# London Borough of Hillingdon

# Statement of Accounts
# for the year to 31 March 2022

HILLINGDON
LONDON

www.hillingdon.gov.uk

# London Borough of Hillingdon

## Statement of Accounts for the year ended 31 March 2022

**Contents** **Page**

# Leader’s Statement

**1. Leader’s Statement**
**Introduction by Councillor Ian Edwards, Leader of the Council**

Welcome to Hillingdon’s Statement of Accounts for 2021/22, which shows the council's financial performance in delivering high quality services to residents during the year and outlines the council’s financial standing at 31 March 2022.

The Council has maintained frontline services to residents, with an approach based on sound financial management and continues to put residents first. Residents saw an increase of 1.8 per cent to applied to their Council Tax for 2021/22, with the rise being set at 90 per cent of our neighbouring boroughs. In addition, the Council also levied the Social Care Precept at 3 per cent. The Council continues to offer Council Tax discounts for those aged over 65 where they were in receipt of a benefit on 31 March 2022, with a further safety net available for all residents facing financial difficulty in the form of the Council Tax Reduction Scheme that the Council offers. The Council was able to do this whilst all frontline services were maintained despite government funding increasing at a rate lower than inflation and an increasing demand for services from a growing population.

Our people, our environment and our heritage continue to be at the heart of what we do, beyond the Council’s support during the pandemic other key achievements for the last financial year include:

- Once again, Hillingdon ensured that every child in the borough had a primary or secondary school placement with so many local children receiving their preferred choice. From 3,664 primary school applications, 98.7 per cent were offered a place at one of their top three schools, with 93.7 per cent offered their first preference. Furthermore, Hedgewood school in Hayes benefited from a £2.5 million expansion to help meet the growing demand for special educational needs places.

- Hillingdon’s apprentice programme continues to offer apprentices real world experiences and training to gain a qualification to support local residents with their career path, with Hillingdon’s scheme being commended as one of the most successful in the UK.

- Further to the work carried out by the Council welcoming back residents to our town centres, Hillingdon continued with the Town Centre Improvements project, including a £422k investment in the revitalisation of shops and the streetscape along Kingshill Avenue in Hayes.

- In May, the Council introduced a separate food waste collection service and a new fleet of trucks aimed at increasing the borough’s recycling rates, which not only supports the borough’s green initiatives, but also saw a fun competition for primary school children to name five of the new trucks.

- The Council’s Waste & Recycling Team won the Best Partnership Award at this year’s Local Authority Recycling Advisory Committee Awards (LARAC), with the prestigious award due to the Council’s work with the NHS on needle collections following high demand from residents for the Council’s clinical waste service for sharps collection.

- Additionally, Hillingdon has been awarded more Green Flags than any other local authority for the ninth year running. The total number of flags, which acknowledge well-managed parks that meet criteria such as being clean, community-orientated and environmentally friendly, is now 63.

- The Council continues to be committed to tackling climate change, with the Council taking part in National Tree Week with a number of initiatives running across the week. In 2021 the Council planted 14,000 trees in an effort to make the borough greener, with the Council aiming to exceed that figure in 2022.

As the country begins to emerge from the pandemic, the residents of this Council, its services and its finances continued to be significantly impacted by the COVID-19 pandemic during 2021/22. Despite this, the Council has continued to protect vulnerable residents and maintain services, whilst at the same time, ensuring the Council is in a strong position for the future.

During the pandemic, the Council has supported residents by:

- Continuing to offer test facilities throughout the pandemic across the borough to assist with infection control and help drive the infection rate down, whilst also supporting the national vaccine programme to protect our residents, with 69,911 tests carried out in 2021 and a further 27,026 tests being distributed via libraries and Children’s Centres.

# Leader's Statement

- The Council continued to offer support to vulnerable residents including help with daily living tasks, hot meals, support with rent payments and additional financial support offered to those struggling with their Council Tax.

- Hillingdon continued to maintain our parks and open spaces and ensure that measures are in place for these services to be used to support residents with both their physical and mental wellbeing, furthermore 2021/22 saw the re-opening of local leisure facilities that offer a wealth of fitness activities to suit residents of all ages and abilities in a covid-safe environment.

- As businesses re-opened, the Council supported town centre retailers to recover and build back better through funding provided by the Government's Welcome Back Fund, including town centre marketing campaigns and new street furniture.

- As the COVID-19 recovery continued, The Council supported low-income households over the winter period, offering additional support for food, energy and water bills as part of the Government's Household Support Fund.

This Statement of Accounts clearly demonstrates Hillingdon's commitment to putting its residents first, which has led to another year of tremendous effort to support residents during the pandemic alongside avoiding the need to implement any cuts or reductions to frontline services, general balances of £26.7 million held and further earmarked reserves set aside to deal with the impact of COVID-19, the Council is also holding earmarked reserves to protect the Council against price and demand volatility risk, with additional funds earmarked for inflation cover during outturn 2021/22. This resilience means Hillingdon is in a strong position to meet the ongoing challenges of government funding constraints, growing demand and exceptional inflation as well as the ongoing financial impact of COVID-19.

Cllr Ian Edwards
Leader of the Council

# Narrative Report

This document sets out the annual accounts of the London Borough of Hillingdon for the year ended 31 March 2022. The accounts are in the format for local authority accounts set by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The purpose of this narrative report is to provide a guide to the most significant matters reported in the financial statements. Included within this document are a number of technical terms that are specific to local government finance and a glossary has been provided to assist the understanding of the financial statements.

## 2.1 Organisational overview and external environment

Hillingdon, situated on the western edge of Greater London, is the second largest London borough, covering a total area of about 42 square miles. It is just 14 miles from central London and bordered by the counties of Buckinghamshire, Hertfordshire and Surrey, as well as the London Boroughs of: Hounslow, Ealing and Harrow. Hillingdon is home to Heathrow, one of the world's busiest airports, which normally caters for more than 60 million passengers a year. The borough, Hillingdon, has some of the best sports and fitness facilities in London including: Hillingdon Sports and Leisure Complex with a 50-metre indoor competition pool; leisure pool; outdoor lido; 100 station gym; athletics stadium and 400 metre running track; 3G floodlit pitches, sports hall and more. There are also 17 libraries; 2 theatres, and over 200 green spaces covering approximately 1,800 acres, including Ruislip Woods; the Nature Reserve, and Lido.

The Council's vision is 'Putting Our Residents First'. This underpins its actions and decision-making process and is achieved by applying the following themes:

Our People - Putting our residents first and at the heart of all that we do, promoting civic pride.

Our Natural Environment - We will protect and enhance the borough's natural environment.

Our Built Environment - We will continue to improve our buildings, roads and footways and ensure that new buildings fit with the surrounding environment.

Financial Management - Maintain the solid approach to financial management that has delivered our success to date and which will be vital going forward.

The London Borough of Hillingdon was one of the 32 London Boroughs created by the London Government Act 1963. It was formed by the amalgamation of the Borough of Uxbridge and the Urban Districts of Hayes/Harlington, Ruislip/Northwood and Yiewsley/West Drayton. The new borough came into existence on 1 April 1965, when the new Council started work. As well as taking on the work of the four previous district authorities, the Council became responsible for local services such as education, libraries, and children's services. These had previously been run by the Middlesex County Council, which ceased to exist on 1 April 1965. Hillingdon's purpose-built Civic Centre opened its doors to the public in 1977.

The London Borough of Hillingdon provides care and support to older people in residential nursing homes and for youngsters in residential children's and foster homes. The Council provides housing through ownership and maintenance of over 10,000 houses and flats held for council tenants. The Council maintains a large proportion of the road networks within the borough, as well as collecting waste from homes and businesses. In addition, the Council runs a number of refurbished public libraries; deals with planning applications, and provides sports and leisure facilities. Instead of reducing services, the Council has made steps to invest in facilities available to residents because of sound financial management and a comprehensive Capital programme.

The Council employs approximately 2,600 staff, 2,900 inclusive of casual staff and has a population of around 309,000 (according to the 2022 Office of National Statistics). There is a growing proportion of young people, particularly of school-age children. Hillingdon is an ethnically diverse borough with 50.6% of residents from black and minority ethnic groups.

Hillingdon is rich in wildlife and wildlife habitat, including waterways; lakes; meadows, and nature reserves. Ruislip Woods has been designated London's first National Nature Reserve; whilst nearby Ruislip Lido boasts 40 acres of water. The borough also offers a host of sporting activities, including sports centres, many with newly refurbished gyms and two exceptional 18-hole and one 12-hole golf courses, including a championship standard course at Stockley Park. The arts and entertainment thrive, with The Beck professional theatre in Hayes, The Compass Theatre in Ickenham, and various other venues.

## 2.2 Financial Performance

**General Fund**

The financial challenges facing the Council due to years of the Government's austerity programme, increased demand for services and the wider economic environment continued through 2021/22, with the added pressure of supporting residents through a global pandemic. Councils are starting to see central government funding increase, but this funding is still lagging behind pre-austerity levels. Despite this, Hillingdon was still able to continue to maintain cash discounts against council tax for the over 65s in receipt of this benefit on 31 March 2021 for another year in 2021/22, without impacting on front-line services to the public. In addition, the Council was able to manage significant increases in demand for services and keep fees and charges significantly cheaper than neighbouring boroughs on a per capita basis.

Despite the challenges faced by the Council, of the savings target of £10,416k, £8,517k are either banked in full or classed as 'on track for delivery', while £1,899k were covered by alternative measures during 2021/22, the percentage of savings banked in 2021/22 has been impacted by the pandemic and the Council's success in delivering the saving programme. This balancing of local demand for services and financial constraints has been successfully managed through the Council's Business Improvement Delivery (BID Transformation) Programme.

The Council's net revenue budget for 2021/22 totalled £238m, excluding those services such as schools and housing benefit, which are funded by specific funding streams. This net budget was supported by a combination of central government grant and locally raised council tax and business rates. The main driver for the funding increase from 2020/21 includes locally generated income from council tax, which was budgeted to grow by £5,753k as a result of the council tax increase, with a minor increase in Government funding of £237k, offset by a reduction in Business Rates income of £900k due to the impact on the rating list caused by the pandemic, with further reductions in one-off income of £1,129k, primarily driven by the Council's ability to reduce the reliance of General Balances.

Throughout the year, monthly budget monitoring reports were reviewed by Cabinet, enabling corrective action to be taken in response to emerging pressures, whilst continuing to deliver on the Council's priorities for residents. Strong financial management, coupled with an ambitious BID Transformation Programme, delivered an improved position against budget at outturn.

General Fund revenue budgets reported an overall underspend of £0.6m against planned expenditure budgets based on normal activities. As a result, the planned drawdown of £2.4m from general balances was not needed in its entirety and balances decreased by a reduced £1.8m. The General Fund balance totalled £26.7m at year-end. Underspends across the Council were mainly driven by service areas forced to close due to the pandemic, all of which offset a number of pressures within the reported position.

Since April 2013, local authorities have been able to retain a proportion of business rate growth income from their area, until 2017/18 this proportion was 50% retention, with 30% of this value retained locally by the Council. In November 2017, leaders of London local authorities collectively approved the principle of a Business Rates Retention Pilot Pool for the capital. In 2020/21 the Government ended the pilot status for the London Pool, however London Authorities continued to pool benefits without the pilot status but benefitting from maximising the top-up and tariff system. However, due to the impact of the pandemic on the London-wide rating list, the pool made a small loss, the decision was therefore taken not to pool Business Rates across the capital in 2021/22 or 2022/23.

# Narrative Report

The outturn for the General Fund revenue budget is set out below:-

| General Fund Services | Revised Budget £'000 | Outturn £'000 | Outturn Variance £'000 |
|---|---|---|---|
| Finance | 17,023 | 17,298 | 275 |
| Health and Social Care | 129,888 | 129,642 | (246) |
| Families, Education and Wellbeing | 14,642 | 14,533 | (109) |
| Environment, Housing & Regeneration | 30,666 | 30,594 | (72) |
| Property & Infrastructure | 6,433 | 6,846 | 413 |
| Public Safety and Transport | 2,067 | 1,856 | (211) |
| Corporate Services and Transformation | 25,499 | 25,690 | 191 |
| **Directorate Operating Budgets** | **226,218** | **226,459** | **241** |
| Development & Risk Contingency | 4,145 | 3,595 | (550) |
| Corporate Operating Budgets | 7,843 | 7,536 | (307) |
| Unallocated Budget Items | 39 | 39 | 0 |
| Exceptional Items | 0 | 0 | 0 |
| **Total Net Expenditure** | **238,245** | **237,629** | **(616)** |
| Corporate Funding | (235,824) | (235,824) | 0 |
| **Net Total** | **2,421** | **1,805** | **(616)** |

Details on how the General Fund outturn position for management decision-making links through to the Comprehensive Income and Expenditure Statement (CIES) surplus for the year, in accordance with accounting standards, can be seen in the Expenditure and Funding Analysis (EFA) note which precedes the CIES.

The table below provides a reconciliation between the General Fund overview shown in the Council's budget revenue outturn and the opening position reported in the Expenditure & Funding Analysis (EFA) as required by the CIPFA Code. The monthly budget monitoring reports separately on areas of different funding streams such as General Balances, Housing Revenue Account, and other reserve movements.

| General Fund Services | Outturn 2021/22 £'000 | Service Allocation and Rounding £'000 | EFA - Total Net Expenditure Charged to GF Balances £'000 |
|---|---|---|---|
| Finance | 17,298 | 543 | 17,841 |
| Health and Social Care | 129,642 | 14,841 | 144,483 |
| Families, Education and Wellbeing | 14,533 | 1,971 | 16,504 |
| Environment, Housing & Regeneration | 30,594 | 1,168 | 31,762 |
| Property & Infrastructure | 6,846 | 99 | 6,945 |
| Public Safety and Transport | 1,856 | 2,649 | 4,505 |
| Corporate Services and Transformation | 25,690 | 87 | 25,777 |
| **Directorate Operating Budgets** | **226,459** | **21,358** | **247,817** |
| Corporate Operating Budgets | 7,536 | (7,536) | 0 |
| Corporate Funding | (235,824) | (10,188) | (246,012) |
| Development and Risk Contingency | 3,595 | (3,595) | 0 |
| Unallocated Budget Items | 39 | (39) | 0 |
| Exceptional Items | 0 | 0 | 0 |
| **Outturn Total** | **1,805** | 0 | **1,805** |
| Prior Year Drawdown | 0 | 0 | 0 |
| **Total** | **1,805** | **0** | **1,805** |

*Note: in accordance with local authority accounting practice, income and favourable variances in the table above and elsewhere in these accounts are shown as bracketed figures.*

Corporate Operating Budgets and Corporate Funding have been combined as Corporate Budgets for the purpose of the EFA.

**Housing Revenue Account**

The Housing Revenue Account (HRA) delivered an in-year contribution to its HRA general balances of £0.2m against the budgeted drawdown of £0.0m. As a result, HRA general balances total £15.4m at 31 March 2022 (£15.2m 31 March 2021). In addition, the HRA holds £7.1m in the Major Repairs Reserve (MRR) (£12.8m 2020/21) to fund future capital works.

There have been 50 Right-to-Buy sales of Council dwellings as at 31 March 2022 (25 in 2020/21) which resulted in a gain on sale of assets when comparing the sale price to the Social Housing value in the Council's accounts.

**Capital Investment**

The Council's programme of capital investment for 2021/22 totalled £78.0m (£68.8m in 2020/21) and was funded from a range of sources. These sources of funding included grants, contributions from revenue resources, proceeds from asset sales, and prudential borrowing.

An under spend of £37.0m is reported against the 2021/22 General Fund capital programme, consisting of £9.0m cost underspends and £28.0m re-phasing for various projects and programmes that are continuing into future years.

Investment during 2021/22 on the General Fund totalled £43.0m and HRA £35.0m. Significant investment included a £6m contribution towards the 1.5 Forms of Entry expansion of Harlington school, and installation of modular classrooms at Hedgewood school to increase the number of available places for pupils with special needs. There was also significant spend on highways infrastructure and street lighting, and the extension of Uxbridge mortuary for completion in 2022/23. In 2021/22 works commenced on the construction of a brand new leisure centre in West Drayton, expected to be complete in 2024.

In 2021/22, new housing construction within the HRA was completed at the former Willow Tree depot to provide 10 general needs housing units and works are under construction for a 5-unit shared ownership development at Moorfield Road, Cowley and 6-unit general needs development at Nelson Road, Uxbridge for completion in 2022/23. Additions of £10.3m include the commencement of the regeneration of Hayes and Avondale Drive estates in 2021/22 and acquisitions of numerous properties to increase the number of available Council housing stock. There was also £28.6m expenditure on improvements to the existing council housing stock.

**Investment Strategy**

The Council lends money to, and has a 100% shareholding in one subsidiary, Hillingdon First Ltd. This is classed as an "Investment for Service Purposes". The objective is to deliver a financial return to the Council and provide housing and/or a commercial unit for sale or rent. This will be achieved this by generating long-term sustainable revenue streams through the delivery of high-quality housing to meet the need of Hillingdon's residents. The Hillingdon First Ltd shareholder agreement and memorandum of association sets out in detail the governance arrangements and provides details of the operating framework, controls and reporting requirements. As at 31 March 2022, the Council holds £4.5m in equity in Hillingdon First Limited, an investment made in 2019/20. During 2021/22, loans of £6.8m, including the applicable interest, that were made to Hillingdon First Limited were repaid to the Council. The Council intends to make further loans as necessary and in accordance with the Council's treasury management and investment strategies.

The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due; while one of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. To limit these risks, upper limits on the sums invested in each category have been set. Furthermore, the Council is protected against any loss through a charge over the assets of Hillingdon First Ltd.

The Council assesses the risk of loss before entering into and whilst holding service loans. The Council aligns loan durations with each specific development. A specific loan agreement will be drawn up for each development using the agreed schedule as a framework. Hillingdon First Ltd will be required to provide full development scheme details to the Shareholder Committee (acting on behalf of the Council as shareholder) before the loan facility can be drawn down for specific expenditure on that development.

**Treasury Management**

The Council takes a very prudent strategic approach in investing its cash balances to ensure money is invested at a very low level of risk. The strategy for investing funds first considers the security of the deposit, the liquidity of investments and then the return on the investment. The year began with Bank Rate at 0.10%. Then April and May saw the economy gathering momentum as the shackles of the pandemic restrictions were eased. Despite the improving outlook, market expectations were that the Bank of England (BOE) would delay rate rises until 2022. Rising, persistent inflation changed that and in December, Base Rate was increased to 0.25%. The BOE hiked it further to 0.50% in February and then again in March to 0.75%. This resulted in continued low levels being achieved in the short-term money markets where rates achievable were only slightly lower compared to other medium-term duration deposit options. The Council adheres strictly to counterparties that have been agreed through the Treasury Management Strategy, consisting of other local authorities, instant access funds, and institutions with a credit rating A- or above. Investment income returns for the year on internally managed cash yielded 0.09% (0.07% 2020/21). The Council also continued as part of its investment strategy to invest £15m in more strategic pooled funds that return dividends. The total investment income received this year was £657k excluding losses on strategic pooled funds.

The Council continued to utilise internal borrowing throughout the year to fund capital expenditure, however, some external borrowing was required during 2021/22 to ensure liquidity was maintained. £35m of new PWLB debt was taken out and maturing temporary local authority loans were replaced during the period, resulting in a closing balance in March of £100m of local authority loans (£100m in 2020/21). The Council continued its use of temporary borrowing as a result of changes to the Treasury Management Strategy to reflect the need to borrow from broader sources. Over the year the Council's loan portfolio had an average rate of 2.47% (2.66% 2020/21). The portfolio increased by £29.17m as a result of £35m new PWLB borrowing, £5.83m of naturally maturing longer term debt and replacing £45m of maturing local authority borrowing with new local authority loans leaving a balance at year-end of £356.84m (GF £192.27m, HRA £164.57m).

**Change in Accounting Practice**

Apart from Infrastructure asset accounting, there were no material changes to the 2021/22 Code resulting in any meaningful alteration in accounting policies. There were confirmation updates relating to the Code wording covering a minor number of elements along with annual IFRS improvements and other standard clarifications. The audit deadline for draft and audited accounts is expected to be extended and the adoption of IFRS16 has again been deferred to at least April 2024.

**Property, Plant and Equipment**

Profit on disposal of £6.1m has been recognised in the Comprehensive Income and Expenditure statement; of which £6.4m related to profits on Right-to-Buy sales. However, this profit is an accounting profit only, as social housing is accounted for in the balance sheet at 25% of its market value to comply with social housing valuation methodology in London, as a result replacement of these housing units would be more expensive. In 2021/22 there were capital receipts amounting to £2.6m obtained on nine General Fund sites.

Within the HRA remedial works were completed and re-occupancies commenced on one of the housing blocks, which contained 41 units, where residents had previously been decanted due to concerns over the structural condition of the building.

## 2.3 Non-Financial Performance

**Environment**

Hillingdon has been awarded more Green Flags than any other local authority for the ninth year running for its parks and open spaces. It was announced that the borough's total number of flags had increased to 63 (62 of which are maintained by the Council), which is the most flags held both nationally and internationally. Colham Green, Deane Park and Sipson Meadow received a Green Flag award for the first time. The Green Flag Award scheme is considered the benchmark national standard for publicly accessible parks. Each space must meet stringent criteria, proving that they are clean, community-oriented and environmentally friendly.

The Woodland Centre at Ruislip Lido has been given a visitor-focused refurbishment to help residents discover more about Ruislip Woods and local wildlife. New interactive displays, boards and hands-on activities will educate visitors of all ages and inspire them to get out and explore the woods, and understand more about the trees, plants and animals they will discover.

# Narrative Report

Following the Council's climate emergency declaration two years ago, the Council continues to make strides in its goal to be climate neutral by 2030. A fundamental element of this work are projects to reduce air pollution and climate-proof the borough through planting and anti-flooding schemes.

Schools in the borough have been given better protection from the polluting fumes of passing traffic through the addition of green screens and planting of trees and shrubs. More than 40 schools have been upgraded through the project, which has been funded through an investment of more than £250k from the Council during the financial year.

In May 2021, the Waste and Recycling team introduced a segregated food waste collection service. This reduces greenhouse gas emissions and total waste produced. The food waste is processed via anaerobic digestion to produce electricity and fertiliser.

**Leisure and Culture**

The Council's music service has been awarded a grant of £161k by the Arts Council to support the restart of face-to-face music activities. Hillingdon Music Service provides music tuition and educational support in schools for children aged 5 to 18.

The Council has invested more than £700k in the refurbishment of a large office space at its Civic Centre in Uxbridge, offering a new facility for children and young people in the borough. The hub will offer a range of activities and services to children and their families, including child counselling and therapy, youth sexual health and support following substance misuse. Building works include the installation of new partitions, ceilings, upgraded air-conditioning, LED lighting, heating and ventilation, flooring and redecoration. The existing office area measures approximately 1,000 square metres and will be transformed into a multi-functional space with a modern reception and waiting area, conference facilities, and a variety of contact rooms. The new hub was opened on 7 December 2021.

On 7 August 2021, the lido at Hillingdon Sports and Leisure complex in Uxbridge was heated for the first time as part of a joint initiative between the Council and its leisure centre provider Better to enable residents to use the historic outdoor pool all year round. The Council has invested £370k in the project which will provide more swimming capacity in the borough for residents to keep fit and healthy.

**Schools & Children's Services**

Primary schools across Hillingdon have signed up to the Council's 'Food Waste from School' trial helping to increase the borough's recycling rates and educate pupils on the environmental benefits.

Since September 2021, seven schools have signed up to the initiative and received 240-litre wheeled bins for the bulk storage of food waste; 23-litre click lock lid caddies for use in dining rooms and kitchens; and seven-litre caddies and liners for use in classrooms and staff rooms. Between September and December, the trial has seen more than nine tonnes of food waste diverted from general waste.

**Social Care**

On Monday 2 August 2021 the Council launched a pioneering new way of working across its social care services to enable teams to intervene early and ensure that local families have fast access to a wide range of support services around the clock.

The Council has redesigned its offer of early help and prevention for local families and is working together with partners across Hillingdon in services for young people to support children at the earliest possible stage.

The new Stronger Families service enables teams to engage families earlier and provide long-lasting solutions to ensure a safe, stable and nurturing environment in which children, young people and parents can thrive. A unique Stronger Families 'hub' operates around the clock, offering families information, advice and support 24 hours a day, seven days a week.

