	878	0	0
0	8,496	0	0	13,281	0
0	485	0	0	317	0
670,866	8,981	0	655,432	13,598	0
Financial Liabilities					
(4,108)	0	0	(7,266)	0	0
0	0	0	0	0	0
0	0	(894)	0	0	(763)
(4,108)	0	(894)	(7,266)	0	(763)
666,758	8,981	(894)	648,166	13,598	(763)
Total creditors					
2014-15			2015-16		
£000			£000		
Financial assets					
85,145	Fair value through profit and loss		(15,367)		
268	Loans and receivables		0		
Financial liabilities					
(3,331)	Fair value through profit and loss		(4,201)		
0	Loans and receivables		0		
82,082	Total		(19,568)		

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

Valuation of Financial Instruments carried at Fair Value

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

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

As far as they are available listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

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

Level 3

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

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

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

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

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

2014-15				2015-16			
Quoted market price	Using observable inputs	With significant unobservable inputs	Total	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
Level 1 £'000	Level 2 £'000	Level 3 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Level 3 £'000	Level 3 £'000
Financial assets							
Financial assets at fair value through							
646,453	1,459	22,954	670,866	633,983	878	20,571	655,432
8,981	0	0	8,981	13,598	0	0	13,598
655,434	1,459	22,954	679,847	647,581	878	20,571	669,030
Financial liabilities							
Financial liabilities at fair value							
0	(4,108)	0	(4,108)	0	(7,266)	0	(7,266)
0	0	(894)	(894)	(763)	0	0	(763)
0	(4,108)	(894)	(5,002)	(763)	(7,266)	0	(8,029)
655,434	(2,649)	22,060	674,845	646,818	(6,388)	20,571	661,001

9.4.18 Nature and extent of risks arising from Financial Instruments

Risk and risk management

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an

acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet its forecast cash flows. The Council manages these investment risks as part of its overall Pension Fund risk management programme

Responsibility for the Fund's risk management strategy rests with the Pension Fund Committee. The Committee reviews the Fund's risk register on an annual basis.

a) Market risk

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

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

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

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

Had the market price of the Fund investments increased/decreased in line with the above the change in the net assets available to pay benefits would have been as follows:

Asset type	Value as at 31 March 2016 £'000	Percentage change %	Value on increase £'000	Value on decrease £'000
Cash and cash equivalents	11,529	0.01	11,530	11,528
Investment portfolio assets:				
Total equities	457,808	10.07	503,909	411,707
Fixed interest & index linked securities	86,978	9.07	94,867	79,089
Alternative investments	56,287	7.36	60,430	52,144
Pooled property investments	53,481	2.37	54,748	52,214
Derivative contracts: net forward currency	(6,388)	0.00	(6,388)	(6,388)
Total	659,695		719,096	600,294

Asset type	Value as at 31 March 2015 £'000	Percentage change %	Value on increase £'000	Value on decrease £'000
Cash and cash equivalents	6,930	0.01	6,931	6,929
Investment portfolio assets:				
Total equities	472,933	9.01	515,544	430,322
Fixed interest & index linked securities	86,377	8.49	93,710	79,044
Alternative investments	59,535	6.92	63,655	55,415
Pooled property investments	50,562	2.60	51,877	49,247
Derivative contracts: net forward currency	(2,649)	0.00	(2,649)	(2,649)
Total	673,688		729,068	618,308

b) Interest rate risk

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

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

The Fund's direct exposure to interest rate movements of 1% as at 31 March 2016 is set out below.