A Hillingdon social worker has won a prestigious Social Worker of the Year award in recognition of their extraordinary work in social care. Kudakwashe Kurashwa in Children's Services won the Gold Award -Team Leader of the Year 2021 at a special virtual awards ceremony held on Wednesday 17 November 2021.

The Council supported the government in welcoming refugees from Afghanistan upon the announcement of the Afghan Relocations and Assistance Policy.

**Protecting Residents**

Hillingdon has launched its evening and night-time economy strategy, Operation SafeNight, to make Hillingdon a safer place to live, work and visit. Key elements of the strategy include supporting businesses to have robust policies in place to improve safety at night; encouraging residents to report abuse directly to the venue and/or the police; ensuring that businesses have the right training in place to respond effectively to challenging situations and identifying problem areas and putting in place strategies to help make them safer.

**People Resources**

The Council is continuing to recruit and develop existing staff onto apprenticeship programmes across a range of services, with 116 apprentices across the Council in 2021/22.

## 2.4 Risks and Opportunities

With pressure on resources available as a result of reduced funding, demographic changes, and inflation pressures there could be a risk to future service provision. The Hillingdon Improvement Programme (HIP) is aimed at delivering a range of key improvements to the way the Council works and improving services to our residents. Since its introduction, it has delivered impressive savings across the Council and championed a variety of initiatives.

Strong financial management and a commitment to putting our residents first, are at the core of the HIP programme and underpins all projects. Our Business Improvement Delivery (BID) programme aims to deliver services that residents value, and to identify and improve the way the Council works. Reviews with services during 2021/22 to assess efficiencies and potential changes in ways of working formed the basis of the Medium-term Financial Forecast (MTFF) for 2022/23 and are being facilitated and supported by the wider Transformation team. These, coupled with longer term strategic reviews, form the Transformation programme to meet the requirements of the MTFF.

The Council incorporates a number of service specific Demand-Led Growth assumptions into its budget to provide for areas of expenditure where there is a greater degree of uncertainty or are subject to demographic pressures. In 2021/22, the Council utilised this budget resource for Impact of Welfare Reform on Homelessness; Waste disposal Levy; and Social Care demographic pressures. The Council has increased the approved budget by £13.5m for Demand-Led Growth in 2022/23, which has seen a substantial increase due to increased demand driven by the pandemic (£3.8m in 2021/22).

## 2.5 Looking Ahead – Strategy and Resource allocation

Looking into the medium financial outlook, the underlying savings requirement is driven primarily by inflation, demand-led pressures, and capital financing costs. An uplift in funding is projected over this period as a result of steady growth in the Council Tax taxbase alongside steady growth within Retained Business Rates as a result of the rating list recovering from the pandemic. Following the 2021 Spending Review, the Council's grant funding from Central Government grew by £8.3m to 2021/22. This was the first multi-year announcement from the Government since the pandemic, however, the funding settlement continued to be a one-year settlement.

The combined effect of the medium-term forecast position is a headline savings requirement of £35.2m over the next five years, with the five-year budget strategy identifying a saving programme of £29.6m, leaving a budget gap of £5.6m, which represents a challenge on a similar scale to the £42.6m of pressures managed over the period from 2017/18 to 2021/22. In contrast to the previous five years, when reductions in funding were the single largest contributor to the budget gap, the projected gap is very much driven by growth in expenditure, partially mitigated through continuation of the increased government support from 2022/23 onwards.

The budget for 2022/23 includes releasing no further funding from general balances but is supported by the release of £7.4m across 2022/23 and 2023/24 from locally held COVID-19 reserve to fund the ongoing impact of the pandemic across the Collection Fund and increases in Demand-Led Growth budgets. The current budget strategy leaves sufficient general balances, above the recommended minimum level available, to manage emerging risks.

A cumulative deficit of £23.5m is shown in the accounts on the retained element of the Schools Budget at 31 March 2022; there is the potential for this to rise to £28.2m by 31 March 2023. This deficit primarily relates to funding, as determined under the Department for Education's national funding formula, failing to keep pace with growing demand for high needs placements for pupils with Education, Health and Care Plans, following introduction of the 2014 Children and Families Act. The Council's Medium Term Financial Strategy has been developed on the Safety Valve Agreement that the Council has entered with the Department for Education (DfE) following ratification of the agreement at Cabinet in March 2022.

Based on the current medium-term outlook, there is a residual savings requirement of £14.6m over the period to 2026/27. Some of this savings requirement has been established through expected funding increases, predominantly within Council Tax, leaving a remaining budget gap of £5.6m still to be identified. Given the size of the budget gap going forward and the fact that savings delivery has continued to be impacted by the pandemic, delivery will need to be stepped up going forward. This will include the need for an expanded and accelerated BID Programme. Alongside the more strategic BID workstreams under development, the routine MTFF work streams such as zero-based budgeting and annual reviews of charging policies will continue.

Looking forward the Council's Capital Programme 2022/23 to 2026/27 has an approved budget of £390m, with £122m to be funded from Prudential Borrowing, after prioritising use of grants and third-party funding, maximising application of developer contributions and where possible using capital receipts. Specific projects on the Capital Programme include a continuation of the Secondary Schools Expansion project, a new leisure centre; street lighting replacements; expanding and improving CCTV coverage, as well as investments into technology and highways.

Hillingdon First Limited, the Council's wholly owned property development company, completed and sold its first flats during 2021/22 and delivered a profit while contributing towards the delivery of high-quality housing within the borough. Works are underway on a second scheme in Cowley, with sales on completed units expected to further contribute towards the delivery of housing during 2022/23.

Looking into the medium financial outlook, the underlying savings requirement is driven primarily by inflation, demand-led pressures, and capital financing costs. An uplift in funding is projected over this period as a result of steady growth in the Council Tax taxbase and an increase in retained Business Rates, predominantly driven by a forecast recovery in the rating list following the pandemic. This increase in funding, however, is not guaranteed, particularly with the uncertainty in the increase in the taxbase for Council Tax and the stability of the Business Rates rating list driven by the impact of inflation of the construction industry and local businesses, as well as the long-term impact of the pandemic and the changes the pandemic has had on everyday life, hence there is a risk that the savings requirement will be higher than that stated in the current MTFF strategy.

## 2.6 Covid-19

Hillingdon Council is committed to Putting Our Residents First. From the start of the Covid-19 pandemic, the Council has proactively provided advice, support and assistance to residents, businesses and schools to help keep residents safe and minimise the impact of changes to everyday life from the restrictions that have had to be put in place to help protect residents' health. This includes setting up and running lateral flow test sites, organising and delivering food parcels to vulnerable residents, administering grants to support local businesses and working with a wide range of commercial, voluntary and charitable organisations to put in place measures to protect health, such as social distancing markers outside shops and schools and the provision of Personal Protective Equipment (PPE) to care providers and schools.

The Council working with its partners is committed to doing what is necessary to reduce the likelihood of further outbreaks of Covid-19 and protect residents from the virus.

The additional costs of Covid-19 totalled £53.1m by 31 March 2022 in relation to the Council's response to the pandemic and after accounting for specific Government Grant funding streams, with £19.7m of this falling within 2021/22. Government funding for the pandemic has totalled £20.9m in unringfenced or cross-cutting funding in 2021/22 and therefore is sufficient to cover the in-year pressure. With the majority of pandemic related funding coming to an end on 31 March 2022, however, the Council continues to hold local funding set aside for the pandemic of £6.8m, alongside unringfenced Government funding of £4.3m, giving the Council £11.1m of available reserves to fund ongoing pandemic related pressures.

## 2.7 Statements within the accounts

**General**

As a result of COVID-19 and in-year funding arrangements agreed by Central Government, there were a number of large balance sheet movements shown in the 2020/21 year-end position. In 2021/22 the position has been more stable but there has been a substantial change relating to the funding mechanism associated with the Collection Fund as it has reduced from its previously inflated position, notably a reduction in Retail, Hospitality and Leisure (RHL) relief which in 2020/21 was set to 100% as directed by Government but was reduced to 75% for 2021/ 22. The Council also continues to experience a larger than normal level of volatility within the rating list.

As always, any minor movement in the underlying IAS19 pension assumptions results in a large swing in the overall deficit position. For 2021/22 an increase in the net discount rate and greater than expected returns on investments have contributed to an overall favourable impact and decrease in the liability.

**The core accounting statements comprise: -**

**Comprehensive Income and Expenditure Statement**

This statement reports the net cost for the year of all functions for which the Council is responsible, and demonstrates how that cost has been financed through income from taxpayers and general government grants. The income and expenditure is split by Council service. The surplus or deficit on this account represents the amount by which income is greater than, or less than expenditure.

The statement shows a deficit of £57.2m (£9.8m deficit 2020/21) on the provision of services for 2021/22. Of this, a deficit of £38.9m relates to General Fund balances and £1.0m relates to the Housing Revenue Account. Additional reserve movements, including earmarked and schools shows an overall drawdown of £17.2m.

To comply with statutory accounting requirements there are various items that are accounted for through the Comprehensive Income and Expenditure Statement such as depreciation, revaluation and impairment losses, and losses on disposal. These items are removed for the purposes of Council Tax setting as they are accounting items and do not affect the funding of services, as a result these items of expenditure are reversed out of the General Fund Balance in the Movement in Reserves Statement.

**Movement in Reserves Statement**

This statement reconciles the outturn on the Comprehensive Income and Expenditure Statement to the balance on the Council reserves, established by complying with relevant statutory provisions, showing the true economic cost of providing the Council's services. The statement splits the Council's reserves into usable and unusable balances, and shows movement to and from them during the year. Usable reserves are those that can be applied to fund expenditure or reduce local taxation. Unusable reserves are those balances over which the Council has no direct control, which arise from differences in accounting and statutory reporting requirements.

Usable reserves decreased by £9.4m from £163.1m in 2020/21 to £153.7m in 2021/22. Within this movement there was a decrease in General Fund balances of £1.8m and an increase in HRA balances of £0.1m. There was a decrease in Earmarked reserves (including schools' reserves) of £17.2m. The main allocation relates to grants received to support business rates relief which are due to be applied through the Collection Fund (see below) in future years.

Other movements included a drawdown of the Major Repairs Reserve of £5.7m and £10.1m being added to the Capital Receipts Reserve. There was also a £4.9m contribution to the Capital Grants Unapplied Reserve.

Unusable reserves increased from £783.7m in 2020/21 to £940.4m in 2021/22, mainly due to the decrease in the Pension Fund liability of £123.2m, reflected in the Pensions Fund increasing by the same amount, and movement in property values decreasing the Revaluation Reserve by £30.9m. There were decreases in the Capital Adjustment Account of £23.0m and the Collection Fund Adjustment Account of £23.1m, of which £19.2m was attributable to the reduction in Retail, Hospitality & Leisure Relief.

To support the Movement in Reserves Statement, note 4 to the accounts shows the Adjustments between Accounting Basis and Funding Basis under Regulations. This note reverses the items of income and expenditure that are required to be credited or charged to the Comprehensive Income and Expenditure Statement, that do not affect the General Fund balance for Council Tax purposes. Total adjustments for 2021/22 were £37.1m within the General Fund, adjusting the General Fund position for Council Tax purposes to a deficit of £1.8m.

**Balance Sheet**

This shows balances and reserves at the Council's disposal at year-end, together with its long-term indebtedness, net current assets employed in its operations and summarised information on non-current assets held. It excludes funds held in trust for others and Pension Fund assets that are reported in the separate Pension Fund accounts.

The total net worth of the Council in 2021/22 was £1,094.1m (£946.9m in 2020/21). The largest items within the Balance Sheet consist of long-term assets valued at £2,036.1m, net pension liabilities of £616.2m and long-term borrowing of £259.1m. The main contributors to the movement came from the reduction in pension liabilities, and the increase in value of Plant Property and Equipment.

The Council maintains reserve balances to meet the cost of unforeseen demands or events and as a result keeps a minimum level of balances. As at 31 March 2022 the Council has £26.7m General Fund balances and £49.8m Earmarked Reserves (excluding schools' balances) held for specific purposes. Further details on Earmarked Reserves can be seen in note 5 to the accounts.

**Cash Flow Statement**

This summarises all movements in cash and cash equivalents arising from both revenue and capital transactions with third parties. It excludes funds held in trust for others and the Pension Fund.

There was a decrease in cash and cash equivalents in 2021/22 of £8.0m.

**Supplementary accounting statements comprise:**

**Housing Revenue Account (HRA) Comprehensive Income and Expenditure Statement**

There is a statutory duty to account separately for Local Authority housing provision. The HRA Income and Expenditure Statement shows in detail the income and expenditure on HRA services included in the Council Comprehensive Income and Expenditure Statement. It includes the major elements of Council housing revenue expenditure on maintenance; administration; capital financing costs, and major income sources such as rents.

There was a surplus in 2021/22 on HRA services of £1.3m (£24.2m surplus in 2020/21).

**Statement of Movement on the Housing Revenue Account Balance**

This shows how the HRA Income and Expenditure Statement surplus or deficit for the year reconciles to the movement on the Housing Revenue Account balance for the year. It shows income and expenditure that is credited or charged to the HRA balance by statute or non-statutory practices, to reconcile the amounts charged to Housing tenants. For example, revaluation gains and losses on Council dwellings and gains/losses on disposal of asset are reversed.

Overall, the HRA surplus was £0.2m in 2021/22, after adjustments made in the Statement of Movement on the HRA Balance and transfers to the Major Repairs Reserve (deficit of £1.9m in 2020/21).

**Collection Fund Revenue Account**

The Collection Fund is a separate account into which amounts raised from local taxation are paid through Council Tax and Business Rates, and from which payments are made to precepting authorities including the Council itself. An in-year surplus of £0.6m is reported on Council Tax with a carried forward deficit of £3.5m.

An in-year surplus of £73.0m is reported on Business Rates, increasing the deficit on the bought forward balance on NNDR to £39.2m.

The share of Collection Fund activity relating to the Council is reflected in the main Statement of Accounts, with the remainder being treated as agency activity on behalf of the Greater London Authority and Central Government. 77% of Council Tax and 30% of Business Rates activity relates to the London Borough of Hillingdon.

**Pension Fund Accounts**

These show contributions to the Council's Pension Fund for members during the year, together with pensions and other benefits paid from it, movements in investments during the year and the financial position of the Fund at the end of the year. These accounts do not include any liabilities relating to payment of pensions and benefits in future years. The activity of the Pension Fund is not incorporated within the Council's core accounting statements.

# Narrative Report

**This document also includes the following: -**

**Notes to the Accounts**

The notes provide further explanation of figures contained in the core and supplementary accounting statements. The notes to the accounts include the Expenditure Funding Analysis, which precedes the core financial statements of this document to help the flow of information.

**Statement of Accounting Policies**

The accounts are produced in line with a set of policies and principles and can only be understood fully with awareness of these accounting policies.

**Annual Governance Statement**

This statement is a report from the Leader of the Council and Chief Executive setting out the: systems; processes; culture, and values by which the Council is directed and controlled, and its activities through which it accounts to, engages with, and leads the community. The framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate cost-effective services.

**Glossary of Terms**

The glossary provides a definition of key terms used to aid understanding the accounting statements.

# Statement of Responsibilities for the Statement of Accounts

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 this Council that officer is the Corporate Director of Finance:
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

**Corporate Director of Finance Responsibilities**

The Corporate 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 2020/21 ('the Code').

In preparing this statement of accounts the Corporate 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 Corporate Director of Finance has also:

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

**Corporate Director of Finance Approval of Accounts**

I certify that these accounts present a true and fair view of the financial position of the London Borough of Hillingdon, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in United Kingdom ('the Code'), as at 31 March 2022 and its income and expenditure for the year then ended.

**Andy Evans**
**Corporate Director of Finance**
**27 September 2023**

**Audit Committee Certificate for the Approval of the Accounts**
I confirm that these accounts were considered and approved by the Audit Committee at the meeting held on 8th August 2023.

Signed on behalf of London Borough of Hillingdon
AUDIT COMMITTEE
27 September 2023

# Independent Auditor's Report

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

### Opinion

We have audited the financial statements of London Borough of Hillingdon ('the Authority') for the year ended 31 March 2022 under the Local Audit and Accountability Act 2014 (as amended). The financial statements comprise the Comprehensive Income and Expenditure Statement, Balance Sheet, Movement in Reserves Statement, Movement in Unusable Reserves, Cash Flow Statement, Statement of Accounting Policies, Restatement of 2020/21 Comparatives, Expenditure and Funding Analysis, and the related Notes to Main Financial Statements 1 to 45, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, and the related notes 1 to 8, the Collection Fund Account and the related notes 1 to 3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

In our opinion the financial statements:

- give a true and fair view of the financial position of London Borough of Hillingdon as at 31 March 2022 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Corporate Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Corporate Director of Finance with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Authority's ability to continue as a going concern.

**Other information**

The other information comprises the information included in the Statement of Accounts for the year to 31 March 2022, other than the financial statements and our auditor's report thereon. The Corporate Director of Finance is responsible for the other information**.**

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

**Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)
- we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in these respects.

**Responsibility of the Corporate Director of Finance**

As explained more fully in the Statement of the Corporate Director of Finance Responsibilities set out on page 15, the Corporate Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Corporate Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporate Director of Finance is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or has no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant are:

- Local Government Act 1972,
- Local Government and Housing Act 1989 (England and Wales),
- Local Government Finance Act 1988,
- Education Act 2002 and School Standards and Framework Act 1998 (England),
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018, 2020, and 2022,
- Planning Act 2008 and the Community Infrastructure Levy Regulations 2010 (SI 2010/948),
- Business Rate Supplements Act 2009,
- The Local Government Finance Act 2012,
- The Local Audit and Accountability Act 2014 (as amended), and
- The Accounts and Audit Regulations 2015.

In addition, the Authority has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment legislation, tax legislation, general power of competence, procurement and health & safety.

We understood how London Borough of Hillingdon is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of Corporate Director of Finance, Interim Head of Internal Audit, Borough Solicitor and Monitoring Officer, and Chairman of the Audit Committee and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Authority's committee minutes and through the inspection of other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified management override of controls, inappropriate capitalisation of revenue expenditure and accounting adjustments made in the Movement in Reserves Statement to be our fraud risks.

To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately. We also tested other adjustments made in the preparation of the financial statements, assessed accounting estimates for evidence of management bias, evaluated the business rationale for significant unusual transactions, and tested related party transactions and disclosures.

To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Authority's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.

To address our fraud risk of accounting adjustments made in the Movement in Reserves Statement, we reviewed the adjustments made in the movements in reserves statement with reference to CIPFA guidance and checklists and consistency with other relevant areas of the accounts. We also reviewed the Authority's policy and application of the minimum revenue provision.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our review in accordance with the Code of Audit Practice 2020, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in December 2021, as to whether London Borough of Hillingdon had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether London Borough of Hillingdon put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, London Borough of Hillingdon had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

# Independent Auditor’s Report

**Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate until the NAO as group auditor has confirmed that no further assurances will be required from us as component auditors of London Borough of Hillingdon. We are satisfied that this work does not have a material effect on the financial statements or our work on value for money arrangements.

**Use of our report**

This report is made solely to the members of London Borough of Hillingdon, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Helen Thompson
Ernst + Young LLP

*Helen Thompson (Key Audit Partner)*
*Ernst & Young LLP (Local Auditor)*
*Southampton*
*28 September 2023*

**GOING CONCERN**

The Council is required to prepare an annual Statement of Accounts which summarises the Council's transactions for the 2021/22 financial year and its position as at the year-end of 31 March 2022. The Statement of Accounts must be prepared in accordance with proper accounting practices as per the Accounts and Audit Regulations 2015. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by periodic revaluation of certain categories of non-current assets and financial instruments.

The accounts are prepared on a going concern basis, assuming that the functions of the Council will continue in operational existence for the foreseeable future from the date that the accounts are approved.

The main factors that underpin this assessment and considered below include the Council's current financial position, projected medium-term forecast, and cashflow management process in the context of the ongoing impact of Covid-19 and inflation.

The narrative section 2.2. Financial performance contains detail of the Council's General Fund revenue budget outturn position. The Council maintained its record of operating within budget, reporting an underspend of £0.6m against planned expenditure budgets before transfers to reserves. The General Fund balance totalled £26.7m at year-end. Underspends across the Council were mainly driven by service areas forced to close due to the pandemic, all of which offset a number of pressures within the reported position. For context the Council's prudent minimum balance on the General Fund is £15 million.

The 2023/24 Consultation budget and five-year budget strategy was reported to Cabinet in December 2022. The budget strategy in this latest MTFF does not rely upon the use of General Balances to support service expenditure and therefore maintains general balances at £26.5m over the five-year MTFF period. The largest driver behind the Council's forecast increase in service expenditure is the exceptional inflation environment experienced locally, nationally and globally, with the Council's service expenditure forecast to increase by £21.9m in 2023/24 from inflationary uplifts. To mitigate this exceptional pressure, the Council has identified a significant saving programme for 2023/24, with the Council including savings initiatives totalling £20.8m. Furthermore, the strategy includes a £5.4m drawdown from Earmarked Reserves, with £1.5m of this being included in previous iterations of the MTFF to cover legacy pandemic related cost pressures to balance the Council's budget. The financial impact of the exceptional inflation, demographic pressures and the delivery on the savings programme will continue to be tracked and modelled through the Council's monthly budget monitoring reports to Cabinet and regular updates to the MTFF position.

The Council proactively manages its cashflow, maintaining a daily forecast of available funds and ensuring that liquid cash and deposits of at least £10m are available at all times. Together with the reprofiling of funding and payments to government, this has continued to ensure that Covid-19 and inflation pressures have been managed within the available cash envelope. This minimum level of liquid cash is held in a combination of UK banks, Money Market Funds and HM Treasury's Debt Management Account Operational Facility (DMADF), with additional deposits of around £15m held in Strategic and Long Dated Pooled Funds accessible within four working days.

The Council's cashflow forecasts project to maintain at least £10m in liquid cash and deposits at 31 March 2022 through to 31 March 2025. Liquid deposits are supplemented by the Council's ability to borrow short-term from other local authorities and ultimately borrowing from the Public Works Loans Board could be secured within five working days. The Council continues to retain significant borrowing headroom against the Capital Financing Requirement and would therefore have no operational or governance barriers to securing borrowing at short notice if required. The latest forecasting of capital financing requirements is that these are in line with budget projections and a strategy is in place to secure all required borrowing over the medium-term.

It is therefore noted that there is headroom within the General Fund to absorb the estimated financial impact of Covid-19 in the short to medium-term with the Council proactively managing its financial position to make provision for actual and potential risks as part of the MTFF and budget monitoring processes. Furthermore, the Code requires that local authorities prepare their accounts on a going concern basis, as they can only be discontinued under statutory prescription. For these reasons, the Council does not consider that there is material uncertainty in respect of its ability to continue as a going concern for the foreseeable future.

The going concern period of assessment is twelve months from the authorisation date of the financial statements.

# Statement of Accounting Policies

**CAPITAL**

**1. Property, Plant and Equipment**

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

**Recognition**

All expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis in the accounts, provided that the asset yields benefits to the Council for a period of more than one year and the cost of the item can be measured reliably. This excludes expenditure on routine repairs and maintenance of non-current assets that is charged directly to service revenue accounts when incurred.

**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.

The cost of assets acquired other than by purchase is deemed to be its fair value unless the acquisition will not increase the cash flows of the Council. In the latter case, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the balance sheet valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and guidance notes issued by the Royal Institution of Chartered Surveyors (RICS). Property, Plant and Equipment are included in the balance sheet on the following basis:

- Community assets and assets under construction are included in the balance sheet at historic cost less impairment.
- Dwellings are carried at fair value, determined using the basis of existing use value for social housing.
- Surplus assets are measured at fair value, estimated at highest and best use from a market participant's perspective.
- All other asset classes are measured at fair value in its existing use. For land, buildings and assets which are not held for the purpose of generating cash flows, the fair value represents the amount that would be paid for the asset in its existing use. Where there is no market-based evidence of fair value due to the specialised nature of the asset, the asset is valued at its depreciated replacement cost.
- Plant and machinery forming an integral part of the property is included in the valuation of the buildings. Other plant, machinery, vehicles and mobile units have been given a value on the basis of historical costs as a proxy for current value.

Assets included in the Balance Sheet at fair value are re-valued regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum, assets are valued every five years. Increases in valuations are 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 revaluation loss previously charged to a service).
Where decreases in value are identified, the revaluation loss is accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains) with any excess written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

- 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 in the Comprehensive Income and Expenditure Statement.

# Statement of Accounting Policies

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

A de minimis value of £10k has been set for capital purchases. This limit also applies to valuations. De minimis expenditure is charged to revenue but, where permissible and appropriate, it is financed as though it were capital expenditure.

The Council only includes maintained schools in its asset register and only where it owns or controls the assets; this includes foundation schools. Academies are external to local authorities and are not included. The Council does not own or control Voluntary Aided school assets as they are owned by the Diocese or Church of England and the value of these assets are not included in the Council's Balance Sheet.

The equity investment in the 100% wholly owned subsidiary of Hillingdon First Limited is classified as capital expenditure.

**Impairment / Revaluation Loss**

An impairment review of all assets is undertaken at the end of each financial year. Losses arising from an impairment or revaluation loss are written off against any revaluation gain attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account in the Comprehensive Income and Expenditure Statement.

Where a revaluation loss is reversed subsequently, the reversal is credited to the relevant service line 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 in the accounts in accordance with the International Accounting Standard (IAS) 16 and CIPFA guidelines. IAS 16 states that depreciation is to be provided on all Plant, Property and Equipment, other than for assets without a determinable finite useful life (i.e. freehold land, certain Community Assets and certain heritage assets) and assets that are not yet available for use (i.e. Assets Under Construction). The depreciation policy is that depreciation is calculated on a straight-line method and is based on the following useful lives approach unless specific information exists for an asset:

| | |
|---|---|
| Infrastructure | 40 years |
| Vehicles, Plant, Furniture & Equipment | 3 to 30 years |
| Council Dwellings | Depreciated on straight line basis over maximum useful life up to 60 years |
| Other Land & Buildings | Useful life varies depending on the condition, type and usage of the asset, up to 60 years for buildings and infinite life for Land. |
| Surplus Assets | Useful life varies depending on the condition, type and usage of the asset |
| IT Equipment and Intangible Assets | 5 to 7 years |

Where an item of Property, Plant and Equipment has major components with useful lives different to the main asset, and the cost of that component is material (20% or £1m), the asset is split into component parts and depreciated separately. Where component assets are replaced, the carrying value of the asset is reviewed with an estimate made on the carrying amount of the old component being replaced to be written out.

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.

Depreciation is charged annually and is charged in full in the year of disposal and not in the year of acquisition. Assets under construction do not incur depreciation until they are complete. Depreciation is not charged on assets classified as held for sale.

**Disposals**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction expected within the following year, rather than through its continuing use, it is reclassified as an Asset Held for Sale. There must be a management decision that the asset will be sold and it must be actively marketed. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell.

Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the net loss on disposal of non-current assets line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed or decommissioned, any loss or profit on disposal is recognised on the face of the Comprehensive Income and Expenditure Statement. 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 £10k are categorised as capital receipts. A proportion of receipts relating to housing disposals are payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund or Housing Revenue Account Balance in the Movement in Reserves Statement.

The flexibility over the use of capital receipts generated in the year in which they were received will be taken as per statutory guidance from the Department for Levelling Up, Housing and Communities to finance costs associated with service transformation.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Therefore, the loss or profit on sale is appropriated to the Capital Adjustment Account from the General Fund Balance via the Movement in Reserves Statement.

Council houses are sold at a discount in accordance with the legislative requirements. Some land and property may be sold at a discount or at nil value to housing associations in return for nomination rights (i.e. taking tenants from the Council's waiting list); other assets are sold at market value.

Commitments to make stock transfers are valued at estimated tenanted market value at the time the transfer is agreed, and an adjustment made to the non-current assets with any loss charged to the HRA Comprehensive Income and Expenditure Statement. An adjustment is made to non-current assets for any change to this valuation at the time of actual disposal.

Deferred credits on the Balance Sheet relate mainly to the sale of Council houses and reflect the amount of mortgage principal outstanding on sales, which will be transferred to capital receipts when paid.

Grants and contributions: Where grants and contributions are received that are identifiable for spend on Property, Plant and Equipment, the income is credited to the Comprehensive Income and Expenditure Statement under Taxation and Non-Specific Grant Income. These are then transferred to the Capital Grants Unapplied Reserve if not used and the Capital Adjustment Account when applied. If the grants have a condition for repayment and remain unapplied at the end of the year, they are held on the Balance Sheet as creditors.

**2. Heritage Assets**

The Council owns a number of heritage assets across the borough. The primary objective of holding these assets is for increasing the knowledge understanding and appreciation of the local history within the borough.

Where there is an open market, such assets will be valued at market value; assets with no marketable value will be held at replacement cost.

Where it is impossible to establish a value by either of these methods, the Council will consider other valuation methodologies such as insurable value; otherwise, the asset will be held at nil value but disclosed as a note to the accounts. Further details can be found in the Heritage assets note to the accounts.

Acquisitions of heritage assets can be made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at market value or other valuation methodology.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment.

**3. Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events, such as software licences, are only recognised on the Balance Sheet when they are purchased or where internally developed and the Council can demonstrate:

- The technical feasibility of completing the asset;
- Its intention and the availability of adequate resources to complete the asset;
- Its ability to use or sell the asset;
- How the asset will generate future economic benefits or deliver service benefits; and
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are included at historical cost and only re-valued in line with IAS 38, where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. Intangible assets are amortised over their useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the net loss on disposal of non-current assets line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

**4. Charges to Revenue for Non-Current Assets**

Service revenue accounts, support services and trading accounts are charged the following amounts to record the real cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Impairment losses on tangible non-current assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off; and
- Amortisation of intangible non-current assets attributable to the service.

The Council is not required to raise Council Tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by a revenue provision 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.

**5. Revenue Expenditure Funded from Capital under Statute**

Revenue Expenditure Funded from Capital under Statute represents expenditure that may properly be capitalised, but which does not result in the creation of a non-current asset, for example housing association grants, capital expenditure on non-maintained schools and housing improvement grants. Such expenditure is taken to service revenue in the year in which the expenditure is incurred. Where the Council has determined to meet the cost of this from existing capital resources or by borrowing, a transfer to the Capital Adjustment account reverses the amounts charged to the Comprehensive Income and Expenditure Statement via the Movement in Reserves Statement so there is no impact on the level of Council Tax.

During the period 1 April 2016 to 31 March 2022 the Council is allowed under Guidance published by DLUHC to flexible use of capital receipts on areas of revenue cost which generate ongoing savings to the Council. In the case where revenue spend is identified as meeting the criteria to use flexible capital receipts, the Council will meet the cost of the reform through capital receipts generated during the same financial year. Where the Council has determined to meet this cost from capital receipts a transfer to the Capital Adjustment Account reverses the amounts charged to the Comprehensive Income and Expenditure Statement via the Movement in Reserves Statement so there is no impact on the level of Council Tax.

**6. Investment Properties**

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are re-valued annually according to market conditions at year-end. Gains and losses on revaluation are posted to the Net 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.

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 £10k) the Capital Receipts Reserve.

**7. Leases**

Assets are acquired under finance leases when the risks and rewards relating to the asset transfer to the Council. 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 a 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 at the commencement of the lease at its fair value measured at the lease's inception (or 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 years 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.

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 provision is made from revenue towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore replaced by revenue provision 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 benefitting 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. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Net Loss on Disposal of non-current assets line in the Comprehensive Income and Expenditure Statement. A gain, representing the Council's net investment in the lease, is 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), matched by a lease asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received); and

- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Unapplied Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are paid, the element for the charge for the acquisition of the interest in the property is used to write down the lease asset. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

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 relevant service 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.

**9. Infrastructure Assets**

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

**Recognition**

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

**Measurement**

Highways infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost. Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

**Depreciation**

Sensitivity analysis was conducted to determine the appropriate useful life for all components of infrastructure assets on a weighted average basis, based on the minimum, midpoint and maximum useful lives as recommended by CIPFA and endorsed by the UK Roads Leadership Group Asset Management Board. It was concluded that 40 years is applicable. Annual depreciation is the depreciation amount allocated each year.

**REVENUE**

**10. 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 from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract

- 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.

- Expenses in relation to services received (including those rendered by the Council's officers) are recorded as expenditure when the services are received, rather than when payments are made.

- 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.

- 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 there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. Disclosures will be omitted if the information is not material.

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

- Where the authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the applicable exchange rate.

**11. 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 working hours. Cash equivalents are investments that are held in instant access accounts, readily convertible to known amounts of cash with insignificant risk of change in value. Amounts held in fixed-term deposits not accessible within 24 working hours are not classified as cash equivalents, but as short-term investments. Any accrued interest will be treated in the same manner as the principal investment except for long-term investments with remaining terms in excess of 365 days; in these cases, accrued interest will be shown as short-term investments.

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

**12. Changes in Accounting Policies and Estimates and Errors**

Changes in accounting policies are only made when required by proper accounting practices when the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

**13. Employee Benefits**

**Benefits Payable during Employment**

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave, paid sick leave, other leave and non-monetary benefits, where material, are recognised as an expense in the year in which employees render service to the Council. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. Any accrual made is required under statute to be 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 Account when the Council is demonstrably committed to either terminating the employment of an officer or group of officers.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the Pension Fund or pensioner in year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pension Reserve to remove the notional debits and credits for termination benefits related to pensions enhancements 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.

**Post-Employment Benefits**

The Council participates in four defined benefit pension schemes-

- The Teachers’ Pension Scheme;
- The NHS Pension Scheme;
- The London Borough of Hillingdon Pension Fund of the Local Government Pension Scheme (LGPS), administered locally by the Council; and
- The London Pension Fund Authority Pension Fund of the LGPS, which is a closed arrangement for former employees administered by the London Pension Fund Authority.

The accounts fully conform to the International Accounting Standard 19 (IAS 19) relating to Pension Fund liabilities. Both the Comprehensive Income and Expenditure Statement and the Balance Sheet reflect the effects of these requirements.

Teachers’ Pension Scheme

- The Teachers’ Pension Scheme is unfunded and administered on behalf of the Department of Education (DfE) by Capita. The pension cost charged to the accounts is the contribution rate set by the DfE on the basis of a notional fund. The arrangements for the teachers' scheme mean that the liabilities for the benefits cannot be identified specifically to the Council. As such the scheme is accounted for as if it was a defined contribution scheme and no liability for future payment has been recognised in the Council's Balance Sheet. The Schools Budget line in the Council's Comprehensive Income and Expenditure Statement is charged with the employers’ contributions made into this scheme.

NHS Pensions Scheme

- The NHS Pension Scheme is unfunded and is administered by NHS Business Services Authority. The arrangements for the NHS scheme mean that liabilities for the benefits cannot be identified specifically to the Council. These schemes are therefore accounted for as if they are a defined contribution scheme and no liability for future payments of benefits is recognised in the Council's Balance Sheet. The relevant service line in Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the NHS Pension Scheme in the year.

The Local Government Pension Scheme

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

- Liabilities are discounted to their value at current prices.

- The Pension Fund assets attributable to the Council is included in the Balance Sheet at fair value:

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

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

    - Service cost comprising:

        - Current service cost – the increase in liabilities as 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/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate Operating Budgets.

        - Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council - the change during the period in the net defined benefit liability (asset) that arises from the passage of time – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period - taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

    - Remeasurements comprising:

        - The return on assets – excluding amounts included in net interest on the net defined benefit liability (asset) the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – debited to the Pensions Reserve as Other Comprehensive Income and Expenditure.

        - 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 as Other Comprehensive Income and Expenditure.

    - Contributions paid to pension funds – cash paid as employer's contribution 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 Pension 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 year-end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are 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 for 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.

**14. Long Term Contracts**

The Council has entered into a number of long-term contracts that have commitments beyond the period of account. These are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year. Material future fixed commitments are outlined in a note to the accounts.

**15. Private Finance Initiative (PFI) Contract**

The Council has one PFI contract which relates to an Academy school. The asset is not recognised on the Council's Balance Sheet as it is leased out to the Academy under a finance lease. The PFI liability continues to be recognised in the Council's accounts.

The amounts payable to the PFI operators each year are analysed into three 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.
- 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 a finance lease)

**16. Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants, 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 Account until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

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 Grant Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grant Unapplied reserve are then transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Grant recognition will be considered and accounted for in accordance with the provisions of IFRS 15 and whether the Council is acting as a 'Principal or Agent'.

**Community Infrastructure Levy**

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area. CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure.

**17. Inventories and Work in Progress**

Inventories held by the Council are de-minimis and from 2020/21 are expensed through the Comprehensive Income & Expenditure Statement.

**18. Schools**

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore, schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council. The non-current assets of Voluntary Aided schools owned by faith organisations are found not to be controlled by the Council and as such the assets are not held within the Council's balance sheet under Property, Plant and Equipment.

**19. Fair Value**

Fair value measurement is defined by IFRS13 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This definition is applied to all fair value measurement for non-operational property, plant and equipment, investment property as well as for financial instruments. Operational property, plant and equipment continue to be valued in line with its existing use. Fair value assumes the transaction to sell the asset takes place in the principle market for the asset or liability or in the absence of the principle market in the most advantageous market. When measuring non-operational property, plant and equipment, the fair value at highest and best use is adopted. Valuation techniques maximise known data and minimise the use of estimates or unknowns. This takes into account three levels of valuation inputs:

- Level 1 - Quoted prices
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 - Unobservable inputs for the asset or liability

**20. Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Council a possible obligation the existence of which 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.

**21. 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.

### 22. Provisions and Reserves

The Council is required to set aside money to cover future known or anticipated liabilities and each reserve or provision should be clearly identifiable as to its purpose and usage.

#### Provisions

Provisions are established for any liabilities of uncertain timing or amount that have been incurred. Provisions are recognised when: -

- There is a present obligation (legal or constructive) as a result of a past event;
- It is probable that a cost will have to be met to settle the obligation; and
- A reliable estimate of the cost can be made.

Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When a payment for expenditure against a provision is made, the expenditure is charged directly to that provision. All provisions are reviewed each year.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

#### Impairment Allowance

No provision is made for debts that are secured except in exceptional circumstances. Of all remaining debts, and excluding financial instruments where an expected credit loss model is applied, the Council makes an impairment allowance based upon continuous reviews of likely recovery undertaken by service managers and supporting finance staff.

#### Reserves

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Council.

In-year deficits relating to Dedicated Schools' Grant with be transferred to the Dedicated Schools Grant Adjustment Account through adjustments between funding and accounting under regulations.

### 23. Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL)
- fair value through other comprehensive income (FVOCI)

#### Amortised Cost

Where the Council's business model is to hold investments to collect contractual cash flows these are classified as amortised cost. Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the agreement.

The Council recognises expected credit losses on all its financial assets held at amortised cost, either on a 12-month or lifetime basis. Lifetime losses using the simplified approach are recognised for trade receivables held by the Council. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

**Fair Value through Profit or Loss (FVPL)**

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels shown described in item 18 Fair Values.

The Council has applied the statutory override to its long term strategic pooled fund holdings and any movements in the fair value will be reversed through the MIRS into an unusable reserve.

As the equity investment in Hillingdon First Limited is classified as capital expenditure any change in fair value will be adjusted through the MIRS into the Capital Adjustment Account.

**Fair Value through Other Comprehensive Income (FVOCI)**

Financial assets that are measured at FVOCI are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Gains or losses arising from a change in the fair value will be reflected in the carrying amount of the instrument and updated in the Financial Instrument Revaluation Reserve.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement with any accrued fair value change being released from the Financial Instrument Revaluation Reserve.

Financial guarantees entered into before 1 April 2006 are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

Financial assets and liabilities are set-off against each other where the Council has a legally enforceable right to set-off and it intends either to settle on a net basis or realise the asset and settle the liability simultaneously.

**24. Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the authority 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.

- Amortised Cost - contains all of an authority's financial liabilities that are not 'held for trading' or derivatives.

The liability is maintained in the Balance Sheet at amortised cost. Initial measurement will be at fair value, normally the amount of the originating transaction, less transaction costs where material. The effective interest rate is then calculated, 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. Annual charges to the Comprehensive Income and Expenditure Statement are made for interest payable and are based upon the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The amount presented in the Balance Sheet for most borrowings is the outstanding principal payable plus any accrued interest.

**25. Redemption of Debt**

The Council sets aside resources each year for the repayment of historical debt. Debt held by the Council is distinguishable into three types of loans:

**(a) Maturity loans -** where the principal is repaid in full on the date the loan matures and interest is paid every 6 months. The accrued interest is shown as part of the carrying value of the loan on the Balance Sheet.
**(b) Equal Instalment of Principal (EIP) Loans -** where an equal instalment of principal based on the life of the loan is repaid every six months. Interest is paid every six months based on the outstanding balance. The accrued interest is shown as part of the carrying value of the loan on the Balance Sheet.
**(c) LOBO (lender's option, borrower's option) loans -** where the principal is borrowed at a fixed rate of interest for a specified period of time, after which the lender has the option to change the rate of interest and the borrower has the option to continue with the loan at the new rate or repay the principal before maturity without penalty. If the lender does not change the rate, the principal is repaid in full on the date the loan matures. In the interim, interest payments are made every six months. The accrued interest is shown as part of the carrying value of the loan on the Balance Sheet.

Gains and losses on the repurchase or early settlement of borrowing are credited or debited to the Net Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is calculated by discounting the revised contractual cash flows with the original effective interest rate. This is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/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.

**26. Minimum Revenue Provision**

Where the Council finances its capital programme through borrowing it must set aside resources annually through a Minimum Revenue Provision (MRP). This is within the revenue budget to repay the debt in later years. MRP will generally be charged over the useful life of the assets, beginning in the year after the asset becomes operational. In all cases the Council will consider the most prudent method of providing for debt repayment. The HRA makes a form of MRP to pay down its self-financing settlement debt over the 30-year business cycle on which the settlement is based as a provision for repayment of debt.

**27. 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). The key features relevant to accounting for Collection Fund activity in the core financial statements are:

- In its capacity as a billing authority the Council acts as agent; it collects and distributes income on behalf of the major preceptors and itself.

- While the income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released and transferred to the General Fund of the billing authority or paid out of the Collection Fund to major preceptors.

As the collection of Council Tax and NNDR income is in substance an agency arrangement, cash collected by the billing authority from Council Tax debtors belongs proportionately to the billing authority and the major preceptors as do the risks. There will therefore be a debtor/creditor position between the billing authority and each major preceptor to be recognised since the net cash paid to each major preceptor in the year will not be its share of the cash collected from Council Taxpayers and local Business Ratepayers.

The Council Tax and NNDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the Council's share of accrued income for the year. However, regulations determine the amount of Council Tax and NNDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

**28. VAT**

Income and Expenditure excludes any amounts relating to VAT, as all VAT collected is payable to HM Revenue & Customs. VAT is included in the Income and Expenditure statement whether of a capital or revenue nature only to the extent that it is irrecoverable.

**29. Events after the Reporting Period**

Events after the reporting period 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. 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;

- 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.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

**30. Exceptional Items and Prior Year Adjustments**

Exceptional items are included in the cost of the service to which they relate or on the face of the Income and Expenditure Statement if required to give a fair presentation of the accounts.

Account is taken of material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors by restating the comparative figures for the preceding period. The cumulative effect of prior period adjustments is included within the Comprehensive Income and Expenditure Statement for the current period.

**31. Assumptions Made About 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 the assumptions and estimates.

The items in the Council's Balance Sheet as at 31 March 2022 for which there is significant risks of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|---|---|---|
| Property, Plant and Equipment | Assets are depreciated over useful lives that are dependent on assumptions about the levels of repairs and maintenance that will be incurred in relation to individual assets.<br><br>Assets are subject to a 5-year rolling valuation and assumptions are made by the specialist valuer regarding market indicators and other data available | If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge would increase by £2.2m for every year that useful lives had reduced.<br><br>A fall in value of the Council's Property, Plant and Equipment would impact on the net worth of the Council, however, would not impact on the Council's |

| | | |
|---|---|---|
| | to assess an asset's value. Assets of high value are valued annually to reduce this risk.<br><br>Investment properties are required to be measured at fair value, reflecting market conditions at the end of the reporting period. As with operational and surplus property valuations, investment property valuations are being impacted by current market uncertainty created by the Covid-19 pandemic.<br><br>The carrying amount of Property, Plant and Equipment at 31st March 2022 is £1.872bn | usable balances. Fluctuations in the value of assets will not correlate with normal market conditions; however, a 1% movement in asset values would move the Council's balance sheet position by £20m.<br><br>The main area of risk would be the Council's Investment Properties which have a total value of £3.9m and represent a small proportion of the total fixed assets value. |
| 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 IAS19 balance sheet is based on financial market values and future market expectation indicators as at 31 March 2022 to comply with the accounting standard. The financial markets at the accounting date will have taken into account COVID19 risks and opportunities as one of many national and worldwide economic considerations.<br><br>Net assets of the fund available to fund benefits at the end of 31st March 2022 are £1.266bn | The assumptions interact in complex ways. The actuaries review the assumptions triennially and changes are adjusted for in the accounts. Sensitivity analysis is represented in note 45 to the accounts. Any impact on the liabilities relating to COVID-19 will be reflected within the regular triennial valuation and the effect will be absorbed into the 20-year long-term funding strategy. |

**32. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted**

The Code of Practice requires that the Council discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2022 for 2021/22). Disclosure requirements are expected to be included in a subsequent edition of the Code. Changes in the 2022/23 Code of practice that will be introduced in future versions of the accounts include :–

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

The Council does not expect these changes to have a material impact upon the financial statements.

The implementation of IFRS 16 relating to Leasing has been deferred until 1 April 2024.

# Main Financial Statement

The various financial statements that follow are prepared on an accruals basis and follow best practice recommended by the Chartered Institute of Public Finance & Accountancy (CIPFA) and International Financial Reporting Standards (IFRS) as defined by the Code of Practice on Local Authority Accounting in the United Kingdom. Further details of these requirements are detailed in the Statement of Accounting Policies.

These statements are published in accordance with the Accounts and Audit Regulations 2015. They summarise the overall financial position of the Council and in particular include the following:

**Restatement of 2020/21 Published Accounts**
This note provides an overview of changes to the Financial Statements from the published Statement of Account in 2020/21 as a result of changes in reporting requirements. This statement reconciles the position reported to management and that reported in the CIES.

**Expenditure and Funding Analysis**
This note shows how council funding has been used in providing services in comparison to those resources consumed or earned by authorities in accordance with generally accepted accounting practices.

**Comprehensive Income and Expenditure Statement**
The first of the core financial statements. This shows the expenditure and the income relating to all the services provided by the Council and how the net cost of these services has been financed by local taxpayers and government grants.

**Balance Sheet**
This sets out the assets and liabilities of the Council as at 31 March 2022 but excludes the assets and liabilities of pension and trust funds.

**Movement in Reserves Statement**
This statement sets out the reserves held by the Council, split into usable and unusable reserves, and shows how they have moved during the year.

**Cash Flow Statement**
This consolidated statement summarises the inflows and outflows of cash and cash equivalents arising from transactions with third parties for revenue and capital purposes. The statement excludes any transactions of the pension and trust funds.

**Notes to the Main Financial Statements**
A selection of notes provided to support the information in the main financial statements with additional detail of movement breakdown and analysis.

# Restatement of 2020/21 Comparatives

The Expenditure and Funding Analysis (EFA), aims to demonstrate to council tax and rent payers how the funding available to the Council for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's portfolios and other service departments.

Since the production of the 2020/21 Statement of Accounts the Council now reports the Statement of Accounts through Cabinet member portfolios instead of directorates. As such, the statement below shows the movement of funding used to provide services relating to the General Fund, from the originally published 2020/21 Statement of Accounts to the portfolios.

The reported outturn position to Cabinet in 2021 is reflected in the table below alongside the restatement required to align the comparator cost of service to the management structure as at 31 March 2022, for the opening EFA position. The EFA then shows how these figures feed through to the Comprehensive Income and Expenditure Statement.