Assets exposed to interest rate risk	Carrying amount as at 31 March 2016	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£'000		£'000	£'000
Cash and cash equivalents	11,529	0	11,529	11,529
Fixed interest securities	69,401	694	70,095	68,707
Total change in assets available	80,930	694	81,624	80,236

Assets exposed to interest rate risk	Carrying amount as at 31 March 2015	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£'000		£'000	£'000
Cash and cash equivalents	6,930	0	6,930	6,930
Fixed interest securities	69,247	692	69,939	68,555
Total change in assets available	76,177	692	76,869	75,485

This analysis demonstrates that changes in interest rates do not impact on the value of cash & cash equivalents balances but do affect the fair value on fixed interest securities. Changes in interest rates affect interest income received on cash balances but have no effect on income from fixed income securities. However since the funds cash balances are low the effect of interest changes is minimal.

c) Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on its global equities pooled fund investments, some of which are denominated in currencies other than sterling. To mitigate this risk, the Fund uses derivatives and hedges 50% of the overseas equity portfolio arising from the developed market currencies.

The table below provides the estimated total of the Fund's currency exposure as at 31 March 2016.

Currency risk sensitivity analysis

Following analysis of historical data in consultation with the Fund's performance advisers the Council considers the likely volatility associated with foreign exchange rate movements to be 3.77%

A 3.77% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available as follows:

Pension Fund

Asset Type	Value as at March 2016 £000	Change %	Value on Increase £000	Value on Decrease £000
Overseas Equities	390,763	3.77	405,495	376,031

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

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 2016 was £11.5m (31 March 2015: £6.9m). This was held with the following institutions.

31-Mar-15 £000		31-Mar-16 £000
4,633	Royal Bank of Scotland	10,048
1,432	JP Morgan	1,437
865	BlackRock	44
<u>6,930</u>	Total	<u>11,529</u>

d) Liquidity risk

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

The Council has immediate access to its Pension Fund cash holdings.

The Fund considers liquid assets to be those that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert in to cash. As at 31 March 2016 the value of illiquid assets was £74.1m, which represented 11% of the total Fund assets (31 March 2015: £73.5m, which represented 11% of the total Fund assets).

All financial liabilities at 31 March 2016 are due within one year.

f) Refinancing risk

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

10 Appendices

10.1 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.

Balances: accumulated funds available to the Authority, some of which may be earmarked for specific purposes.

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 lessee.

General Fund: the account that covers the net cost of all services other than the provision of Council housing for rent.

Housing Revenue Account (HRA): a statutory account which contains all expenditure and income relating to the provision of Council housing for rent. The HRA must be kept entirely separate from the General Fund. Local Council's are not allowed to make up any deficit on the HRA from the General Fund.

Impairment: a reduction in the carrying value of a fixed asset below its previously assessed carrying value due to obsolescence, damage or adverse change in the statutory environment.

Infrastructure Assets: a classification of non-current assets which have no market value, and which exist primarily to facilitate transportation and communication requirements (e.g. highways and footpaths) and similar environmental works.

Levies: payments to London-wide bodies, e.g. Environment Agency, Lee Valley Regional Park and West London Waste Authority. The cost of these bodies is borne by the local Council in the area concerned, based on their Council tax base, and is met from the General Fund.

Minimum Revenue Provision (MRP): the minimum amount which must be charged to the Council's revenue account and set aside as provision for credit liabilities.

National Non Domestic Rate (NNDR): a flat rate in the pound set by Central Government and levied on businesses in the borough. NNDR is now shared between the Government, the Council and the Greater London Authority in the following proportions 50:30:20. When an Authority's baseline is greater than its funding baseline, it pays tariff payments to the Government. If the

Council's NNDR baseline is less than it's funding baseline it receives top-up payments from the Government.

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 now benefits and should not be apportioned to services. Examples are spare computer capacity and empty offices. These also include pension costs in relation to scheme members past service.

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

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 Council at interest rates only slightly higher than those at which the government itself can borrow.

Related Party: the relationship between a senior officer, elected Member, and their families, with another body that has, or might develop a business relationship with the Council.

Revenue Expenditure: the day-to-day running costs relating to the accounting period irrespective of whether or not the amounts due have been paid. These costs would include salaries and wages, premises and the costs of supplies and services.

Revenue Support Grant: the main grant received from central government to support local Council revenue expenditure.

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

Taxbase: the number of Band D equivalent properties in a local authority's area. The council tax base is taken into account when it calculates it's council tax, and when central government calculates entitlement to Formula Grant.

Trust Funds: money held in trust by the Council for a specified purpose.

The Code of Practice (The Code): aims to specify the principles and practices of accounting required to prepare a Statement of Accounts which presents fairly the financial position and transactions of the Council.

10.2 Abbreviations

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

10.3 Service Reporting Code of Practice (SERCOP)

	2015-16 Gross Expend. £000	2015-16 Gross Income £000	2015-16 Net Expend. £000	2014-15 Net Expend. £000
Division of Service				
Service Reporting Code of Practice Summary				
Central Services	5,545	(3,020)	2,525	3,414
Court Services	185	0	185	168
Cultural and Related Services	10,528	(2,346)	8,182	7,777
Environmental and Regulatory Services	17,573	(3,381)	14,192	15,091
Planning Services	6,549	(4,040)	2,509	3,690
Education and Children's Services	204,078	(161,021)	43,057	40,023
Highways & Transport Services	32,397	(14,184)	18,213	20,628
Housing Services - general fund	168,619	(157,926)	10,693	10,719
Housing Services - HRA	(17,511)	(32,140)	(49,651)	(68,558)
Adult Social Care	81,917	(18,680)	63,237	62,409
Public Health	9,155	(10,047)	(892)	837
Corporate and Democratic Core	7,277	(786)	6,491	7,845
Non Distributed Costs	(786)	(116)	(902)	(713)
Cost of Services	525,526	(407,687)	117,839	103,330
Other items			(192,384)	(165,332)
Surplus or Deficit on the Provision of Services			(74,545)	(62,002)
Central Services				
Local Tax Collection	2,823	(1,179)	1,644	2,086
Registration of Births, Deaths & Marriages	1,014	(1,046)	(32)	(54)
Elections	747	(119)	628	1,044
Emergency Planning	240	(14)	226	233
Local Land Charges	414	(662)	(248)	(217)
General Grants, Bequests & Donations	19	0	19	15
Local Welfare Assistance Schemes	288	0	288	307
	5,545	(3,020)	2,525	3,414
Court Services				
Coroners' Court Services	185	0	185	168
	185	0	185	168
Cultural and Related Services				
Culture & Heritage	1,855	(683)	1,172	410
Recreation & Sport	1,165	(1,042)	123	(61)
Open Spaces	3,409	(423)	2,986	3,642
Library Service	4,099	(198)	3,901	3,786
	10,528	(2,346)	8,182	7,777
Environmental and Regulatory Services				
Cemetery, Cremation & Mortuary services	668	(1,207)	(539)	209
Community safety (Crime Reduction)	468	(5)	463	498
Community Safety (CCTV)	726	(4)	722	653
Flood Defence & Land Drainage	502	(35)	467	536
Regulatory Services	3,584	(1,100)	2,484	2,505
Street Cleansing (not chargeable to highways)	2,431	(11)	2,420	2,621
Waste Collection	4,064	(97)	3,967	3,455
Waste disposal	944	(256)	688	701
Trade Waste	283	(509)	(226)	(215)
Recycling	3,903	(157)	3,746	4,128
	17,573	(3,381)	14,192	15,091