## Restatement of 2020/21 Published

| Council Structure as per 2020/21 Statement of Accounts | Published EFA - Total Net Expenditure Charged to GF & HRA Balances £'000 | Restated as per Council Structures 31 March 22 £'000 | Restated EFA - Charged to GF & HRA Balance Total Net Expenditure £'000 |
|---|---|---|---|
| Corporate Budgets | 2,861 | Corporate Budgets & Funding | 2,861 |
| Finance | 19,981 | Finance | 20,023 |
| Social Care | 111,803 | Health & Social Care | 101,072 |
| | | Families, Education & Wellbeing | 32,548 |
| Environment, Education and Community Services | 38,315 | Environment, Housing & Regeneration. | 37,230 |
| Infrastructure, Building Services and Transport | 52,668 | Property & Infrastructure | 9,347 |
| | | Public Safety & Transport | 13,308 |
| Corporate Services | 21,650 | Corporate Services & Transformation | 30,889 |
| **Total General Fund** | **247,278** | **Total General Fund** | **247,278** |
| School Budget | 8,354 | School Budget | 8,354 |
| HRA | (30,172) | HRA | (30,172) |
| **Total Other Funds** | **(21,818)** | **Total Other Funds** | **(21,818)** |
| **Net Cost of Services** | **225,460** | **Net Cost of Services** | **225,460** |

# Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, Council Tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

| 2021/22 | Total Net Expenditure Charged to GF & HRA Balances | Adjustments between the Funding & Accounting Basis (Note 1A) | Earmarked Reserve Adjustments (Note 5) | Adjustments between Funding & Other Income and Expenditure on the Provision of Services (Note 1B) | Net Expenditure in Comprehensive Income and Expenditure Statement |
|---|---|---|---|---|---|
| **General Fund** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| Corporate Budgets | (246,012) | (31,439) | 16,715 | 283,319 | 22,583 |
| Finance | 17,841 | 3,466 | 1,223 | 194 | 22,724 |
| Health and Social Care | 144,483 | 10,289 | (8) | (39,617) | 115,147 |
| Families, Education and Wellbeing | 16,504 | 19,430 | 872 | (227) | 36,579 |
| Environment, Housing & Regeneration | 31,762 | 7,073 | (672) | 0 | 38,163 |
| Property & Infrastructure | 6,945 | 3,864 | (338) | 0 | 10,471 |
| Public Safety and Transport | 4,505 | 10,783 | (76) | (206) | 15,006 |
| Corporate Services and Transformation | 25,777 | 8,939 | (14) | 0 | 34,702 |
| **Total General Fund** | **1,805** | **32,405** | **17,702** | **243,463** | **295,375** |
| **Other Funds** | | | | | |
| Schools Budget | (692) | 2,226 | 0 | (31) | 1,503 |
| Housing Revenue Account | (150) | 14,177 | 224 | (6,637) | 7,615 |
| **Total Other Funds** | **(842)** | **16,403** | **224** | **(6,668)** | **9,118** |
| **Net Cost of Services** | **963** | **48,808** | **17,926** | **236,795** | **304,493** |
| Other Income and Expenditure on the Provision of Services | 0 | (10,508) | | (236,795) | (247,305) |
| **(Surplus)/Deficit on Provision of Services** | **963** | **38,300** | **17,926** | **0** | **57,188** |

| **Movement in Balances 2021/22** | **£'000** |
|---|---|
| Opening General Fund and HRA Balance | 125,238 |
| General Fund Declared Deficit | (1,805) |
| HRA Surplus | 150 |
| Schools Reserve Movements | 692 |
| Other Earmarked Reserve Movements | (17,926) |
| **Closing General Fund and HRA Balance at 31 March 2022** | **106,349** |

# Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, Council Tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

| 2020/21 | Total Net Expenditure Charged to GF & HRA Balances (Restated*) | Adjustments between the Funding & Accounting Basis (Note 1A) (Restated*) | Earmarked Reserve Adjustments (Note 5) (Restated*) | Adjustments between Funding & Other Income and Expenditure to the Provision of Services (Note 1B) (Restated*) | Net Expenditure in Comprehensive Income and Expenditure Statement (Restated*) |
|---|---|---|---|---|---|
| **General Fund** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| Corporate Budgets | (245,451) | 21,447 | (22,873) | 249,738 | 2,861 |
| Finance | 16,713 | 2,210 | 1,100 | 0 | 20,023 |
| Health and Social Care | 136,959 | 4,567 | (2,440) | (38,014) | 101,072 |
| Families, Education and Wellbeing | 19,918 | 13,554 | (597) | (327) | 32,548 |
| Environment, Housing & Regeneration | 35,124 | 4,428 | (2,322) | 0 | 37,230 |
| Property & Infrastructure | 7,424 | 2,177 | (254) | 0 | 9,347 |
| Public Safety and Transport | 7,670 | 5,438 | 406 | (206) | 13,308 |
| Corporate Services and Transformation | 27,366 | 2,848 | 675 | 0 | 30,889 |
| **Total General Fund** | **5,723** | **56,669** | **(26,305)** | **211,191** | **247,278** |
| **Other Funds** | | | | | |
| Schools Budget | (3,813) | 12,196 | 0 | (29) | 8,354 |
| Housing Revenue Account | 1,874 | (25,060) | (224) | (6,762) | (30,172) |
| **Total Other Funds** | **(1,939)** | **(12,864)** | **(224)** | **(6,791)** | **(21,818)** |
| **Net Cost of Services** | **3,784** | **43,805** | **(26,529)** | **204,400** | **225,460** |
| Other Income and Expenditure on the Provision of Services | 0 | (11,220) | 0 | (204,400) | (215,620) |
| **(Surplus)/Deficit on Provision of Services** | **3,784** | **32,585** | **(26,529)** | **0** | **9,840** |

| **Movement in Balances 2020/21** | **£'000** |
|---|---|
| Opening General Fund and HRA Balance | 87,491 |
| General Fund Declared Deficit | (5,723) |
| HRA Deficit | (1,874) |
| Schools Reserve Movements | 3,813 |
| Other Earmarked Reserve Movements | 26,529 |
| Transfer to Dedicated Schools Grant Adjustment Account | 15,002 |
| **Closing General Fund and HRA Balance at 31 March 2021** | **125,238** |

*Restatement due to portfolio realignment – see 'Restatement of 2020/21 comparatives' for the realignment of categories from the 20/21 published accounts (page 35)

# Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation or rents. Councils raise taxation and rents to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

| | | 31 March 2022 | | | 31 March 2021 | | |
|---|---|---|---|---|---|---|---|
| | | Expenditure | Income | Net Expenditure | Expenditure (Restated*) | Income (Restated*) | Net Expenditure (Restated*) |
| | Note | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **EXPENDITURE ON SERVICES** | | | | | | | |
| Corporate Budgets | | 119,657 | (97,075) | 22,582 | 109,658 | (106,797) | 2,861 |
| Finance | | 25,685 | (2,960) | 22,725 | 22,164 | (2,141) | 20,023 |
| Health and Social Care** | | 202,377 | (87,231) | 115,146 | 219,859 | (118,787) | 101,072 |
| Families, Education and Wellbeing | | 44,527 | (7,948) | 36,579 | 38,498 | (5,950) | 32,548 |
| Environment, Housing & Regeneration | | 58,848 | (20,685) | 38,163 | 56,942 | (19,712) | 37,230 |
| Property & Infrastructure | | 13,686 | (3,214) | 10,472 | 12,408 | (3,061) | 9,347 |
| Public Safety and Transport | | 29,342 | (14,335) | 15,007 | 22,727 | (9,419) | 13,308 |
| Corporate Services and Transformation | | 41,763 | (7,061) | 34,702 | 34,621 | (3,732) | 30,889 |
| Schools Budget | | 206,307 | (204,805) | 1,502 | 191,446 | (183,092) | 8,354 |
| Housing Revenue Account | | 72,019 | (64,403) | 7,616 | 33,506 | (63,678) | (30,172) |
| **NET COST OF SERVICES** | | 814,211 | (509,717) | **304,494** | 741,829 | (516,369) | **225,460** |
| Other Operating Expenditure | *6* | 1,993 | 0 | 1,993 | 1,984 | 0 | 1,984 |
| Net loss/(gain) on disposal of non-current assets | | 0 | (6,136) | (6,136) | 0 | (6,768) | (6,768) |
| Net Financing and Investment Income and Expenditure | *7* | 24,261 | (608) | 23,653 | 20,994 | (2,891) | 18,103 |
| Taxation and Non-Specific Grant Income | *8* | 0 | (266,816) | (266,816) | 0 | (228,939) | (228,939) |
| **Other Income and Expenditure on the Provision of Services** | | 26,254 | (273,560) | **(247,306)** | 22,978 | (238,598) | **(215,620)** |
| **(SURPLUS)/DEFICIT ON PROVISION OF SERVICES** | | **840,465** | **(783,277)** | **57,188** | **764,807** | **(754,967)** | **9,840** |
| (Surplus)/Deficit on revaluation of Property, Plant and Equipment assets | | | | (41,336) | | | (57,293) |
| Actuarial (gain)/loss on pension assets and liabilities | *43* | | | (163,105) | | | 202,196 |
| **TOTAL COMPREHENSIVE INCOME AND EXPENDITURE** | | | | **(147,253)** | | | **154,743** |

*Restatement due to portfolio realignment – see 'Restatement of 2020/21 comparatives' for the realignment of categories from the 20/21 published accounts (page 35)

**2021/22 reported income and expenditure under Health and Social Care in CIES excludes £41,657k from the total £106,454k Better Care Fund (BCF) pooled funding arrangement with North West London Clinical Commissioning Group and includes only the £64,797k income and expenditure within the BCF that is under the control of the local authority. In 2020/21 the reported income and expenditure under Health and Social Care within the CIES above includes total BCF pooled funding of £103,457k including £40,935k under the control of Hillingdon CCG. However the prior year CIES has not been restated to reduce income and expenditure by £40,935k because after consideration of materiality under IAS8 it is considered that economic decisions of users of the accounts will not be influenced by its inclusion in 2020/21 as it is older information, and users with particular interest in the Better Care Fund should refer to Note 29 which contains total funding information split between both BCF partners for both years. The different accounting treatments for BCF has a net nil impact on Surplus/Deficit on Provision of Services in both years.

# Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories:

The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and requirement to maintain any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt).

The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'adjustments between accounting basis and funding basis under regulations'.

| | Note | 31 March 2022 £'000 | 31 March 2021 £'000 |
|---|---|---|---|
| Property, Plant & Equipment | *9* | 1,818,816 | 1,793,376 |
| Infrastructure Assets | *9* | 185,091 | 181,923 |
| Heritage Assets | *9* | 5,598 | 5,629 |
| Intangible Assets | *9* | 1,587 | 2,006 |
| Investment Properties | *9* | 3,959 | 4,929 |
| Long Term Investments | *14* | 19,123 | 19,220 |
| Long Term Debtors | *17* | 1,922 | 1,205 |
| **LONG TERM ASSETS** | | **2,036,096** | **2,008,288** |
| Short Term Debtors | *15* | 121,760 | 159,698 |
| Short Term Investments | *14* | 35,462 | 8,132 |
| Cash and Cash Equivalents | *20* | 47,792 | 55,789 |
| Assets Held for Sale | *9* | 33 | 40 |
| **CURRENT ASSETS** | | **205,047** | **223,659** |
| Short Term Provisions | *21* | (5,803) | (6,832) |
| Short Term Borrowing | *14* | (89,322) | (51,938) |
| Short Term Creditors | *18* | (144,626) | (195,447) |
| **CURRENT LIABILITIES** | | **(239,751)** | **(254,217)** |
| Long Term Provisions | *21* | (1,611) | (1,234) |
| Deferred Credits | | (2) | (2) |
| Long Term Borrowing | *14* | (259,143) | (267,259) |
| Long Term Creditors | *19* | (3,926) | (3,808) |
| Capital Grant Receipts in Advance | *34* | (26,303) | (18,868) |
| Deferred Liabilities | *36* | (102) | (318) |
| Net Liabilities Related to Defined Benefit Pension Schemes | *44* | (616,201) | (739,389) |
| **LONG TERM LIABILITIES** | | **(907,288)** | **(1,030,878)** |
| **NET ASSETS** | | **1,094,104** | **946,852** |
| Usable Reserves | | 153,678 | 163,143 |
| Unusable Reserves | *22* | 940,426 | 783,709 |
| **TOTAL RESERVES** | | **1,094,104** | **946,852** |

Andy Evans
Corporate Director of Finance
27 September 2023

# Movement in Reserves Statement

This statement shows the detail of the movement from the start of the year to the end of the year on the different reserves held by the Council. These reserves are analysed into ‘Usable Reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'Unusable Reserves'. The statement shows how the movements to the reserves in year are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council Tax (or rents) for the year. The Increase/(Decrease) line shows the net movement to the statutory General Fund Balance and Housing Revenue Account Balances in the year.

As at 31 March 2020 the Council held a negative Dedicated Schools Grant balance of £15.0m within the Earmarked Reserves. In November 2020 a statutory instrument came into effect amending the Local Authority (Capital Finance and Accounting) Regulations (2003 Regulations) by establishing new accounting practices in relation to the treatment of local authorities’ schools budget deficits. This relates to deficits in local authority accounts for 1st April 2020, 2021 and 2022. The Council must now not charge the deficit to a revenue account but instead record any such deficit in an account established solely for recording schools’ deficits. The new account is the Dedicated Schools Grant Adjustment Account and sits within Unusable Reserves. The new practice has the effect of splitting schools budget deficits from the General Fund into a new dedicated ring-fenced reserve for a period of three years.

# Movement in Reserves Statement

| | Note | General Fund Balance £'000 | Earmarked Reserves £'000 | Housing Revenue Account £'000 | Major Repairs Reserve £'000 | Capital Grants Unapplied Reserve £'000 | Capital Receipts Reserve £'000 | Total Usable Reserves £'000 |
|---|---|---|---|---|---|---|---|---|
| **Balance at 31 March 2021** | | **28,517** | **81,520** | **15,201** | **12,784** | **4,613** | **20,508** | **163,143** |
| Total Comprehensive Income & Expenditure | | (38,927) | (17,234) | (1,027) | 0 | 0 | 0 | **(57,188)** |
| Adjustments between accounting basis & funding basis under regulations | *4* | 37,122 | 0 | 1,177 | (5,669) | 4,924 | 10,170 | **47,724** |
| Increase/(Decrease) in Year | | **(1,805)** | **(17,234)** | **150** | **(5,669)** | **4,924** | **10,170** | **(9,464)** |
| **Balance at 31 March 2022** | | **26,712** | **64,286** | **15,351** | **7,115** | **9,537** | **30,678** | **153,679** |

| | Note | General Fund Balance £'000 | Earmarked Reserves £'000 | Housing Revenue Account £'000 | Major Repairs Reserve £'000 | Capital Grants Unapplied Reserve £'000 | Capital Receipts Reserve £'000 | Total Usable Reserves £'000 |
|---|---|---|---|---|---|---|---|---|
| **Balance at 31 March 2020** | | **34,240** | **36,176** | **17,075** | **15,228** | **3,358** | **23,260** | **129,337** |
| Reporting of Schools | | **0** | **15,002** | **0** | **0** | **0** | **0** | **15,002** |
| **April 2020** | | **34,240** | **51,178** | **17,075** | **15,228** | **3,358** | **23,260** | **144,339** |
| Total Comprehensive Income & Expenditure | | (64,340) | 30,342 | 24,158 | 0 | 0 | 0 | **(9,840)** |
| Adjustments between accounting basis & funding basis under regulations | *4* | 58,617 | 0 | (26,032) | (2,444) | 1,255 | (2,752) | **28,644** |
| Increase/(Decrease) in Year | | **(5,723)** | **30,342** | **(1,874)** | **(2,444)** | **1,255** | **(2,752)** | **18,804** |
| **Balance at 31 March 2021** | | **28,517** | **81,520** | **15,201** | **12,784** | **4,613** | **20,508** | **163,143** |

# Movement in Unusable Reserves Statement

This statement shows the detail of the movement from the start of the year to the end of the year on the Unusable Reserves held by the Council breaking down the total figure for these reserves which are represented on the Movement in Reserves note overleaf. The statement shows how the movements to the reserves in year are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year.

| | Note | Revaluation Reserve £'000 | Capital Adjustment Account £'000 | Financial Instruments Adjustment Account £'000 | Pensions Reserve £'000 | Collection Fund Adjustment Account £'000 | Accumulated Absences Account £'000 | Dedicated Schools Grant Adjustment Account £'000 | Pooled Investment Fund Adjustment Account £'000 | Total Unusable Reserves £'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 31 March 2021** | | **561,035** | **1,033,231** | **(258)** | **(739,389)** | **(37,244)** | **(8,591)** | **(25,385)** | **310** | **783,709** |
| Total Comprehensive Income & Expenditure | | 41,336 | 0 | 0 | 163,105 | 0 | 0 | 0 | 0 | **204,441** |
| Adjustments between accounting basis & funding basis under regulations | *4* | (10,475) | (23,046) | 29 | (39,917) | 23,119 | 1,458 | 1,864 | (756) | **(47,724)** |
| Increase/(Decrease) in Year | | **30,861** | **(23,046)** | **29** | **123,188** | **23,119** | **1,458** | **1,864** | **(756)** | **156,717** |
| **Balance at 31 March 2022** | | **591,896** | **1,010,185** | **(229)** | **(616,201)** | **(14,125)** | **(7,133)** | **(23,521)** | **(446)** | **940,426** |

| | Note | Revaluation Reserve £'000 | Capital Adjustment Account £'000 | Financial Instruments Adjustment Account £'000 | Pensions Reserve £'000 | Collection Fund Adjustment Account £'000 | Accumulated Absences Account £'000 | Dedicated Schools Grant Adjustment Account £'000 | Pooled Investment Fund Adjustment Account £'000 | Total Unusable Reserves £'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 31 March 2020** | | **510,085** | **988,715** | **(286)** | **(517,966)** | **(1,677)** | **(5,265)** | **0** | **(1,348)** | **972,258** |
| Reporting of Schools Budget Deficit to new adjustment account 1 April 2020 | | **0** | **0** | **0** | **0** | **0** | **0** | **(15,002)** | **0** | **(15,002)** |
| **Restated Balance as at 1 April 2020** | | **510,085** | **988,715** | **(286)** | **(517,966)** | **(1,677)** | **(5,265)** | **(15,002)** | **(1,348)** | **957,256** |
| Total Comprehensive Income & Expenditure | | 57,293 | 0 | 0 | (202,196) | 0 | 0 | 0 | 0 | **(144,903)** |
| Adjustments between accounting basis & funding basis under regulations | *4* | (6,343) | 44,516 | 28 | (19,227) | (35,567) | (3,326) | (10,383) | 1,658 | **(28,644)** |
| Increase/(Decrease) in Year | | **50,950** | **44,516** | **28** | **(221,423)** | **(35,567)** | **(3,326)** | **(10,383)** | **1,658** | **(173,547)** |
| **Balance at 31 March 2021** | | **561,035** | **1,033,231** | **(258)** | **(739,389)** | **(37,244)** | **(8,591)** | **(25,385)** | **310** | **783,709** |

# Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are 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.

| | Note | 2021/22 £'000 | 2020/21 £'000 |
|---|---|---|---|
| Net deficit on the provision of services | *23* | 57,189 | 9,840 |
| Adjust net (surplus) on the provision of services for non cash movements | *23* | (117,952) | (84,001) |
| Adjust for items in the net deficit on the provision of services that are investing or financing activities | *23* | 84,810 | (58,369) |
| Net cash flows from operating activities | *23* | 24,047 | (132,530) |
| Net cash flows from investing activities | *24* | 58,274 | 41,083 |
| Net cash flows from financing activities | *25* | (74,324) | 65,690 |
| **(Increase)/Decrease in cash and cash equivalents** | | **7,997** | **(25,757)** |
| **Cash and cash equivalents at the beginning of the reporting period** | | **(55,789)** | **(30,032)** |
| **Cash and cash equivalents at the end of the reporting period** | | **(47,792)** | **(55,789)** |

### 1A. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

This note gives a summary of the adjustments allocated as 'Total Adjustments Between Funding & Accounting Basis' within the EFA which are required to adjust the General Fund and HRA management outturn reported to Cabinet to arrive at the Comprehensive Income and Expenditure Statement; recognised in accordance with proper accounting practices. Further information on these items can be found in note 4 to the accounts for Adjustments between Accounting Basis & Funding Basis Under Regulations which feed into the Movement in Reserves statement to align with the statutory amounts charged to the council taxpayer.

Adjustments from the management reported General Fund and HRA Balances to arrive at the Comprehensive Income and Expenditure Statement amounts within Adjustments between Funding & Accounting Basis are analysed below.

| 2021/22 | Adjustments for Capital Purposes (1) | Net Change for the Pensions Adjustment (2) | Other Differences (3) | Total Adjustments between Funding & Accounting Basis |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Corporate Budgets | (6,466) | (1,822) | (23,151) | (31,439) |
| Finance | 1,103 | 2,445 | (82) | 3,466 |
| Health and Social Care | 719 | 8,048 | 1,522 | 10,289 |
| Families, Education and Wellbeing | 15,648 | 2,826 | 956 | 19,430 |
| Environment, Housing & Regeneration | 2,411 | 4,771 | (109) | 7,073 |
| Property & Infrastructure | 2,339 | 618 | 907 | 3,864 |
| Public Safety and Transport | 8,840 | 1,832 | 111 | 10,783 |
| Corporate Services and Transformation | 1,847 | 4,048 | 3,044 | 8,939 |
| Schools Budget | 0 | 670 | 1,556 | 2,226 |
| Housing Revenue Account | 17,131 | 1,469 | (4,423) | 14,177 |
| **Net Cost of Services** | **43,572** | **24,905** | **(19,669)** | **48,808** |
| Other Income & Expenditure on the Provision of Services from the Expenditure and Funding Analysis | (27,717) | 15,982 | 1,227 | **(10,508)** |
| **Difference between General Fund surplus or deficit and CIES (Surplus) or Deficit on the Provision of Services** | **15,855** | **40,887** | **(18,442)** | **38,300** |

| 2020/21 | Adjustments for Capital Purposes (Restated*) (1) | Net Change for the Pensions Adjustment (Restated*) (2) | Other Differences (Restated*) (3) | Total Adjustments between Funding & Accounting Basis (Restated) |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Corporate Budgets | (14,427) | 380 | 35,494 | 21,447 |
| Finance | 1,390 | 656 | 164 | 2,210 |
| Health and Social Care | 169 | 2,133 | 2,265 | 4,567 |
| Families, Education and Wellbeing | 8,567 | 810 | 4,177 | 13,554 |
| Environment, Housing & Regeneration | 3,258 | 1,036 | 134 | 4,428 |
| Property & Infrastructure | 1,276 | 147 | 754 | 2,177 |
| Public Safety and Transport | 4,900 | 410 | 128 | 5,438 |
| Corporate Services and Transformation | 1,455 | 1,115 | 278 | 2,848 |
| Schools Budget | 0 | 160 | 12,036 | 12,196 |
| Housing Revenue Account | (16,378) | 394 | (9,076) | (25,060) |
| **Net Cost of Services** | **(9,790)** | **7,241** | **46,354** | **43,805** |
| Other Income & Expenditure on the Provision of Services from the Expenditure and Funding Analysis | (22,887) | 12,583 | (916) | **(11,220)** |
| **Difference between General Fund surplus or deficit and CIES (Surplus) or Deficit on the Provision of Services** | **(32,677)** | **19,824** | **45,438** | **32,585** |

*Restatement due to portfolio realignment – see 'Restatement of 2020/21 comparatives' for the realignment of categories from the 20/21 published accounts (page 35)

# Notes to the Main Financial Statements

**(1) Adjustments for Capital Purposes**

**Net Cost of Services**
This column adds depreciation, impairment and revaluation gains and losses in the services line

**Other Income and Expenditure on the Provision of Services**
Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from Other Income and Expenditure on the Provision of Services as these are not chargeable under generally accepted accounting practices.

Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

**(2) Net Change for the Pensions Adjustments**

**Net Cost of Services**
Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income.

The removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.

**Other Income and Expenditure on the Provision of Services**
Financing and investment income and expenditure - the net interest on the defined benefit liability which is charged to the CIES.

**(3) Other Differences**

**Net Cost of Services**
Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute.

**Other Income and Expenditure on the Provision of Services**
Financing and investment income and expenditure - the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

Taxation and non-specific grant income and expenditure - represents the difference between what is chargeable under statutory regulations for council tax and non-domestic rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

### 1B. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

This note gives a summary of the adjustments allocated as "Adjustments Between Funding and Other Income and Expenditure" within the EFA which are required to adjust the General Fund and HRA management outturn reported to Cabinet to arrive at the Comprehensive Income and Expenditure statement. These adjustments remove items included within service lines of the Council's management presentation which relate to non-service items and reported under "Other Income and Expenditure on the Provision of Service" below the cost of service provision within the Comprehensive Income and Expenditure Statement. These items can be found within notes 6, 7 and 8.

Transfers include costs and income allocated between the service lines and also within items reported to management; transfers between General Fund and Earmarked Reserves.

Adjustments to General Fund and HRA net cost of services reported to management to Other Income and Expenditure on the Provision of Services in the Comprehensive Income and Expenditure Statement are analysed below.

| 2021/22 | Precepts and Levies | Interest Payable | Interest Receivable | Taxation & Non Specific Grant Income (excl. Capital) | Transfers | Total Adjustments |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Corporate Budgets | (822) | (2,453) | 652 | 245,039 | 40,903 | 283,319 |
| Finance | 0 | 0 | 0 | 194 | 0 | 194 |
| Health and Social Care | 0 | 0 | 7 | 0 | (39,624) | (39,617) |
| Families, Education and Wellbeing | 0 | (227) | 0 | 0 | 0 | (227) |
| Environment, Housing & Regeneration | 0 | 0 | 0 | 0 | 0 | 0 |
| Property & Infrastructure | 0 | 0 | 0 | 0 | 0 | 0 |
| Public Safety and Transport | 0 | 0 | 0 | 0 | (206) | (206) |
| Corporate Services and Transformation | 0 | 0 | 0 | 0 | 0 | 0 |
| Schools Budget | 0 | 0 | 0 | 0 | (31) | (31) |
| Housing Revenue Account | 0 | (5,600) | 5 | 0 | (1,042) | (6,637) |
| **Net Cost of Services** | **(822)** | **(8,280)** | **664** | **245,233** | **0** | **236,795** |

| 2020/21 | Precepts and Levies (Restated*) | Interest Payable (Restated*) | Interest Receivable (Restated*) | Taxation & Non Specific Grant Income (excl. Capital) (Restated*) | Transfers (Restated*) | Total Adjustments (Restated*) |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Corporate Budgets | (813) | (2,298) | 780 | 212,819 | 39,250 | 249,738 |
| Finance | 0 | 0 | 0 | 0 | 0 | 0 |
| Health and Social Care | 0 | 0 | 15 | 0 | (38,029) | (38,014) |
| Families, Education and Wellbeing | 0 | (327) | 0 | 0 | 0 | (327) |
| Environment, Housing & Regeneration | 0 | 0 | 0 | 0 | 0 | 0 |
| Property & Infrastructure | 0 | 0 | 0 | 0 | 0 | 0 |
| Public Safety and Transport | 0 | 0 | 0 | 0 | (206) | (206) |
| Corporate Services and Transformation | 0 | 0 | 0 | 0 | 0 | 0 |
| Schools Budget | 0 | 0 | 0 | 0 | (29) | (29) |
| Housing Revenue Account | 0 | (5,785) | 9 | 0 | (986) | (6,762) |
| **Net Cost of Services** | **(813)** | **(8,410)** | **804** | **212,819** | **0** | **204,400** |

*Restatement due to portfolio realignment – see 'Restatement of 2020/21 comparatives' for the realignment of categories from the 20/21 published accounts (page 35)

### 2. SEGMENTAL INCOME AND EXPENDITURE

This note shows the Income and Expenditure received and paid on a segmental basis for material items reported in the Total Net Expenditure Charged to General Fund & HRA Balances within the Expenditure and Funding Analysis.

| Segmental Income & Expenditure 2021/22 | Fees charges and other service income | Interest Receivable | Depreciation | Interest Payable |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Corporate Budgets | 818 | (652) | 0 | 2,453 |
| Finance | (1,948) | 0 | 0 | 0 |
| Health and Social Care | (13,616) | (7) | 0 | 0 |
| lies, Education and Wellbeing | (1,839) | 0 | 0 | 227 |
| Environment, Housing & | (14,450) | 0 | 0 | 0 |
| Property & Infrastructure | (3,214) | 0 | 0 | 0 |
| Public Safety and Transport | (12,273) | 0 | 0 | 0 |
| Corporate Services and Transformation | (1,110) | 0 | 0 | 0 |
| Schools Budget | (15,576) | 0 | 0 | 0 |
| Housing Revenue Account | (64,331) | (5) | 12,208 | 5,600 |
| **Net Cost of Services** | **(127,539)** | **(664)** | **12,208** | **8,280** |

| Segmental Income & Expenditure 2020/21 | Fees charges and other service income (Restated*) | Interest Receivable (Restated*) | Depreciation (Restated*) | Interest Payable (Restated*) |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Corporate Budgets | 247 | (780) | 0 | 2,298 |
| Finance | (451) | 0 | 0 | 0 |
| Health and Social Care | (11,420) | (15) | 0 | 0 |
| Families, Education and Wellbeing | (1,017) | 0 | 0 | 327 |
| Environment, Housing & | (14,161) | 0 | 0 | 0 |
| Property & Infrastructure | (3,072) | 0 | 0 | 0 |
| Public Safety and Transport | (8,551) | 0 | 0 | 0 |
| Corporate Services and | (885) | 0 | 0 | 0 |
| Schools Budget | (5,145) | 0 | 0 | 0 |
| Housing Revenue Account | (63,678) | (9) | 11,046 | 5,785 |
| **Net Cost of Services** | **(108,133)** | **(804)** | **11,046** | **8,410** |

*Restatement due to portfolio realignment – see 'Restatement of 2020/21 comparatives' for the realignment of categories from the 20/21 published accounts (page 35)

### 3. EXPENDITURE AND INCOME ANALYSED BY NATURE

The Council's expenditure and income is analysed as follows:

| | 2021/22 | 2020/21 |
|---|---|---|
| **Expenditure** | **£'000** | **£'000** |
| Employee benefits expenses | 228,198 | 213,373 |
| Employee benefits of Voluntary Aided & Foundation Schools* | 42,343 | 40,854 |
| Other services expenses | 466,243 | 457,239 |
| Support service recharges | 5,162 | 4,842 |
| Depreciation, amortisation, impairment | 72,265 | 25,522 |
| Interest payments | 23,291 | 20,396 |
| Precepts and levies | 822 | 813 |
| Payments to Housing Capital Receipts Pool | 1,171 | 1,171 |
| Strategic Pooled Fund Fair Value Adjustment | 0 | 0 |
| Change in the Fair Value of Investment Properties | 970 | 597 |
| **Total Expenditure** | **840,465** | **764,807** |
| **Income** | | |
| Fees, charges and other service income | (127,539) | (108,133) |
| Interest and investment income | (664) | (804) |
| Income from Council Tax and Non Domestic Rates | (165,971) | (137,874) |
| Government grants and contributions | (483,023) | (499,301) |
| Strategic Pooled Fund Fair Value Adjustment | 756 | (1,658) |
| Hillingdon First Ltd Fair Value Adjustment | (700) | (429) |
| Gain on the disposal of assets | (6,136) | (6,768) |
| **Total Income** | **(783,277)** | **(754,967)** |
| **(Surplus)/Deficit on the Provision of Services** | **57,188** | **9,840** |

*Employee benefits of Voluntary Aided & Foundation schools - Voluntary aided and foundation school employees are not the employees of the Council but are incorporated into the single entity financial statements of the Council. The costs of employee benefits of voluntary aided and foundation schools have therefore been separately identified.

### 4. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

**General Fund Balance**

The General Fund is the statutory fund into which all the receipts of an authority are required to paid and out of which all liabilities of an authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. The balance is not available to be applied to fund HRA services which is ring fenced.

**Housing Revenue Account Balance**

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority Council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

**Major Repairs Reserve**

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

**Capital Receipts Reserve**

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

**Capital Grants Unapplied**

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

# Notes to the Main Financial Statements

## ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS 2021/22

| 2021/22 | General Fund Balance £'000 | Housing Revenue Account £'000 | Major Repairs Reserve £'000 | Capital Grants Unapplied Reserve £'000 | Capital Receipts Reserve £'000 | Usable Reserves £'000 | Revaluation Reserve £'000 | Capital Adjustment Account £'000 | Financial Instruments Adjustment Account £'000 | Pensions Reserve £'000 | Collection Fund Adjustment Account £'000 | Dedicated Schools Grant Adjustment Account £'000 | Accumulated Absences Account £'000 | Pooled Investment Fund Adjustment Account £'000 | Unusable Reserves £'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Amortisation of intangible assets | (420) | | | | | **(420)** | | 420 | | | | | | | **420** |
| Depreciation of non current assets | (24,002) | | (12,208) | | | **(36,210)** | 6,178 | 30,032 | | | | | | | **36,210** |
| Revaluation and impairment of non current assets | (8,703) | (26,931) | | | | **(35,634)** | | 35,634 | | | | | | | **35,634** |
| Statutory provision for the financing of capital investment (MRP & VRP) and HRA debt provision* | 6,467 | 9,799 | | | | **16,266** | | (12,266) | | | | (4,000) | | | **(16,266)** |
| Revenue expenditure funded from capital under statute (REFCUS) | (7,300) | 123 | | | | **(7,177)** | | 7,177 | | | | | | | **7,177** |
| Capital grants and contributions | 17,393 | 4,188 | | (4,924) | | **16,657** | | (16,657) | | | | | | | **(16,657)** |
| Repayment of prior year loan to HFL | | | | | (6,771) | **(6,771)** | | 6,771 | | | | | | | **6,771** |
| Capital expenditure charged in year to balances | 129 | | 22,123 | | | **22,252** | | (22,252) | | | | | | | **(22,252)** |
| Use of Capital Receipts Reserve to finance new capital expenditure | | | | | 13,281 | **13,281** | | (13,281) | | | | | | | **(13,281)** |
| Amounts written off on disposal of non current assets | (3,559) | 9,696 | | | (17,851) | **(11,714)** | 4,297 | 7,417 | | | | | | | **11,714** |
| Finance Lease Principal | 219 | | | | | **219** | | (219) | | | | | | | **(219)** |
| Gain/Loss Investment Property | (970) | | | | | **(970)** | | 970 | | | | | | | **970** |
| Transfer from capital receipts reserve to meet payments to the housing capital receipts pool | (1,171) | | | | 1,171 | **0** | | | | | | | | | **0** |
| Premiums and discounts | 29 | | | | | **29** | | | (29) | | | | | | **(29)** |
| Strategic pooled fund fair value adjustment | (756) | | | | | **(756)** | | | | | | | | 756 | **756** |
| Hillingdon First Limited Fair Value Adjustment | 700 | | | | | **700** | | (700) | | | | | | | **(700)** |
| Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations | (65,242) | (4,087) | | | | **(69,329)** | | | | 69,329 | | | | | **69,329** |
| Employer's contributions payable to the pension fund and retirement | 27,676 | 1,736 | | | | **29,412** | | | | (29,412) | | | | | **(29,412)** |
| Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | 23,119 | | | | | **23,119** | | | | | (23,119) | | | | **(23,119)** |
| DSG | (2,136) | | | | | **(2,136)** | | | | | | 2,136 | | | **2,136** |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in | 1,405 | 53 | | | | **1,458** | | | | | | | (1,458) | | **(1,458)** |
| Transfer to Reserve for Capital projects | | 4,246 | (4,246) | | | **0** | | | | | | | | | **0** |
| **Total Adjustments** | **(37,122)** | **(1,177)** | **5,669** | **(4,924)** | **(10,170)** | **(47,724)** | **10,475** | **23,046** | **(29)** | **39,917** | **(23,119)** | **(1,864)** | **(1,458)** | **756** | **47,724** |

* In 2021/22 voluntary revenue provisions (VRP) made in previous years were used to allocate £4m to the DSG reserve to support the DSG recovery plan

## ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS 2020/21

| 2020/21 | General Fund Balance £'000 | Housing Revenue Account £'000 | Major Repairs Reserve £'000 | Capital Grants Unapplied Reserve £'000 | Capital Receipts Reserve £'000 | Usable Reserves £'000 | Revaluation Reserve £'000 | Capital Adjustment Account £'000 | Financial Instruments Adjustment Account £'000 | Pensions Reserve £'000 | Collection Fund Adjustment Account £'000 | Dedicated Schools Grant Adjustment Account £'000 | Accumulated Absences Account £'000 | Pooled Investment Fund Adjustment Account £'000 | Unusable Reserves £'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Amortisation of intangible assets | (419) | | | | | **(419)** | | 419 | | | | | | | **419** |
| Depreciation of non current assets | (23,200) | | (11,046) | | | **(34,246)** | 5,422 | 28,824 | | | | | | | **34,246** |
| Revaluation and impairment of non current assets | 2,380 | 6,763 | | | | **9,143** | | (9,143) | | | | | | | **(9,143)** |
| Statutory provision for the financing of capital investment (MRP & VRP) and HRA debt provision* | 14,427 | 9,615 | | | | **24,042** | | (24,042) | | | | | | | **(24,042)** |
| Revenue expenditure funded from capital under statute (REFCUS) | (7,609) | (71) | | | | **(7,680)** | | 7,680 | | | | | | | **7,680** |
| Capital grants and contributions applied | 14,951 | 1,168 | | (1,255) | | **14,864** | | (14,864) | | | | | | | **(14,864)** |
| Capital expenditure charged in year to balances | 1,335 | | 22,730 | | | **24,065** | | (24,065) | | | | | | | **(24,065)** |
| Use of Capital Receipts Reserve to finance new capital expenditure | | | | | 11,307 | **11,307** | | (11,307) | | | | | | | **(11,307)** |
| Amounts written off on disposal of non current assets | 6,315 | 453 | | | (9,726) | **(2,958)** | 921 | 2,037 | | | | | | | **2,958** |
| Finance Lease Principal | 223 | | | | | **223** | | (223) | | | | | | | **(223)** |
| Gain/Loss Investment Property | (597) | | | | | **(597)** | | 597 | | | | | | | **597** |
| Transfer from capital receipts reserve to meet payments to the housing capital receipts pool | (1,171) | | | | 1,171 | **0** | | | | | | | | | **0** |
| Premiums and discounts | 28 | 0 | | | | **28** | | | (28) | | | | | | **(28)** |
| Strategic pooled fund fair value adjustment | 1,658 | | | | | **1,658** | | | | | | | | (1,658) | **(1,658)** |
| Hillingdon First Limited Fair Value Adjustment | 429 | | | | | **429** | | -429 | | | | | | | **(429)** |
| Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations | (46,117) | (2,649) | | | | **(48,766)** | | | | 48,766 | | | | | **48,766** |
| Employer's contributions payable to the pension fund and retirement | 27,933 | 1,606 | | | | **29,539** | | | | (29,539) | | | | | **(29,539)** |
| Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | (35,567) | | | | | **(35,567)** | | | | | 35,567 | | | | **35,567** |
| DSG | (10,383) | | | | | **(10,383)** | | | | | | 10,383 | | | **10,383** |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (3,233) | (93) | | | | **(3,326)** | | | | | | | 3,326 | | **3,326** |
| Transfer to Reserve for Capital projects | | 9,240 | (9,240) | | | **0** | | | | | | | | | **0** |
| **Total Adjustments** | **(58,617)** | **26,032** | **2,444** | **(1,255)** | **2,752** | **(28,644)** | **6,343** | **(44,516)** | **(28)** | **19,227** | **35,567** | **10,383** | **3,326** | **(1,658)** | **28,644** |

*For 2020/21, in addition to the Minimum Revenue Provision (MRP) of £5,815k, a further Voluntary Revenue Provision (VRP) of £8,612k was allocated.

## 5. EARMARKED RESERVE TRANSFERS

| | 31 March 2020 £'000 | Transfers In 2020/21 £'000 | Transfers Out 2020/21 £'000 | 31 March 2021 £'000 | Transfers In 2021/22 £'000 | Transfers Out 2021/22 £'000 | 31 March 2022 £'000 |
|---|---|---|---|---|---|---|---|
| **Earmarked Reserves:** | | | | | | | |
| Grants Unapplied | **6,373** | 1,265 | (4,330) | **3,308** | 20,943 | (17,905) | **6,346** |
| Member Initiatives | **13,075** | 7,631 | (5,123) | **15,583** | 20 | (3,127) | **12,476** |
| Other Reserves | **8,427** | 9,659 | (5,543) | **12,543** | 13,751 | (10,282) | **16,012** |
| Business Rates Reserve | **1,979** | 29,558 | 0 | **31,537** | 13,616 | (32,499) | **12,654** |
| *Treasury Management Reserve | **7,470** | 0 | (7,470) | **0** | 0 | 0 | **0** |
| Barnhill PFI | **794** | 369 | (476) | **687** | 376 | (437) | **626** |
| Public Health Reserve | **2,356** | 1,282 | (317) | **3,321** | 597 | (2,517) | **1,401** |
| Parking Revenue Account / New Roads & Street Works Reserve | **690** | 0 | (200) | **490** | 0 | (238) | **252** |
| Housing Revenue Account | **0** | 224 | 0 | **224** | 0 | (224) | **0** |
| **Total Council Earmarked Reserves** | **41,164** | **49,988** | **(23,459)** | **67,693** | **49,303** | **(67,229)** | **49,767** |
| **Schools Reserves** | | | | | | | |
| Dedicated Schools Grant | **(15,002)** | 0 | 15,002 | **0** | 0 | 0 | **0** |
| Other Schools Reserves | **10,014** | 3,813 | 0 | **13,827** | 692 | 0 | **14,519** |
| **Total Schools Reserves** | **(4,988)** | **3,813** | **15,002** | **13,827** | **692** | **0** | **14,519** |
| **Total** | **36,176** | **53,801** | **(8,457)** | **81,520** | **49,995** | **(67,229)** | **64,286** |

### Grants Unapplied

Funds set aside from specific revenue grants to support future investment in services, which will be drawn down as required to support on-going projects. Balances at 31 March 2022 include monies in respect of the Homelessness and Brexit funding alongside a range of other smaller sums.

### Member Initiatives

Funds set aside to support delivery of specific local initiatives, including Hillingdon Improvement Programme, Highways maintenance and Leader's Initiatives amongst other balances. These monies are expected to be drawn down over the life of these initiatives.

### Other Reserves

Funds set aside to manage cyclical or irregular expenditure, including Housing Needs Initiatives, the Corporate Insurance Reserve, Elections Reserve and provision for costs of service transformation amongst other balances. Funds will be drawn down as required to fund specific costs.

### Business Rate Retention Reserve

Grant income received from Government to reimburse the Council for losses within the Collection Fund Adjustment Account relating to changes to Business Rates Reliefs. Under the current Business Rates Retention System, these grants are received in advance of deficits impacting upon the General Fund and therefore held in a separate reserve. Note that the significant decrease in the reserve balance reflects the utilisation of LBH share of retail relief granted after budgets were set for 2021/22 to finance an element of the corresponding deficit of £37,244k held in the Collection Fund Adjustment Account at 31st March 2021.

### Barnhill PFI

Funds held to cover costs occurring over the lifecycle for the PFI school Barnhill Academy.

### Public Health Reserve

A reserve required under statute to earmark any accounting under spend on Public Health activities transferred into the Council from the NHS from 1 April 2013. Monies set aside include funds to meet outstanding commitments and manage any risks associated with the service.

**Parking Revenue Account / New Roads & Street Works Reserve**

A statutory reserve earmarking monies primarily raised from on-street parking operations to support related investment in local infrastructure. Further details on these operations are set out in note 27.

**COVID -19**

In response to the COVID-19 pandemic, the Council has repurposed sums set aside within the above Earmarked Reserves to manage pandemic related costs not met from grant funding. At 31 March 2022, £6,868k (2020/21 £10,126k) monies from the Public Health Reserve and Other Earmarked Reserves are available to meet such expenses.

**Schools Reserve**

In November 2020 a statutory instrument came into effect amending the Local Authority (Capital Finance and Accounting) Regulations (2003 Regulations) by establishing new accounting practices in relation to the treatment of local authorities' schools budget deficits. To comply, at 31st March 2021 the negative DSG reserve was transferred to the Dedicated Schools Grant Adjustment Account.

The Council continues to work closely with the Department for Education (DfE) on developing a deficit recovery plan that will secure funding to eliminate the historic deficit and function on a sustainable basis going forward.

The remaining reserve relates to schools' specific reserves and although presented within earmarked reserves it is held separately from the Council's reserves.

**6. OTHER OPERATING EXPENDITURE**

| | 2021/22 £'000 | 2020/21 £'000 |
|---|---|---|
| Payments to Government Housing Capital Receipts Pool | 1,171 | 1,171 |
| Precepts and Levies | 822 | 813 |
| **Total** | **1,993** | **1,984** |

**7. NET FINANCING AND INVESTMENT INCOME AND EXPENDITURE**

| | 2021/22 £'000 | 2020/21 £'000 |
|---|---|---|
| Interest payable and similar charges | 8,280 | 8,410 |
| Interest receivable and similar income | (664) | (804) |
| Strategic pooled fund fair value adjustment | 756 | (1,658) |
| Hillingdon First Ltd fair value adjustment | (700) | (429) |
| Net interest on the net defined benefit liability | 15,011 | 11,986 |
| Changes in the fair value of investment properties | 970 | 597 |
| **Total** | **23,653** | **18,102** |

**8. TAXATION AND NON-SPECIFIC GRANT INCOME**

| | 2021/22 £'000 | 2020/21 £'000 |
|---|---|---|
| Council Tax Income | (124,624) | (117,836) |
| Non-Domestic Rates Income | (100,981) | (79,238) |
| Non-Domestic Rates Tariff payable to Central Government | 53,667 | 53,667 |
| Non-Domestic Rates Levy (receivable)/Payable to Central Government | 5,967 | 5,532 |
| Non-Ringfenced Government Grants | (79,264) | (74,945) |
| Capital Grants & Contributions | (21,581) | (16,119) |
| **Total** | **(266,816)** | **(228,939)** |

## 9. MOVEMENT OF NON-CURRENT ASSETS 2021/22

| | Council Dwellings £'000 | Other Land & Buildings £'000 | Vehicles, Plant & Equipment £'000 | Community Assets £'000 | Assets Under Construction £'000 | Surplus Assets £'000 | Sub Total Plant, Property & Equipment £'000 | Heritage Assets £'000 | Intangibles £'000 | Investment Properties £'000 | Assets Held for Sale £'000 | Total Non Current Assets £'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost or Valuation as at 1 April 2021** | **786,295** | **897,356** | **95,739** | **13,763** | **24,923** | **7,697** | **1,825,773** | **5,629** | **2,938** | **4,929** | **40** | **1,839,309** |
| Additions | 10,319 | 0 | 4,199 | 0 | 6,175 | 0 | **20,693** | 0 | 0 | 0 | 0 | **20,693** |
| Enhancements | 28,656 | 10,255 | 2,128 | 443 | (2,583) | 0 | **38,899** | 61 | 0 | 0 | 2 | **38,962** |
| Revaluation increases/(decreases) recognised in Revaluation Reserve | 13,110 | 14,000 | (733) | 0 | 694 | 643 | **27,714** | (92) | 0 | 0 | 0 | **27,622** |
| Revaluation increases/(decreases) recognised in Surplus/Deficit on Services | (28,273) | (9,948) | (294) | 0 | (694) | 0 | **(39,209)** | 0 | 0 | (970) | 0 | **(40,179)** |
| Derecognition - Disposals | (4,632) | (6,142) | 0 | 0 | 0 | 0 | **(10,774)** | 0 | 0 | 0 | (27) | **(10,801)** |
| Derecognition - Other | 0 | (1,003) | (2,549) | 0 | 0 | 0 | **(3,552)** | 0 | 0 | 0 | (13) | **(3,565)** |
| Assets reclassified within Property Plant and Equipment | (31) | 0 | 0 | 0 | 0 | 0 | **(31)** | 0 | 0 | 0 | 31 | **0** |
| Other Movements in Cost or Valuation | 5,949 | (388) | (29) | 514 | (6,007) | (1) | **38** | 0 | 0 | 0 | 0 | **38** |
| **Cost or Valuation as at 31 March 2022** | **811,393** | **904,130** | **98,461** | **14,720** | **22,508** | **8,339** | **1,859,551** | **5,598** | **2,938** | **3,959** | **33** | **1,872,079** |
| **Accumulated Depreciation & Impairment as at 1 April 2021** | **0** | **(9,387)** | **(22,507)** | **(460)** | **0** | **(43)** | **(32,397)** | **0** | **(932)** | **0** | **0** | **(33,329)** |
| Depreciation charge in 2021/22 | (11,403) | (9,602) | (7,216) | 0 | 0 | (20) | **(28,241)** | 0 | (419) | 0 | 0 | **(28,660)** |
| Depreciation written out to Revaluation Reserve | 9,253 | 3,285 | 1,136 | 0 | 0 | 57 | **13,731** | 0 | 0 | 0 | 0 | **13,731** |
| Depreciation written out to Surplus/Deficit on Services | 2,089 | 1,364 | 88 | 0 | 0 | 2 | **3,543** | 0 | 0 | 0 | 0 | **3,543** |
| Derecognition - Disposals | 60 | 23 | 0 | 0 | 0 | 0 | **83** | 0 | 0 | 0 | 1 | **84** |
| Derecognition - Other | 0 | 19 | 2,549 | 0 | 0 | 0 | **2,568** | 0 | 0 | 0 | 0 | **2,568** |
| Assets reclassified (to) & from Held for Sale & Investment Properties | 1 | 0 | 0 | 0 | 0 | 0 | **1** | 0 | 0 | 0 | (1) | **0** |
| Other movements in Depreciation and Impairment | 0 | 31 | 14 | (68) | 0 | 0 | **(23)** | 0 | 0 | 0 | 0 | **(23)** |
| **Accumulated Depreciation & Impairment as at 31 March 2022** | **0** | **(14,267)** | **(25,936)** | **(528)** | **0** | **(4)** | **(40,735)** | **0** | **(1,351)** | **0** | **0** | **(42,086)** |
| **Balance Sheet amount 1 April 2021** | **786,295** | **887,969** | **73,232** | **13,303** | **24,923** | **7,654** | **1,793,376** | **5,629** | **2,006** | **4,929** | **40** | **1,805,980** |
| **Balance Sheet amount 31 March 2022** | **811,393** | **889,863** | **72,525** | **14,192** | **22,508** | **8,335** | **1,818,816** | **5,598** | **1,587** | **3,959** | **33** | **1,829,993** |
| **Nature of asset holding** | | | | | | | | | | | | |
| Owned | 811,393 | 889,863 | 72,525 | 14,192 | 22,508 | 8,335 | **1,818,816** | 5,598 | 1,587 | 3,959 | 33 | **1,829,993** |
| Finance Lease | 0 | 0 | 0 | 0 | 0 | 0 | **0** | 0 | 0 | 0 | 0 | **0** |
| **Balance Sheet amount 31 March 2022** | **811,393** | **889,863** | **72,525** | **14,192** | **22,508** | **8,335** | **1,818,816** | **5,598** | **1,587** | **3,959** | **33** | **1,829,993** |

Under Other Land & Buildings, revaluation decreases in 2021/22 include the downward revaluation of Harlington Foundation School by £15,735k from the 2020/21 closing value of £38,906k, to reflect the reduced useful life of the existing school which will close following the opening of the new replacement school building in 2023/24. Additions to Assets Under Construction include £6,175k in respect of the Council and the school's contribution to the new school building. The project is being delivered by the Department for Education under the Priority Schools Building Programme Phase 2 and construction works started on site in 2021/22.