Appendices

Division of Service	2015-16 Gross Expend. £000	2015-16 Gross Income £000	2015-16 Net Expend. £000	2014-15 Net Expend. £000
Planning Services				
Building Control	1,038	(835)	203	135
Development Control	2,691	(2,387)	304	1,030
Planning Policy	818	(274)	544	713
Economic Development	1,155	(190)	965	944
Community Development	847	(354)	493	868
	6,549	(4,040)	2,509	3,690
Children's and Education Services				
Early Years	10,339	(9,110)	1,229	910
Primary Schools	98,928	(98,375)	553	929
Secondary Schools	15,767	(15,489)	278	(502)
Special Schools	27,344	(27,201)	143	1,013
Post-16 Provision	1,377	(1,276)	101	(7)
Other School Related Education Services	14,753	(6,231)	8,522	7,568
Sure Start Children's Centres/Flying Start & Early Years	2,861	(248)	2,613	2,086
Children Looked After	10,365	(542)	9,823	8,918
Other Children & Family Services	1,162	(5)	1,157	1,174
Family Support Services	3,843	(493)	3,350	3,090
Youth Justice	1,006	(242)	764	680
Safeguarding Children & Young Peoples Services	12,105	(859)	11,246	9,936
Asylum Seekers	1,605	(897)	708	824
Services for Young People	2,623	(53)	2,570	3,404
	204,078	(161,021)	43,057	40,023
Highways and Transport Services				
Transport Planning, Policy & Strategy	350	(388)	(38)	(8)
Structural Maintenance	798	(240)	558	517
Environment Safety & Routine Maintenance	12,581	(1,460)	11,121	11,219
Street Lighting	2,252	(16)	2,236	2,254
Winter Service	377	(8)	369	330
Traffic Management & Road Safety: Education & Safe Routes	86	0	86	95
Traffic Management & Road Safety: Other	943	(507)	436	577
Parking Services	4,967	(11,536)	(6,569)	(4,136)
Public Transport	10,043	(29)	10,014	9,780
	32,397	(14,184)	18,213	20,628
Housing Services				
Housing strategy, advice, advances, enabling, renewals and licensing	1,760	(120)	1,640	2,247
Homelessness	14,125	(7,837)	6,288	5,391
Housing benefits payments	146,694	(147,516)	(822)	(640)
Housing benefits administration	4,083	(2,428)	1,655	1,744
Other council property	2	(2)	0	(3)
Housing Welfare: Supporting People	1,955	(23)	1,932	1,980
Housing Revenue Account	(17,511)	(32,140)	(49,651)	(68,558)
	151,108	(190,066)	(38,958)	(57,839)

Appendices

Division of Service	2015-16 Gross Expend. £000	2015-16 Gross Income £000	2015-16 Net Expend. £000	2014-15 Net Expend. £000
Adult Social Care				
Physical support - adults (18–64)	6,327	(1,611)	4,716	4,137
Physical support - older people (65+)	22,332	(6,539)	15,793	14,598
Sensory support - older people (65+)	2,371	(521)	1,850	756
Support with memory and cognition - older people (65+)	1,991	(758)	1,233	1,179
Learning disability support - adults (18–64)	23,095	(3,640)	19,455	18,933
Learning disability support - older people (65+)	3,811	(2,801)	1,010	1,444
Mental health support - adults (18–64)	6,502	(406)	6,096	5,691
Social support: Support for carer	772	(73)	699	628
Social care activities	8,307	(553)	7,754	7,778
Information and early intervention	2,661	(90)	2,571	2,879
Commissioning and service delivery	3,748	(1,688)	2,060	4,386
	81,917	(18,680)	63,237	62,409
Public Health				
Sexual Health	3,415	(3,132)	283	149
NHS Health Check Programme	303	(549)	(246)	(198)
Health Protection	13	(26)	(13)	(10)
National Child Measurement Programme	9	(17)	(8)	(5)
Public Health Advice	19	(112)	(93)	(90)
Obesity	24	(60)	(36)	(4)
Physical Activity	65	(86)	(21)	(4)
Substance Misuse	3,306	(2,836)	470	572
Smoking & Tobacco	181	(352)	(171)	(193)
Children 5-19 Public Health Programmes	919	(703)	216	247
Misc Public Health Services	901	(2,174)	(1,273)	373
	9,155	(10,047)	(892)	837
Corporate and Democratic Core				
Democratic Representation & Management	3,496	(367)	3,129	3,578
Corporate Management	3,781	(419)	3,362	4,267
	7,277	(786)	6,491	7,845
Non Distributed Costs				
Retirement Benefits	(786)	(116)	(902)	(713)
	(786)	(116)	(902)	(713)