# Notes to the Main Financial Statements

## MOVEMENT OF NON-CURRENT ASSETS 2020/21

| | Council Dwellings £'000 | Other Land & Buildings £'000 | Vehicles, Plant & Equipment £'000 | Community Assets £'000 | Assets Under Construction £'000 | Surplus Assets £'000 | Sub Total Plant, Property & Equipment £'000 | Heritage Assets £'000 | Intangibles £'000 | Investment Properties £'000 | Assets Held for Sale £'000 | Total Non Current Assets £'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost or Valuation as at 1 April 2020** | **730,388** | **872,297** | **93,372** | **13,623** | **22,482** | **6,118** | **1,738,280** | **5,376** | **2,937** | **5,526** | **683** | **1,752,802** |
| Additions | 11,362 | 970 | 4,746 | 392 | 0 | 0 | **17,470** | 0 | 0 | 0 | 0 | **17,470** |
| Enhancements | 12,235 | 9,692 | 1,787 | 37 | 6,079 | 29 | **29,859** | 253 | 1 | 0 | 0 | **30,113** |
| Revaluation increases/(decreases) recognised in Revaluation Reserve | 29,387 | 11,268 | 44 | 35 | 0 | 248 | **40,982** | 0 | 0 | 0 | 0 | **40,982** |
| Revaluation increases/(decreases) recognised in Surplus/Deficit on Services | 4,950 | 1,164 | (1,564) | (324) | 0 | (22) | **4,204** | 0 | 0 | (597) | 0 | **3,607** |
| Derecognition - Disposals | (2,027) | (251) | 0 | 0 | 0 | 0 | **(2,278)** | 0 | 0 | 0 | (683) | **(2,961)** |
| Derecognition - Other | 0 | (27) | (2,646) | 0 | (31) | 0 | **(2,704)** | 0 | 0 | 0 | 0 | **(2,704)** |
| Assets reclassified within Property Plant and Equipment | 0 | (40) | 0 | 0 | 0 | 0 | **(40)** | 0 | 0 | 0 | 40 | **0** |
| Assets reclassified (to) & from Held for Sale & Investment Properties | 0 | 2,283 | 0 | 0 | (3,607) | 1,324 | **0** | 0 | 0 | 0 | 0 | **0** |
| **Cost or Valuation as at 31 March 2021** | **786,295** | **897,356** | **95,739** | **13,763** | **24,923** | **7,697** | **1,825,773** | **5,629** | **2,938** | **4,929** | **40** | **1,839,309** |
| | | | | | | | | | | | | |
| **Accumulated Depreciation & Impairment as at 1 April 2020** | **0** | **(9,459)** | **(19,663)** | **(460)** | **(20)** | **(59)** | **(29,661)** | **0** | **(513)** | **0** | **(54)** | **(30,228)** |
| Depreciation charge in 2020/21 | (10,398) | (9,486) | (6,704) | 0 | 0 | (19) | **(26,607)** | 0 | (419) | 0 | 0 | **(27,026)** |
| Depreciation written out to Revaluation Reserve | 8,302 | 7,339 | 636 | 0 | 0 | 33 | **16,310** | 0 | 0 | 0 | 0 | **16,310** |
| Depreciation written out to Surplus/Deficit on Services | 2,097 | 2,226 | 615 | 0 | 0 | 2 | **4,940** | 0 | 0 | 0 | 0 | **4,940** |
| Derecognition - Disposals | 0 | 9 | 0 | 0 | 0 | 0 | **9** | 0 | 0 | 0 | 54 | **63** |
| Derecognition - Other | 0 | 1 | 2,609 | 0 | 2 | 0 | **2,612** | 0 | 0 | 0 | 0 | **2,612** |
| Assets reclassified within Property Plant and Equipment | (1) | 1 | 0 | 0 | 0 | 0 | **0** | 0 | 0 | 0 | 0 | **0** |
| Assets reclassified (to) & from Held for Sale & Investment Properties | 0 | (18) | 0 | 0 | 18 | 0 | **0** | 0 | 0 | 0 | 0 | **0** |
| **Accumulated Depreciation & Impairment as at 31 March 2021** | **0** | **(9,387)** | **(22,507)** | **(460)** | **0** | **(43)** | **(32,397)** | **0** | **(932)** | **0** | **0** | **(33,329)** |
| | | | | | | | | | | | | |
| **Balance Sheet amount 1 April 2020** | **730,388** | **862,838** | **73,709** | **13,163** | **22,462** | **6,059** | **1,708,619** | **5,376** | **2,424** | **5,526** | **629** | **1,722,574** |
| **Balance Sheet amount 31 March 2021** | **786,295** | **887,969** | **73,232** | **13,303** | **24,923** | **7,654** | **1,793,376** | **5,629** | **2,006** | **4,929** | **40** | **1,805,980** |
| **Nature of asset holding** | | | | | | | | | | | | |
| Owned | 786,295 | 887,969 | 73,232 | 13,303 | 24,923 | 7,654 | **1,793,376** | 5,629 | 2,006 | 4,929 | 40 | **1,805,980** |
| Finance Lease | 0 | 0 | 0 | 0 | 0 | 0 | **0** | 0 | 0 | 0 | 0 | **0** |
| **Balance Sheet amount 31 March 2021** | **786,295** | **887,969** | **73,232** | **13,303** | **24,923** | **7,654** | **1,793,376** | **5,629** | **2,006** | **4,929** | **40** | **1,805,980** |

**INFRASTRUCTURE ASSETS**

| | 2021/22 £'000 | 2020/21 £'000 |
|---|---|---|
| **Net Book Value as at 1 April** | **181,923** | **179,711** |
| Enhancements | 11,140 | 9,850 |
| Revaluation increases/(decreases) recognised in Revaluation Reserve | (18) | 0 |
| Assets reclassified (to) & from Held for Sale & Investment Properties | 18 | 0 |
| Depreciation charge in 2021/22 | (7,972) | (7,638) |
| **Net Book Value as at 31 March** | **185,091** | **181,923** |

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

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

**10. REVALUATION LOSSES/GAINS RECOGNISED IN COMPREHENSIVE INCOME & EXPENDITURE STATEMENT**

The Council undertakes a rolling programme that ensures all of its Property, Plant and Equipment is carried at current value or fair value as prescribed in the Code of Practice and that every asset is valued at least every 5 years. During 2021/22, 27% of the Council's General Fund assets were valued by external independent valuers Wilks Head & Eve LLP as a result of the rolling programme, Investment Properties and high value assets being valued.

The Housing Stock was uplifted in value to reflect market conditions for all Council Dwellings by Jones Lang LaSalle Limited to reflect the value at 31 March 2022 through a desktop valuation process. Valuations are carried out in accordance with professional standards of the Royal Institution of Chartered Surveyors.

During 2021/22, the Council has recognised revaluation gains of £41,336k directly to the revaluation reserve. The Council also recognised valuation losses of £35,634k in the Surplus/Deficit on provision of services which was then reversed through the Movement in Reserves Statement to mitigate any impact on General Fund and Housing Revenue Account Balances.

**Fair Value Hierarchy**

Investment property and surplus properties are measured at fair value in accordance with IFRS13 Fair Value Measurement. In estimating the fair value, the valuation has taken into account the highest and best use of the assets estimating the price at which an orderly transaction to sell the asset would take place under current market conditions. IFRS13 also seeks to increase consistency and comparability within the valuation process and categorises valuations under a fair value hierarchy which considers methodology of the valuation using levels of observable and unobservable inputs. Property within the borough is actively purchased, sold or leased on the open market and there are a number of comparables. As such, the level of observable inputs is significant, leading to all properties being categorised as level 2 on the fair value hierarchy. There have been no changes in asset methodology which resulted in moving asset fair values between levels on the fair value hierarchy during the year.

**11. COMMITMENTS UNDER CAPITAL CONTRACTS**

As at March 2022, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment during 2021/22 and future years budgeted to cost £49,321k.

| Scheme | 31 March 2022 £'000 | 31 March 2021 £'000 |
|---|---|---|
| Schools Expansions Programme | 640 | 6,354 |
| New Vehicles | 561 | 0 |
| Housing | 10,995 | 15,707 |
| New West Drayton Leisure Centre | 32,647 | 68 |
| Other Capital Projects | 4,478 | 4,672 |
| **Total** | **49,321** | **26,801** |

**12. HERITAGE ASSETS**

At 31 March 2022 the Council held Civic Regalia and a statue 'Anticipation' that were insured at £589k for the year. As neither a current market valuation, nor a replacement cost is available, these assets have been used as the basis for valuation.

The Council owns the Battle of Britain Bunker that has been insured for £4,859k and there were no enhancements in the year. As neither a current market valuation, nor a replacement cost is available due to the specialist nature of this historic asset, the insurance has been used as the basis for valuation. In addition, several artefacts held at the battle of Britain bunker site are held as heritage assets, which belonged to Battle of Britain flying ace Wing Commander Ronald Gustave Kellett who was stationed at RAF Northolt in 1940. These items have been valued at £150k based on auctions of similar items.

The Council also holds an 18th Century stable block within the grounds of Cranford Park alongside a collection of antique farm equipment. There are a number of artefacts including historical archives stored within the Battle of Britain bunker. These are insured through the Council's general insurance scheme but do not hold specific valuations, are non-realisable and therefore are not included on the Council's balance sheet.

**Heritage Assets of Particular Importance**

The Battle of Britain Bunker is an underground operations room and is a historic landmark of national significance. The bunker played a crucial role in the air defence of the United Kingdom throughout World War Two by the No 11 Group Fighter Command. It was vital in directing RAF operations throughout the war with fighter aircraft operations being controlled from the bunker throughout the war but most notably during the Battle of Britain and on D-Day. The bunker was visited by both Winston Churchill and King George VI in 1940 and it was here that Winston Churchill on 16 August 1940 spoke the famous words "Never in the field of human conflict was so much owed, by so many, to so few". Evacuations started in 1938 and the operations bunker was constructed in 1939. The bunker is located 60 feet below ground level and is accessed via a staircase of over 70 steps. Within the collection which belonged to Wing Commander Ronald Gustave Kellett, are medals awarded for distinguished acts of valour and courage such as the Distinguished Flying Cross (DFC) as well as flying logbooks. A number of items are displayed for residents to view while other items will be preserved researchers and historians to view to represent the historical importance and protect for generations to come. The Battle of Britain Bunker is signed up to the Museums Association's code of ethics. The site is alarmed and monitored with security services to protect the site and artefacts. Restoration and conservation works have been carried out on a number of exhibited artefacts within the bunker such as the wartime map.

**13. INVESTMENT PROPERTIES**

The following items of income and expense have been accounted for in the Comprehensive Income and Expenditure Statement:

| | 2021/22 £'000 | 2020/21 £'000 |
|---|---|---|
| Rental income from investment property | (229) | (210) |
| Direct operating expenses arising from investment property | 50 | 51 |
| **Net gain** | **(179)** | **(159)** |

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

## 14. FINANCIAL INSTRUMENT BALANCES

### FINANCIAL ASSETS

| | Current | | Long-Term | | Total | |
|---|---|---|---|---|---|---|
| | 31 March 2022 £'000 | 31 March 2021 £'000 | 31 March 2022 £'000 | 31 March 2021 £'000 | 31 March 2022 £'000 | 31 March 2021 £'000 |
| **Investments at Amortised Cost** | 35,462 | 8,132 | 0 | 0 | 35,462 | 8,132 |
| **Fair Value through Profit & Loss** | | | | | | |
| - Principal | 0 | 0 | 15,110 | 15,076 | 15,110 | 15,076 |
| - Fair Value Adjustment | 0 | 0 | (487) | 344 | (487) | 344 |
| - Hillingdon First Limited - Principal | 0 | 0 | 3,800 | 3,371 | 3,800 | 3,371 |
| - Hillingdon First Limited - Fair Value Adjustment | 0 | 0 | 700 | 429 | 700 | 429 |
| **Total Investments** | **35,462** | **8,132** | **19,123** | **19,220** | **54,585** | **27,352** |
| **Cash & Cash Equivalents at Amortised Cost** | | | | | | |
| - Cash held by the Council | 24 | 31 | 0 | 0 | 24 | 31 |
| - Bank Current Accounts | 15,068 | 34,058 | 0 | 0 | 15,068 | 34,058 |
| **Fair Value through Profit & Loss** | 32,700 | 21,700 | 0 | 0 | 32,700 | 21,700 |
| **Total Cash & Cash Equivalents** | **47,792** | **55,789** | **0** | **0** | **47,792** | **55,789** |
| **Other Assets at Amortised Cost** | | | | | | |
| - Trade Receivables | 32,704 | 33,184 | 0 | 0 | 32,704 | 33,184 |
| - Lease Receivables | 216 | 219 | 102 | 318 | 318 | 537 |
| - Loss allowance | (6,475) | (9,033) | 0 | 0 | (6,475) | (9,033) |
| **Total Other Assets** | 26,445 | 24,370 | 102 | 318 | 26,547 | 24,688 |
| **Total Financial Assets** | **109,699** | **88,291** | **19,225** | **19,538** | **128,924** | **107,829** |

### FINANCIAL LIABILITIES

| | Current | | Long-Term | | Total | |
|---|---|---|---|---|---|---|
| | 31 March 2022 £'000 | 31 March 2021 £'000 | 31 March 2022 £'000 | 31 March 2021 £'000 | 31 March 2022 £'000 | 31 March 2021 £'000 |
| **Loans at Amortised Cost** | | | | | | |
| - Principal sum borrowed | (88,167) | (50,833) | (268,671) | (276,838) | (356,838) | (327,671) |
| - Accrued Interest | (1,155) | (1,105) | 0 | 0 | (1,155) | (1,105) |
| - EIR Adjustment | 0 | 0 | 9,528 | 9,579 | 9,528 | 9,579 |
| **Total Loans** | **(89,322)** | **(51,938)** | **(259,143)** | **(267,259)** | **(348,465)** | **(319,197)** |
| **Other Liabilities at Amortised Cost** | | | | | | |
| - Trade Payables | (41,938) | (44,122) | 0 | 0 | (41,938) | (44,122) |
| - PFI arrangements | (216) | (219) | (102) | (318) | (318) | (537) |
| **Total Other Liabilities** | **(42,154)** | **(44,341)** | **(102)** | **(318)** | **(42,256)** | **(44,659)** |
| **Total Financial Liabilities** | **(131,476)** | **(96,279)** | **(259,245)** | **(267,577)** | **(390,721)** | **(363,856)** |

## INCOME, EXPENSE, GAINS AND LOSSES

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

| | 2021/22 | | 2020/21 | |
|---|---|---|---|---|
| | Surplus or Deficit on the provision of Services £'000 | Other Comprehensive Income £'000 | Surplus or Deficit on the provision of Services £'000 | Other Comprehensive Income £'000 |
| **Interest Revenue** | | | | |
| - Assets measured at amortised cost | (247) | 0 | (280) | 0 |
| - Other | (7) | 0 | (16) | 0 |
| **Dividend Revenue** | | | | |
| - Assets measured at fair value through profit and loss | (410) | 0 | (474) | 0 |
| **Net Gains** | | | | |
| - Revaluation gains on assets measured at fair value through profit and loss | 0 | 0 | (2,121) | 0 |
| **Interest & Investment Income and Revaluation Gains** | **(664)** | **0** | **(2,891)** | **0** |
| **Interest Expenses** | | | | |
| - Liabilities measured at amortised cost | 7,940 | 0 | 7,978 | 0 |
| - PFI & Lease Contracts | 227 | 0 | 327 | 0 |
| - Lease Contracts | 0 | 0 | 0 | 0 |
| - Other | 3 | 0 | 2 | 0 |
| **Other Expenses** | | | | |
| - Brokerage Fees | 64 | 0 | 103 | 0 |
| - Other Professional Fees | 6 | 0 | 0 | 0 |
| **Net Losses** | | | | |
| - Revaluation loss on assets measured at fair value through profit & loss | 96 | 0 | 0 | 0 |
| **Interest Payable and Revaluation Losses** | **8,336** | **0** | **8,410** | **0** |
| **Net (Gain)/Loss for the Year** | **7,672** | **0** | **5,519** | **0** |

## STRATEGIC POOLED FUND INVESTMENTS AT FAIR VALUE THROUGH PROFIT & LOSS

The Council has elected to apply the statutory override to account for the following investments measured at fair value through profit & loss and transfer any fair value movements through the MIRS into the Pooled Investment Fund Adjustment Account.

### Equity Instruments designated at Fair Value through Profit & Loss

| | Fair Value | | Dividends | | Transfer Gain/(Loss) | |
|---|---|---|---|---|---|---|
| **Long Term** | 31 March 2022 £'000 | 31 March 2021 £'000 | 31 March 2022 £'000 | 31 March 2021 £'000 | 31 March 2022 £'000 | 31 March 2021 £'000 |
| - Ninety One Diversified Income Fund | 4,719 | 4,955 | 176 | 174 | (236) | 445 |
| - Columbia Threadneedle Strategic Bond Fund | 5,008 | 5,248 | 113 | 129 | (240) | 571 |
| - M&G Optimal Income Fund | 4,826 | 5,106 | 99 | 119 | (280) | 642 |
| **Total Equity Instruments** | **14,553** | **15,309** | **388** | **422** | **(756)** | **1,658** |

## FAIR VALUES OF ASSETS AND LIABILITIES

### Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

The financial assets held by the Council during the year are accounted for under the following classifications:

- Amortised cost
- Fair value through other comprehensive income
- Fair value through profit and loss

### Financial liabilities

A financial liability is a contractual obligation to deliver cash or other financial asset to another entity or exchange a financial asset or liability with another entity under conditions, which are potentially unfavourable to the Council. The Council's financial liabilities held during the year were all measured at amortised cost.

The fair value of an instrument is determined by calculating the Net Present Value of future cash flows that are scheduled to take place over the remaining life of the instrument. This provides an estimate of the value of payments in the future in today's terms.

### Fair Value

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including shares in money market funds and other pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2022, using the following methods and assumptions:

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2022, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lenders' options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate, or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows, excluding service charge elements, at the appropriate AA-rated corporate bond yield.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

# Notes to the Main Financial Statements

**FAIR VALUE OF LIABILITIES**

| Financial Liabilities | Fair Value Level | 31 March 2022 Carrying Amount £'000 | 31 March 2022 Fair Value £'000 | 31 March 2021 Carrying Amount £'000 | 31 March 2021 Fair Value £'000 |
|---|---|---|---|---|---|
| PWLB Loans | 2 | (199,726) | (217,320) | (170,390) | (207,296) |
| Market Loans | 2 | (48,612) | (74,786) | (48,609) | (84,812) |
| Local Authority Loans | 2 | (100,127) | (99,617) | (100,198) | (100,434) |
| Lease & PFI Liabilities | 2 | (318) | (468) | (219) | (914) |
| Trade Payables | N/A | (41,938) | (41,938) | (44,122) | (44,122) |
| | | **(390,721)** | **(434,129)** | **(363,538)** | **(437,578)** |

The fair value of liabilities is higher than the balance sheet carrying amount because the Council's debt portfolio includes a number of loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. Overall, there is a notional future loss (based on economic conditions at 31 March 2022) arising from a commitment to pay interest to lenders above current market rates.

**FAIR VALUE OF ASSETS**

| | Fair Value Level | 31 March 2022 Carrying Amount £'000 | 31 March 2022 Fair Value £'000 | 31 March 2021 Carrying Amount £'000 | 31 March 2021 Fair Value £'000 |
|---|---|---|---|---|---|
| **Financial Assets Held at Fair Value** | | | | | |
| Money Market Funds | 1 | 32,700 | 32,700 | 21,700 | 21,700 |
| Pooled Funds (Long-Term) | 2 | 13 | 13 | 12 | 12 |
| Strategic Pooled Funds (Long-Term) | 2 | 14,553 | 14,553 | 15,310 | 15,310 |
| Shares in Listed Companies (Long-Term) | 1 | 57 | 57 | 99 | 99 |
| Hillingdon First Limited - Equity | 3 | 4,500 | 4,500 | 3,800 | 3,800 |
| **Financial Assets Held at Amortised Cost** | | | | | |
| Short-Term Deposits & Deposit Accounts | N/A | 35,462 | 35,462 | 1,360 | 1,360 |
| Cash and Bank Current Accounts | N/A | 15,092 | 15,092 | 34,089 | 34,089 |
| Hillingdon First Limited - Loan | N/A | 0 | 0 | 6,771 | 6,771 |
| Lease Receivables | N/A | 318 | 318 | 537 | 537 |
| Trade Receivables | N/A | 26,229 | 26,229 | 24,151 | 24,151 |
| | | **128,924** | **128,924** | **107,829** | **107,829** |

The fair value of short-term financial assets held at amortised cost, including trade and lease receivables, is assumed to approximate to the carrying amount.

**LOSS ALLOWANCE BY ASSET CLASS**

| | 31 March 2022 | | 31 March 2021 | |
|---|---|---|---|---|
| | Gross receivable £'000 | Simplified approach Loss £'000 | Gross receivable £'000 | Simplified approach Loss £'000 |
| Lifetime Expected Credit Loss - Trade Receivables | 32,704 | (6,475) | 33,184 | (9,033) |

**Offsetting Financial Assets and Liabilities**

Financial assets or liabilities are set off against each other where the Council has a legally enforceable right to do so. The Council's bank accounts held with NatWest Bank have a right of offset; for 2021/22 there were no accounts in an overdraft position where an offset was applied.

**RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3**

| | 31 March 2022 £'000 | Realised gains/losses £'000 | Unrealised gains/losses £'000 | Sales £'000 | Purchases £'000 | Transfers out of Level 3 £'000 | Transfers into Level 3 £'000 | 01 April 2021 £'000 |
|---|---|---|---|---|---|---|---|---|
| Hillingdon First Limited - Equity | 4,500 | 0 | 700 | 0 | 0 | 0 | 0 | 3,800 |
| | **4,500** | **0** | **700** | **0** | **0** | **0** | **0** | **3,800** |

There have been no transfers between levels during the financial year. Transfers will only occur when there is a fundamental change in the underlying pricing structure and inputs.

The Council has invested £3.37m as equity shares in Hillingdon First Limited (HFL), a wholly owned subsidiary. Shares in HFL are not publicly traded so a market share is not readily available thus the fair value of the company has been independently determined to be £4.5m on the basis of future cash flows, business plan and the company's own accounts.

Changes in any of these assumptions would influence the fair value of HFL, thus a 1% change in assumptions would mean a in a £45k change in fair value.

Due to the minimal transactions between the Council and HFL up until 31 March 2022 and the overall immateriality of the subsidiary to the Council's accounts, no group accounts were prepared for 2021/22.

**15. SHORT TERM DEBTORS**

| | 31 March 2022 £'000 | 31 March 2021 £'000 |
|---|---|---|
| Trade Receivables | 26,229 | 24,151 |
| Prepayments | 5,729 | 5,659 |
| Other receivable amounts | 89,802 | 129,888 |
| | **121,760** | **159,698** |

Included within short term debtors is an impairment allowance for £30,530k (£27,318k in 20/21) of which £6,475k relates to trade receivables and £24,055k relates to other receivable amounts.

# Notes to the Main Financial Statements

### 16. DEBTORS FOR TAXATION

Debtors for taxation are included within the 'other receivable amounts' in note 15 and are detailed below:

| | 31 March 2022 £'000 | 31 March 2021 £'000 |
|---|---|---|
| Up to one year | 9,294 | 9,770 |
| One to three years | 10,813 | 7,991 |
| Over three years | 12,071 | 9,990 |
| | **32,178** | **27,751** |

### 17. LONG TERM DEBTORS

| | 31 March 2022 £'000 | To Short Term £'000 | Repayments £'000 | Additions £'000 | 31 March 2021 £'000 |
|---|---|---|---|---|---|
| Housing advances & associations | 2 | 0 | 0 | 0 | 2 |
| Sale of council houses | 2 | 0 | (1) | 0 | 3 |
| Other loans & advances | 1,588 | 0 | (11) | 1,032 | 567 |
| Developer contributions | 330 | 0 | (303) | 0 | 633 |
| | **1,922** | **0** | **(315)** | **1,032** | **1,205** |

### 18. SHORT TERM CREDITORS

| | 31 March 2022 £'000 | 31 March 2021 £'000 |
|---|---|---|
| Trade Payables | 41,938 | 44,122 |
| Other Payables | 102,688 | 151,325 |
| | **144,626** | **195,447** |

### 19. LONG TERM CREDITORS

Long Term Creditors consist of balances held under Section 106 and 278 Agreements and deposits. These amounted to £3,925k at 31 March 2022 (£3,808k at 31 March 2021).

### 20. CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is made up of the following elements:

| | 31 March 2022 £'000 | 31 March 2021 £'000 |
|---|---|---|
| Cash and Bank Current Accounts | 47,792 | 55,789 |
| Total Cash and Cash Equivalents | **47,792** | **55,789** |

## 21. PROVISIONS

| | 1 April 2021 £'000 | Additional provisions made in 2021/22 £'000 | Amounts used in 2021/22 £'000 | Unused amounts reversed in 2021/22 £'000 | 31 March 2022 £'000 | Short-Term Provisions £'000 | Long-Term Provisions £'000 |
|---|---|---|---|---|---|---|---|
| Dilapidation Provision | 41 | 0 | 0 | (41) | 0 | 0 | 0 |
| Non Domestic Rates Appeal Losses | 2,114 | 0 | (1,276) | 0 | 838 | 838 | 0 |
| Social Care Disputes | 726 | 775 | (498) | 0 | 1,003 | 1,003 | 0 |
| Insurance Provision | 4,410 | 1,171 | (512) | 0 | 5,069 | 3,462 | 1,607 |
| Other provisions | 775 | 37 | (308) | 0 | 504 | 500 | 4 |
| **Total Provisions** | **8,066** | **1,983** | **(2,594)** | **(41)** | **7,414** | **5,803** | **1,611** |

### Non-Domestic Rates Appeal Losses

See note 3 to the Collection Fund Accounts. The Collection Fund Share represents the Council's 30% obligation in relation to appeals over the rateable value of properties from NNDR purposes.

The movement in the provision is caused by an increase in the number of cases lodged with the Valuation Office Agency, in part reflecting the impact of the pandemic on local businesses. While the Government have issued its intentions to not support valuations changes due to Material Change of Circumstance related to the pandemic, the Council has made provision for other classes of appeal in relation. The overall Appeals Provision for the Collection Fund increased from £7,048k at the end of 2020/21 to £2,762k at the end of 2021/22. As Hillingdon's percentage share of Business Rates has remained stable over the two financial years, the share of the appeals provision has moved proportionately.

### Social Care Disputes

There are a small number of cases within Adult Social Care where the Ordinary Residence is in dispute with another local authority and determination from the Secretary of State is being sought. If it is determined that the Ordinary Residence for these cases is within the London Borough of Hillingdon, then payments will have to be made for the back dated costs of the placements. This provision is based on paying for the placements from the date the cases were originally referred to the Social Work teams. In addition, there are potential legal disputes in relation to funding levels of care provision.

### Dilapidation Provision

The Council is contractually obliged to fund dilapidation costs on a number of leased properties. During the year, provisions were released and drawn upon. The latest schedule of works has resulted in a decreased estimate for works which are expected to be carried out during 2022/23.

### Insurance

The Council has external insurance and liability indemnity to protect against major risks associated with items such as buildings and motor vehicles. The excess levels are as follows:

1. Property - £100k for combined risks
2. Liability - £375k
3. Motor Vehicles - £110k

The Council self-funds claims which fall under the excess thresholds. The insurance fund provision is to provide for outstanding claims against the Council as at 31 March 2022.

An exercise to determine long and short-term provisions was carried out and currently the ratio is circa 68% short-term and 32% long-term.

**Other provisions**

The other provisions represent amounts set aside to meet potential future liabilities. This includes items such as: legal costs; potential shortfall in damages; fly tipping clearance, among others.

**22. UNUSABLE RESERVES**

| | 31 March 2022 £'000 | 31 March 2021 £'000 |
|---|---|---|
| Revaluation reserve | 591,896 | 561,035 |
| Capital adjustment account | 1,010,185 | 1,033,231 |
| Financial instruments adjustment account | (229) | (258) |
| Pensions reserve | (616,201) | (739,389) |
| Collection fund adjustment account | (14,125) | (37,244) |
| Accumulated absences account | (7,133) | (8,591) |
| Dedicated schools grant adjustment account | (23,521) | (25,385) |
| Pooled Investment Fund Adjustment Account | (446) | 310 |
| **Total Unusable Reserves** | **940,426** | **783,709** |

## 22A. CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements 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 and gains recognised on donated assets that have yet to be consumed by the Council.

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

| | 2021/22 | | 2020/21 | |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| **Balance at 1 April** | | **1,033,231** | | **988,715** |
| Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | | | | |
| - Charges for depreciation and impairment of non-current assets | (36,210) | | (34,245) | |
| - Revaluation gains/(losses) on Property, Plant and Equipment | (35,634) | | 9,143 | |
| - Revaluation Gain/(Loss) on Financial Instruments | 700 | | 429 | |
| - Amortisation of intangible assets | (420) | | (419) | |
| - Revenue expenditure funded from capital under statute | (7,177) | | (7,680) | |
| - Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (11,714) | (90,455) | (2,959) | (35,731) |
| Adjusting amounts written out of the Revaluation Reserve | | 10,475 | | 6,343 |
| Net written out amount of the cost of non-current assets consumed in the year | | (79,980) | | (29,388) |
| Capital financing applied in the year: | | | | |
| - Use of the Capital Receipts Reserve to finance new capital expenditure | 13,281 | | 11,307 | |
| - Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | 14,810 | | 14,844 | |
| - Application of grants to capital financing from the Capital Grants Unapplied Account | (4,924) | | 20 | |
| - Statutory and voluntary provision for the financing of capital investment charged against the General Fund and HRA balances | 12,266 | | 24,042 | |
| - Finance Lease Principal | 219 | | 223 | |
| - Capital expenditure charged against the General Fund and HRA balances | 22,252 | 57,904 | 24,065 | 74,501 |
| Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | | (970) | | (597) |
| **Balance at 31 March** | | **1,010,185** | | **1,033,231** |

## 22B. REVALUATION RESERVE

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). 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 and the gains are realised

The Reserve contains only revaluations 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.

| | 2021/22 | | 2020/21 | |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| **Balance at 1 April** | | **561,035** | | **510,085** |
| Upward revaluation of assets | | | | |
| - Land & Buildings | 32,334 | | 32,120 | |
| - Council Dwellings | 24,005 | | 38,579 | |
| - Community Assets | 0 | | 35 | |
| - Heritage Assets | 88 | | 0 | |
| - Surplus Assets | 700 | | 583 | |
| Assets Under Construction | 695 | | | |
| - Plant and Equipment | 1,582 | 59,404 | 784 | 72,101 |
| Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | | | | |
| - Land & Buildings | (15,049) | | (13,513) | |
| - Council Dwellings | (1,642) | | (891) | |
| - Surplus Assets | 0 | | (301) | |
| - Infrastructure | (18) | | 0 | |
| - Heritage Assets | (180) | | 0 | |
| - Plant and Equipment | (1,179) | (18,068) | (103) | (14,808) |
| **Surplus or (Deficit) on revaluation of non-current assets not posted to the Surplus or (Deficit) on the Provision of Services** | | **41,336** | | **57,293** |
| Difference between fair value depreciation and historical cost depreciation | | | | |
| - Land & Buildings | (3,821) | | (3,642) | |
| - Surplus Assets | (17) | | (17) | |
| - Plant and Equipment | (809) | | (782) | |
| - Council Dwellings | (1,532) | (6,179) | (981) | (5,422) |
| Accumulated gains on assets sold or scrapped | | | | |
| - Land & Buildings | (3,708) | | (91) | |
| - Assets Held for sale | (30) | | (80) | |
| - Council Dwellings | (558) | | (747) | |
| - Assets Under Construction | 0 | (4,296) | (3) | (921) |
| **Amount written off to the Capital Adjustment Account** | | **(10,475)** | | **(6,343)** |
| **Balance at 31 March** | | **591,896** | | **561,035** |

### 23. CASH FLOW STATEMENT - OPERATING ACTIVITIES

| | 2021/22<br>£'000 | 2020/21<br>£'000 |
|---|---|---|
| **(Surplus)/Deficit on the provision of services** | **57,189** | **9,840** |
| Depreciation and impairment of non-current assets | (71,844) | (25,103) |
| Amortisation of intangible fixed assets | (420) | (419) |
| | | |
| Revenue Expenditure Funded from Capital under Statute | (7,177) | (7,680) |
| Pension Fund adjustments | (39,917) | (19,227) |
| (Increase)/Decrease in impairment for provision for bad debts | (3,212) | (3,273) |
| (Increase)/Decrease in creditors | 50,703 | (128,078) |
| Increase/(Decrease) in debtors | (34,010) | 106,338 |
| Increase/(Decrease) in inventories | - | (297) |
| Carrying amount of non-current assets sold | (11,714) | (2,959) |
| Other non-cash items charged to the net Surplus or Deficit on the Provision of Services | (361) | (3,303) |
| **Total adjusting items** | **(117,952)** | **(84,001)** |
| **Adjustments for items included in the net Surplus or Deficit on the Provision of Services that are investing or financing activities** | | |
| Proceeds from the disposal of plant, property and equipment, investment property and intangible assets | 17,851 | 9,726 |
| Capital Grants and other contributions credited to Surplus or Deficit on the Provision of Services | 21,581 | 16,119 |
| Billing Authorities - Council Tax and NNDR adjustments | 45,378 | (84,214) |
| **Total included elsewhere on Cash Flow Statement** | **84,810** | **(58,369)** |
| **Net cash flows from operating activities** | **24,047** | **(132,530)** |

# Notes to the Main Financial Statements

## 24. CASH FLOW STATEMENT - INVESTING ACTIVITIES

| | 2021/22 £'000 | 2020/21 £'000 |
|---|---|---|
| **Cash Outflows** | | |
| Purchase of property, plant and equipment | 70,732 | 57,179 |
| Other payments for investing activities | 7,177 | 7,680 |
| | **77,909** | **64,859** |
| **Cash Inflows** | | |
| Sale of property, plant and equipment | (17,851) | (9,726) |
| Capital grants received | (21,581) | (16,119) |
| Other receipts from investing activities | (7,436) | (3,426) |
| | **(46,868)** | **(29,271)** |
| **Net Cash Outflow** | **31,041** | **35,588** |
| Net Increase/(Decrease) in Short-Term Investments | 27,330 | 3,373 |
| Net Increase/(Decrease) in Long-Term Investments | (97) | 2,122 |
| **Net cash flows from investing activities** | **58,274** | **41,083** |

## 25. CASH FLOW STATEMENT - FINANCING ACTIVITIES

| | 2021/22 £'000 | 2020/21 £'000 |
|---|---|---|
| **Cash Outflows** | | |
| Repayments of amounts borrowed | 50,833 | 96,222 |
| Capital element of finance lease rental and on-balance sheet PFI payments | 219 | 254 |
| **Cash Inflows** | | |
| New borrowing taken | (79,998) | (115,000) |
| Billing Authorities - Council Tax and NNDR adjustments | (45,378) | 84,214 |
| **Net cash flows from financing activities** | **(74,324)** | **65,690** |

### Reconciliation of Liabilities arising from Financing Activities

| | Balance 31 March 2021 £'000 | Financing Cash Flows £'000 | Non Cash Acquisition £'000 | Other Non Cash Changes £'000 | Balance 31 March 2022 £'000 |
|---|---|---|---|---|---|
| Short Term Borrowing | (51,938) | 23,501 | (61,988) | 1,105 | **(89,320)** |
| Long Term Borrowing | (267,259) | (52,666) | 0 | 60,782 | **(259,143)** |
| Short Term Lease & PFI | (219) | 219 | (216) | 0 | **(216)** |
| Deferred Liabilities Lease & PFI | (318) | 0 | 0 | 216 | **(102)** |
| Council Tax and NNDR | 85,128 | (45,378) | 0 | 0 | **39,750** |
| **Total** | **(234,606)** | **(74,324)** | **(62,204)** | **62,103** | **(309,031)** |

| | Balance 31 March 2020 £'000 | Financing Cash Flows £'000 | Non Cash Acquisition £'000 | Other Non Cash Changes £'000 | Balance 31 March 2021 £'000 |
|---|---|---|---|---|---|
| Short Term Borrowing | (82,366) | 36,222 | (6,939) | 1,145 | **(51,938)** |
| Long Term Borrowing | (218,047) | (55,000) | 0 | 5,788 | **(267,259)** |
| Short Term Lease & PFI | (228) | 228 | (219) | 0 | **(219)** |
| Deferred Liabilities Lease & PFI | (563) | 26 | 0 | 219 | **(318)** |
| Council Tax and NNDR | 914 | 84,214 | 0 | 0 | **85,128** |
| **Total** | **(300,290)** | **65,690** | **(7,158)** | **7,152** | **(234,606)** |

## 26. EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation to audit of the Statement of Accounts, certification of grant claims and statutory inspections provided by the Council's external auditors Ernst and Young:

| | 2021/22 £'000 | 2020/21 £'000 |
|---|---|---|
| Fees payable in regard to external audit services carried out by the appointed auditor | 121 | 121 |
| External audit services fee variation | 83 | 83 |
| Fees payable for the certification of grant claims and returns: | | |
| Housing Benefit Subsidy | 31 | 31 |
| Teachers Pension | 14 | 14 |
| Capital Receipts Pooling | 9 | 8 |
| **Total External Audit costs** | **258** | **257** |

Comparative information for 2020/21 has been provided in respect of external audit services fee variation, Teachers Pension and Capital Receipts Pooling audit fees.

## 27. PARKING REVENUE ACCOUNT

The Parking Revenue Account is maintained in accordance with section 55 of the Road Traffic Regulation Act 1984 which provides that a London Borough Council must keep an account of the income and expenditure in respect of parking places on the highway and sets out how any deficit must be treated and limitations on the use of any surplus.

| | 2021/22 £'000 | 2020/21 £'000 |
|---|---|---|
| Income | (5,352) | (3,373) |
| Expenditure | 3,765 | 3,660 |
| **(Surplus)/ Deficit** | **(1,587)** | **287** |
| **Allocation of Income from COVID-19 Funding** | **(826)** | **(2,410)** |
| Contribution to transport services | 2,650 | 2,323 |
| **Total (Surplus)/ Deficit** | **237** | **200** |

## 28. MEMBER ALLOWANCES

The Council paid the following amounts to members during the year.

| | 2021/22 £'000 | 2020/21 £'000 |
|---|---|---|
| Salaries & Allowances | 1,466 | 1,455 |
| **Total** | **1,466** | **1,455** |

Further details on Members' allowances are available on the Council website.

## 29. POOLED BUDGETS

A section 75 agreement is in operation between London Borough of Hillingdon and Hillingdon Clinical Commissioning Group (HCCG) in respect of Learning Disability Services and was effective from 1st April 2008. This is not operating as a Pooled Budget in that it clearly identifies the financial liabilities of the two partners on an individual client basis. The object of the agreement is to enable the effective commissioning of services for this client group thereby providing a seamless service to the individual. For 2021-22, this service provided support to approximately 780 clients at a gross cost of £33,624k (approximately 763 clients at a gross cost of £41,021k in 2020/21), which included approximately 26 HCCG clients and 59 Joint Funded clients for which the Council received £5,419k (approximately 33 HCCG clients and 36 Joint Funded clients for which the Council received £5,247k in 2020/21).

**Better Care Fund Pooled Budget**

The Better Care Fund (BCF) Pooled Budget was set up in 2015-16. It is a mandatory process through which Council and North West London Clinical Commissioning Group (CCG) budgets are pooled and then reallocated on the basis of an approved plan intended to achieve closer integration of health and social care activities. This is intended to lead to improved outcomes for residents. The BCF is also a route through which the Government targets funding to support the local health and care system.

The Council and the CCG are required to enter into an agreement under section 75 of the National Health Service Act, 2006 in order to give legal effect to the financial and partnership arrangements within the plan. The Authority and NWLCCG have defined within the Section 75, confirmed funding levels required to operate these services and they are reviewed on an annual basis. Some schemes are demand led and partners make relevant contributions depending on the type of services being accessed. There is a compulsory contribution that each party must contribute but additional funds can also be pooled. In 2021-22 £73,610k additional contributions were added to the Pooled Budget.

The focus of Hillingdon's 2021/22 Better Care Fund plan is improving care outcomes for older people, people with learning disabilities and/or autism and children and young people. With a focus on prevention and early intervention rather than crisis management. Key outcomes include, for example, a reduction in admissions to hospital that are avoidable and also a reduction in permanent admissions to care homes.

All parties to the better care fund pooled budget agreement have joint control. The better care fund pooled budget is a joint arrangement solely for the purpose of working together, with no single body having power of control over the other parties to the agreement. Each partner then accounts for its share of income, expenditure, assets liabilities and cash flows in line with the agreement.

The table below sets out the allocation received by each party for inclusion in the Better Care Fund.

| | 2021/22 | | | 2020/21 | | |
|---|---|---|---|---|---|---|
| | **Hillingdon CCG £'000** | **LB Hillingdon £'000** | **Total £'000** | **Hillingdon CCG £'000** | **LB Hillingdon £'000** | **Total £'000** |
| BCF Grant | 20,485 | 0 | 20,485 | 19,401 | 0 | 19,401 |
| DFG Base Allocation | 0 | 5,111 | 5,111 | 0 | 5,111 | 5,111 |
| iBCF | 0 | 7,248 | 7,248 | 0 | 7,248 | 7,248 |
| Voluntary Contributions | 28,642 | 44,968 | 73,610 | 28,608 | 43,089 | 71,697 |
| | **49,127** | **57,327** | **106,454** | **48,009** | **55,448** | **103,457** |

This funding was then pooled and split out between the partners as set out below:

| | 2021/22 | | | 2020/21 | | |
|---|---|---|---|---|---|---|
| | **Hillingdon CCG £'000** | **LB Hillingdon £'000** | **Total £'000** | **Hillingdon CCG £'000** | **LB Hillingdon £'000** | **Total £'000** |
| BCF Grant | 13,015 | 7,470 | 20,485 | 12,327 | 7,074 | 19,401 |
| DFG Base Allocation | 0 | 5,111 | 5,111 | 0 | 5,111 | 5,111 |
| iBCF | 0 | 7,248 | 7,248 | 0 | 7,248 | 7,248 |
| Voluntary Contributions | 28,642 | 44,968 | 73,610 | 28,608 | 43,089 | 71,697 |
| | **41,657** | **64,797** | **106,454** | **40,935** | **62,522** | **103,457** |

The voluntary contributions increased in line with the 3-year plan from 2018-2021 for the BCF with further inclusion of residential placements budgets. The increase also reflects the expanded scope of the plan beyond older people to include children and young people and people with learning difficulties. The 2021/22 voluntary contributions increased to reflect inflation.

## 30. RELATED PARTY TRANSACTIONS

The Council is required to disclose any 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.

**Central Government**
Central Government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in note 34.

**London Housing Consortium**
The Council, in partnership with other councils and housing associations, participates in the London Housing Consortium (LHC). The LHC provides specialist architectural services and bulk procurement arrangements for the public sector.

**West London Waste Authority**
West London Waste Authority is a statutory waste disposal authority created in 1986 with membership of the London Borough of Hillingdon and five other London Boroughs. It is primarily funded by a levy paid by each of the six participating councils. The amount contributed for 2021/22 is included under the heading Precepts and Levies below.

**Hillingdon First Limited**
The Council has set up a 100% wholly owned subsidiary named Hillingdon First Limited (HFL), to provide affordable housing to residents of Hillingdon and contribute towards local regeneration. As part of the agreement the Council has committed to lend up to £35m to HFL. Any loan advance is subject to the Capital Release process and each project undergoes democratic approval. The Council has invested £3.37m as equity shares in Hillingdon First Limited (HFL). Shares in HFL are not publicly traded so a market share is not readily available thus the fair value of the company has been independently determined to be £4.5m on the basis of future cash flows, business plan and the company’s own accounts. During 2021/22, loans of £6.8m, including the applicable interest, that were made to Hillingdon First Limited were repaid to the Council.

**The Pension Fund**
The London Borough of Hillingdon Pension Fund is considered a related party. The employer's contribution to the Pension Fund in 2021/22 was £26,168k (£26,188k in 2020/21). The Council also recharged the Pension Fund £431k for staffing and overhead apportionment costs in 2021/22 (£418k in 2020/21). A precept of £349k was paid to the London Pension Fund Authority in 2021/22 (£345k in 2020/21).

**Members and Chief Officers**
Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2021/22 is shown in note 28.

This note concerns the disclosure of additional information on transactions between the Council and its related parties. The purpose of the note is to demonstrate fairness and openness in the accounts. All councillors and relevant officers are required to complete declarations to meet the requirements of IAS 24 - Transactions with Related Parties. Disclosures of Interest have been made in respect of the following organisations: the payment amount will not necessarily be just in respect of grants but will be a total of transactions between the Council and the organisation during the year. There were no material outstanding balances at year-end.

# Notes to the Main Financial Statements

| Organisation | Name(s) | Payments made as at 31st March 2022 (£) |
|---|---|---|
| Carers Trust Hillingdon | Councillor Judith Cooper, Councillor Becky Haggar | 1,376,139.90 |
| Mayors Office For Policing And Crime | Councillor Ian Edwards | 584,372.00 |
| London Councils | Councillor Jonathan Bianco, Councillor Keith Burrows, Councillor Martin Goddard, Councillor Eddie Lavery, Councillor Ian Edwards, Councillor Richard Lewis, Councillor Douglas Mills, Councillor Susan O'Brien, Councillor Jane Palmer | 675,198.97 |
| Her Majesty's Prison And Probation Service | Councillor Jas Dhot | 450,457.00 |
| Uxbridge Business Improvement District Ltd | Councillor Eddie Lavery | 343,005.87 |
| Hillingdon Citizens Advice Bureau | Councillor Raymond Graham, Councillor John Riley | 195,753.00 |
| Harlington Hospice Association | Councillor Kuldeep Lakhmana | 121,879.03 |
| Bell Farm Christian Centre | Councillor Janet Duncan, Councillor Stuart Mathers | 96,885.10 |
| Ruislip & Northwood Old Folks Assoc | Councillor Becky Haggar, Councillor Eddie Lavery | 87,860.00 |
| The Abbeyfield Society Ltd | Councillor Martin Goddard | 29,928.86 |
| BAA Business Support Cntr. Ltd | Councillor Kuldeep Lakhmana | 37,449.12 |
| Hillingdon Brain Tumour Group | Councillor Becky Haggar, Councillor Jane Palmer | 30,000.00 |
| Hillingdon Shopmobility | Councillor Teji Barnes | 22,000.00 |
| Yiewsley Baptist Church | Councillor Stuart Mathers | 10,227.92 |
| Send Family Support | Councillor Simon Arnold | 10,000.00 |
| Relate London NW Family Mediation | Councillor Stuart Mathers, Councillor Susan O'Brien | 7,677.50 |

# Notes to the Main Financial Statements

| Organisation | Name(s) | Payments made as at 31st March 2021 (£) |
|---|---|---|
| Hillingdon First Limited | Senior Officer Iain Watters, Senior Officer Perry Scott, Senior Officer Daniel Kennedy | 3,000,000.00 |
| Age UK Hillingdon | Councillor Ian Edwards | 327,450.00 |
| Hillingdon Citizens Advice Bureau | Councillor Raymond Graham, Councillor John Riley | 280,000.00 |
| Carers Trust Hillingdon | Councillor Judith Cooper, Councillor Becky Haggar | 181,494.45 |
| Harlington Hospice Association | Councillor Kuldeep Lakhmana | 137,051.90 |
| Ruislip & Northwood Old Folks Assoc | Councillor Becky Haggar, Councillor Edward Lavery | 84,000.00 |
| H4ALL Community Interest Company | Councillor Ian Edwards | 79,100.00 |
| Bell Farm Christian Centre | Councillor Stuart Mathers | 70,930.00 |
| Hillingdon Outdoor Activities Centre | Councillor Henry Higgins, Councillor Jane Palmer | 54,500.00 |
| The Abbeyfield Society Ltd | Councillor Martin Goddard | 36,702.00 |
| Yiewsley & West Drayton Community Association | Councillor Shehryar Ahmad-Wallana, Councillor Alan Deville, Councillor Janet Duncan, Councillor Jan Sweeting | 32,155.37 |
| Hillingdon Brain Tumour Group | Councillor Becky Haggar, Councillor Jane Palmer | 30,000.00 |
| Hillingdon Shopmobility | Councillor Teji Barnes | 24,000.00 |
| Relate London NW Family Mediation | Councillor Stuart Mathers, Councillor Susan O'Brien | 18,950.00 |
| Colne Valley CIC | Councillor Judith Cooper | 12,500.00 |
| The Law Society | Councillor Nick Denys | 11,014.00 |
| Localis Research Limited | Councillor David Simmonds | 10,000.00 |
| Hillingdon Aids Response Trust | Councillor Peter Curling | 7,500.00 |
| Yiewsley Baptist Church | Councillor Stuart Mathers | 7,356.01 |
| Royal British Legion Eastcote Club | Councillor Becky Haggar | 7,000.00 |

**Precepts/Levies**

In 2021/22, the following precepts and levies are considered related party transactions:

| | 2021/22 £'000 | 2020/21 £'000 |
|---|---|---|
| Business Rate Retention - DLUHC | 121,570 | 123,545 |
| Business Rate Retention - GLA | 136,305 | 138,521 |
| Greater London Authority Precept | 37,119 | 33,907 |
| Greater London Authority Crossrail | 10,169 | 10,263 |
| West London Waste Authority Levy | 11,707 | 12,555 |
| TFL Concessionary Fares | 7,015 | 8,226 |
| Lee Valley Regional Park Authority | 246 | 239 |
| Environment Agency | 240 | 234 |

### 31. OFFICER EMOLUMENTS

The number of employees in 2021/22 whose remuneration, excluding pension contributions, was £50k or more, are detailed below in bands of £5k. The bandings only include the remuneration of senior employees that have not been disclosed separately. The number of employees included in the totals that exceeded the £50k threshold due to lump sum termination payments are indicated in brackets. These employees left the employment of the Council during the financial year.

| | LBH EMPLOYEES | | | | SCHOOL EMPLOYEES | | | |
|---|---|---|---|---|---|---|---|---|
| Remuneration Band | 2021/22 | | 2020/21 | | 2021/22 | | 2020/21 | |
| | Total | Due to Lump | Total | Due to Lump | Total | Due to Lump Sum | Total | Due to Lump |
| £50,000 - £54,999 | 95 | (2) | 91 | (2) | 74 | 0 | 67 | 0 |
| £55,000 - £59,999 | 50 | (3) | 53 | (2) | 45 | 0 | 45 | (1) |
| £60,000 - £64,999 | 42 | 0 | 48 | (1) | 27 | 0 | 24 | 0 |
| £65,000 - £69,999 | 46 | (1) | 28 | (2) | 17 | 0 | 13 | 0 |
| £70,000 - £74,999 | 14 | (1) | 15 | (1) | 15 | 0 | 18 | 0 |
| £75,000 - £79,999 | 14 | 0 | 13 | 0 | 9 | 0 | 8 | 0 |
| £80,000 - £84,999 | 5 | 0 | 2 | 0 | 9 | (1) | 8 | 0 |
| £85,000 - £89,999 | 8 | 0 | 8 | 0 | 7 | 0 | 10 | 0 |
| £90,000 - £94,999 | 3 | 0 | 3 | (1) | 3 | 0 | 1 | 0 |
| £95,000 - £99,999 | 1 | 0 | 4 | (1) | 5 | 0 | 4 | 0 |
| £100,000 - £104,999 | 3 | 0 | 4 | 0 | 0 | 0 | 2 | 0 |
| £105,000 - £109,999 | 3 | 0 | 1 | (1) | 2 | 0 | 1 | 0 |
| £110,000 - £114,999 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| £115,000 - £119,999 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 |
| £120,000 - £124,999 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 |
| £125,000 - £129,999 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 |
| £130,000 - £134,999 | 1 | 0 | 1 | 0 | 1 | 0 | 1 | 0 |
| £135,000 - £139,999 | 2 | (1) | 2 | (2) | 0 | 0 | 0 | 0 |
| £170,000 - £174,999 | 1 | (1) | 0 | 0 | 0 | 0 | 0 | 0 |
| | **288** | **(9)** | 276 | (13) | **215** | **(1)** | 202 | (1) |

Note: management re-assessed the roles disclosed in the 20/21 accounts against the definition of Senior Officer within the CIFPA code and streamlined the disclosure note to include only those roles that meet the definition in the code. This decreased the list of officers disclosed in this note compared to 20/21 accounts.

### Disclosure of Remuneration for Senior Employees (Schools): -

Details of school employees in the above table earning over £100,000 during 2021/22 is listed below.

| Job Title | Pensionable Pay 2021/22 | Pensionable Pay 2020/21 | Due to Lump Sum |
|---|---|---|---|
| Headteacher - Harlington Community School | £130,811 | £117,025 | No |
| Headteacher - Yeading Infant School | £112,912 | £112,037 | No |
| Headteacher - Deanesfield Primary School | £105,508 | £104,332 | No |
| Headteacher - Meadow High | £108,884 | £104,800 | No |

**Disclosure of Remuneration for Senior Employees (LBH): -**

The following disclosure sets out remuneration for staff included in tiers 1 and 2 of the Council's management structure for 2021/22.

| | | 2021/22 | | | |
|---|---|---|---|---|---|
| **Job Title** | | **Contracted Salary** | **Compensation for loss of employment** | **EER's pension Contributions** | **Total** |
| Outgoing Chief Executive and Corporate Director (F Beasley) | 1 | £263,102 | £0 | £0 | £263,102 |
| Interim Chief Executive and Corporate Director (T Zaman) | 2 | £52,151 | £0 | £0 | £52,151 |
| Corporate Director of Finance (P Whaymand) | | £184,896 | £0 | £0 | £184,896 |
| Corporate Director of Place (P Scott) | | £172,835 | £0 | £41,653 | £214,488 |
| Corporate Director of Resources (D Kennedy) | | £162,006 | £0 | £39,043 | £201,049 |
| Head of Legal Services (R Alagh) | | £161,238 | £0 | £38,858 | £200,096 |
| Deputy Director Corporate Finance | | £144,060 | £0 | £34,718 | £178,778 |
| Director Children's Services | | £126,564 | £0 | £0 | £126,564 |
| Director of Provider and Commissioned Care | | £121,923 | £0 | £29,383 | £151,306 |
| Director Adult Social Work | | £104,934 | £0 | £25,289 | £130,223 |
| Director of Education & SEND | | £101,496 | £0 | £24,460 | £125,956 |
| Director Safeguarding, Partnerships & QA | | £95,592 | £0 | £23,038 | £118,630 |
| Leavers: | | | | | |
| Corporate Director Social Care (T Zaman) | 3 | £146,172 | £0 | £0 | £146,172 |
| Corporate Director of Resources | 4 | £108,595 | £0 | £25,000 | £133,595 |

1. Both F Beasley and T Zaman in post during handover period 01/01/2022 - 31/03/2022.
2. T Zaman previously Corporate Director Social Care (up to 31/12/2021)
3. Post deleted wef 01/01/2022 following promotion of T Zaman to post of Chief Executive and Corporate Director
4. Employment ended 22/12/2021

**Disclosure of Remuneration for Senior Employees (LBH): -**

The following disclosure sets out remuneration for staff included in tiers 1 and 2 of the Council's management structure for 2020/21.

| | | 2020/21 | | | |
|---|---|---|---|---|---|
| **Job Title** | | **Contracted Salary** | **Compensation for loss of employment** | **EER's pension Contributions** | **Total** |
| Chief Executive and Corporate Director (F Beasley) | | £259,211 | £0 | £0 | £259,211 |
| Corporate Director of Social Care (T Zaman) | | £199,679 | £0 | £0 | £199,679 |
| Corporate Director of Finance (P Whaymand) | | £189,679 | £0 | £0 | £189,679 |
| Director of Infrastructure Transport and Building Services (P Scott) | | £168,457 | £0 | £40,598 | £209,055 |
| Head of Legal Services and Borough Solicitor (R Alagh) | | £156,253 | £0 | £37,657 | £193,910 |
| Director Planning, Environment, Education & Community Services (D Kennedy) | | £156,253 | £0 | £37,657 | £193,910 |
| Deputy Director Corporate Finance | | £139,326 | £0 | £33,578 | £172,904 |
| Director Corporate Resources & Services | | £134,665 | £0 | £32,454 | £167,119 |
| Director of Provider and Commissioned Care | | £113,468 | £0 | £27,346 | £140,814 |
| Leavers: | | | | | |
| Deputy Chief Executive and Corporate Director of Residents Services (J Palmer) | 1 | £194,033 | £0 | £0 | £194,033 |
| Director of Public Health | 2 | £49,997 | £42,409 | £10,679 | £103,085 |

Note: the number of officers that meet the definition of Senior Officer within the CIFPA code has decreased from the 20/21 accounts. Therefore, officers that were previously included as Senior Officers in the table ‘Disclosure of Remuneration for Senior Employees (LBH)’ within the 20/21 accounts are now being included in the Officer emoluments note p76.

## 32. EXIT PACKAGES

The number of exit packages that have been agreed by the Council during the year are listed below. These packages include redundancy costs, pension strain costs, ex gratia payments and other departure costs. The Council does not award added years pension contributions, but pension strain is incurred where a pension is taken early without actuarial reduction and is a cost to the Council, not a direct payment to the employee.

Exit package costs by banding which include special payments and pension strain costs.

| | LBH EMPLOYEES | | | | | |
|---|---|---|---|---|---|---|
| Cost Band | 2021/22 No. of LBH Employees with Exit Packages Number | Number of Compulsory Redundancies Number | Number of Other Departures Agreed Number | Total Exit Payments to Employees £'000 | Pension Strain Costs £'000 | Total Exit Package Cost £'000 |
| £0 - £20,000 | 15 | 0 | 15 | 138 | 0 | **138** |
| £20,001 - £40,000 | 13 | 0 | 13 | 337 | 53 | **390** |
| £40,001 - £60,000 | 7 | 0 | 7 | 206 | 109 | **315** |
| £60,001 - £80,000 | 2 | 0 | 2 | 87 | 63 | **150** |
| £80,001 - £100,000 | 1 | 0 | 1 | 21 | 68 | **89** |
| £100,001 - £150,000 | 2 | 0 | 2 | 60 | 190 | **250** |
| Over £150,000 | 2 | 0 | 2 | 121 | 341 | **462** |
| | **42** | **0** | **42** | **970** | **824** | **1,794** |

| | LBH EMPLOYEES | | | | | |
|---|---|---|---|---|---|---|
| Cost Band | 2020/21 No. of LBH Employees with Exit Packages Number | Number of Compulsory Redundancies Number | Number of Other Departures Agreed Number | Total Exit Payments to Employees (Restated) £'000 | Pension Strain Costs £'000 | Total Exit Package Cost (Restated) £'000 |
| £0 - £20,000 | 27 | 12 | 15 | 198 | 9 | **207** |
| £20,001 - £40,000 | 9 | 6 | 3 | 207 | 105 | **312** |
| £40,001 - £60,000 | 2 | 0 | 2 | 70 | 30 | **100** |
| £60,001 - £80,000 | 2 | 2 | 0 | 35 | 102 | **137** |
| £80,001 - £100,000 | 4 | 2 | 2 | 165 | 171 | **336** |
| £100,001 - £150,000 | 4 | 1 | 3 | 137 | 295 | **432** |
| Over £150,000 | 3 | 1 | 2 | 146 | 359 | **505** |
| | **51** | **24** | **27** | **958** | **1,071** | **2,029** |

The 20/21 disclosure in respect of total exit payments to employees was restated from £2,029 to £958k (a reduction of £1,017k) as the previously published accounts for 20/21 contained a duplication in pension strain costs within the total exit package cost. The restatement did not have an impact on any financial statement line items other than the exit packages costs for LBH employees. The 20/21 error had no impact on any payments for exit packages and it was a disclosure point only.
The figures before and after restatement within the above table for 20/21 are as follows. The restatement also applies to the total exit package cost, respectively.

| Cost Band | Total Exit Payments to Employees before restatement £'000 | Restatement £'000 | Total Exit Payments to Employees after restatement £'000 |
|---|---|---|---|
| £0 - £20,000 | 207 | (9) | 198 |
| £20,001 - £40,000 | 312 | (105) | 207 |
| £40,001 - £60,000 | 100 | (30) | 70 |
| £60,001 - £80,000 | 137 | (102) | 35 |
| £80,001 - £100,000 | 336 | (171) | 165 |
| £100,001 - £150,000 | 432 | (295) | 137 |
| Over £150,000 | 505 | (359) | 146 |
| **Total** | **2,029** | **(1,071)** | **958** |

# Notes to the Main Financial Statements

| Cost Band | SCHOOL EMPLOYEES<br>2021/22<br>No. of Schools Employees with Exit Packages<br>Number | Number of Compulsory Redundancies<br>Number | Number of Other Departures Agreed<br>Number | Total Exit Payments to Employees<br>£'000 | Pension Strain Costs<br>£'000 | Total Exit Package Cost<br>£'000 |
|---|---|---|---|---|---|---|
| £0 - £20,000 | 19 | 18 | 1 | 194 | 0 | **194** |
| | **19** | **18** | **1** | **194** | **0** | **194** |

| Cost Band | SCHOOL EMPLOYEES<br>2020/21<br>No. of Schools Employees with Exit Packages<br>Number | Number of Compulsory Redundancies<br>Number | Number of Other Departures Agreed<br>Number | Total Exit Payments to Employees<br>£'000 | Pension Strain Costs<br>£'000 | Total Exit Package Cost<br>£'000 |
|---|---|---|---|---|---|---|
| £0 - £20,000 | 23 | 22 | 1 | 108 | 14 | **122** |
| | **23** | **22** | **1** | **108** | **14** | **122** |

### 33. DEDICATED SCHOOLS GRANT

The Dedicated Schools Grant has been credited to Education and Children's Services in the Comprehensive Income and Expenditure Statement.

The Council's expenditure on schools is funded by grant monies provided by the Department for Education through the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budgets as defined in the School and Early Years Finance (England) Regulations 2014. The Schools Budget includes elements for a restricted range of services provided on a council-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of the DSG receivable for 2021/22 are as follows:

| | Schools Budget Funded by Dedicated Schools Grant | | |
|---|---|---|---|
| | Central Expenditure £'000 | Individual Schools Budget £'000 | Total £'000 |
| Final DSG for 2021/22 before academy and high needs recoupment | | | 323,041 |
| Academy and high needs figure recouped for 2021/22 | | | (158,446) |
| Total DSG after academy recoupment for 2021/22 | | | 164,595 |
| Plus Brought-forward from 2020/21 | | | 0 |
| Less Carry-forward to 2022/23 agreed in advance | | | (7,328) |
| Agreed initial budgeted distribution in 2021/22 | 49,231 | 122,692 | 171,923 |
| In year adjustments | 11,000 | 0 | 11,000 |
| **Final budgeted distribution for 2021/22** | **60,231** | **122,692** | **182,923** |
| Less actual central expenditure | (54,672) | | (54,672) |
| Less actual ISB deployed to schools | | (123,059) | (123,059) |
| Absorbed by Local Authority 2021/22 | 4,000 | 0 | 4,000 |
| **Total** | 9,559 | (367) | 9,192 |
| Carry-forward agreed in advance | | | (7,328) |
| **Carry-forward to 2022/23** | **9,559** | **(367)** | **1,864** |
| DSG unusable reserve at the end of 2020/21 | | | (25,385) |
| Adjustment to DSG unusable reserve at the end of 2021/22 | | | 1,864 |
| Total of DSG unusable reserve at the end of 2021/22 | | | (23,521) |
| Net DSG position at the end of 2021/22 | | | **(23,521)** |

As DSG is paid specifically to finance the Schools Budget, it is appropriate to credit the grant receivable for the year to the relevant service segment.

### 34. GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

### REVENUE GRANT INCOME

| | 2021/22 £'000 | 2020/21 £'000 |
|---|---|---|
| **Revenue Grant Income Credited to Taxation and Non Specific Grant Income** | | |
| Section 31 Business Rates Grants | 15,764 | 33,367 |
| COVID-19 Additional Restrictions Grant | 11,314 | 0 |
| COVID-19 Business Support Grant Payments | 10,502 | 0 |
| COVID-19 Contain Outbreak Management Fund | 9,750 | 1,500 |
| COVID-19 Emergency Funding | 8,568 | 18,272 |
| Revenue Support Grant | 6,800 | 6,763 |
| Tax Income Guarantee | 4,700 | 0 |
| COVID-19 Hardship Fund | 2,735 | 2,125 |
| New Homes Bonus | 2,385 | 3,739 |
| COVID-19 Sales, Fees & Charges Compensation | 1,306 | 6,895 |
| COVID-19 Clinically Extremely Vulnerable | 1,227 | 0 |
| COVID-19 Omicron Hospitality & Leisure Grant | 1,157 | 0 |
| Housing Benefit Administration Subsidy | 1,151 | 1,170 |
| COVID-19 Local Restrictions Grant | 542 | 0 |
| Lower Tier Services Grant | 427 | 0 |
| Local Council Tax Support Administration Subsidy | 366 | 287 |
| COVID-19 Test & Trace Support Payments | 354 | 329 |
| Other Grants | 216 | 498 |
| **Total Non-Specific Revenue Grants** | **79,264** | **74,945** |

# Notes to the Main Financial Statements

| | 2021/22 £'000 | 2020/21 £'000 |
|---|---|---|
| **Revenue Grant Income Credited to Services** | | |
| **Department for Education** | | |
| Dedicated Schools Grant (DSG) | 174,688 | 160,360 |
| Pupil Premium | 5,785 | 5,857 |
| Universal Infant Free School Meals Grant | 2,453 | 2,619 |
| Teachers Pay Grant | 2,172 | 6,951 |
| Private Finance Initiative | 1,778 | 1,778 |
| Adult & Community Learning | 1,691 | 1,516 |
| Sixth Form & Adult Learning Grants | 1,524 | 1,419 |
| PE & Sports Grant | 911 | 955 |
| Holiday Activities & Food Grant | 532 | 0 |
| School Improvement Monitoring and Brokering Grant | 258 | 238 |
| **Department for Levelling Up, Housing & Communities** | | |
| Rough Sleeping Initiative | 2,564 | 2,095 |
| Homelessness Prevention Grant | 2,471 | 0 |
| Troubled Families Grant | 877 | 866 |
| COVID-19 Reopening The High Street Safely | 568 | 74 |
| Business Rates Cost of Collection Allowances | 566 | 573 |
| COVID-19 Test & Trace Support Payments | 0 | 0 |
| Criminal Justice Grant | 266 | 0 |
| COVID-19 Rough Sleepers - Cold Weather Fund | 216 | 140 |
| Afghan Relocation Scheme | 120 | 0 |
| COVID-19 Compliance and Enforcement | 79 | 15 |
| Redmond Review | 62 | 0 |
| COVID-19 Practical Support Grant | 544 | 0 |
| COVID-19 Surge Testing | 53 | 0 |
| Flexible Housing Support Grant | 0 | 1,378 |
| Homelessness Reduction Grant | 0 | 765 |
| COVID-19 Rough Sleepers (Everybody in) | 0 | 590 |
| COVID-19 Rough Sleepers - Protect | 0 | 81 |
| COVID-19 Community Champions | 0 | 39 |
| **Department of Health & Social Care** | | |
| Better Care Fund | 7,470 | 19,401 |
| Public Health Grant | 18,032 | 17,810 |
| Improved Better Care Fund | 7,248 | 0 |
| Adult Social Care Support Grant | 6,873 | 13,145 |
| COVID-19 Infection Control Grant | 5,872 | 4,022 |
| COVID-19 Community Testing | 994 | 850 |
| Independent Living Fund | 493 | 493 |
| Winter Scheme Funding Grant | 197 | 0 |
| COVID-19 Test & Trace Support Payments Admin | 42 | 0 |
| COVID-19 Workforce Capacity Fund | 0 | 521 |
| COVID-19 Adult Social Care Rapid Test Fund | 0 | 500 |
| Rough Sleeping Drug & Alcohol Treatment Grant Scheme | 0 | 102 |
| **Arts Council** | | |
| Music Education Hub | 622 | 455 |
| **Department for Work and Pensions:** | | |
| Housing Benefit Subsidy | 96,937 | 106,404 |
| COVID-19 Winter Grant Scheme | 3,371 | 796 |
| Discretionary Housing Payments | 956 | 1,121 |
| **Home Office:** | | |
| Funding for Unaccompanied Asylum Seeking Children | 8,472 | 7,024 |
| **Department for Environment, Food & Rural Affairs** | | |
| COVID-19 Emergency Assistance Grant for Food and Essential Supplies | 113 | 308 |
| **Sports England** | | |
| COVID-19 National Leisure Recovery Fund | 425 | 304 |
| **Other** | | |
| Other Grants | 5,667 | 2,856 |
| Contributions | | |
| Other Contributions | 18,216 | 43,902 |
| **Total Grants Credited to Services** | **382,178** | **408,323** |

# Notes to the Main Financial Statements

## CAPITAL GRANT INCOME

| | 2021/22<br>£'000 | 2020/21<br>£'000 |
|---|---|---|
| **Capital Grant Income credited to the Comprehensive Income and Expenditure Statement** | | |
| Disabled Facilities Grant | 5,111 | 5,111 |
| Education and Skills Funding Agency | 3,082 | 3,995 |
| Department for Business Energy and Industrial Strategy | 1,932 | 213 |
| HS2 | 676 | 0 |
| Greater London Assembly | 509 | 0 |
| West London Waste Authority | 487 | 0 |
| Transport for London | 343 | 947 |
| Food Standards Agency | 110 | 0 |
| Better Homes Grant capital | 32 | 0 |
| Department of Transport | 0 | 51 |
| **Total Capital Grant Income** | **12,282** | **10,317** |
| Schools Capital Contributions | 1,393 | 1,346 |
| S106 Contributions | 957 | 1,202 |
| Community Infrastructure Levy | 6,537 | 2,971 |
| Other Capital Contributions | 412 | 283 |
| **Total Capital Grants and Contributions Received** | **21,581** | **16,119** |

Of the capital grant income applied to the Comprehensive Income and Expenditure account within Taxation and Non-Specific Grant income, £21,400k was used to fund the Capital Programme and £181k was transferred to the Capital Grants Unapplied Reserve for future use.

## GRANTS RECEIVED IN ADVANCE

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the awarding body should condition for use fail to be met. Revenue grants with these conditions are included within Creditors under the amounts owed to Government Departments. The balances for capital grants at the year-end are as follows:

| | 2021/22<br>£'000 | 2020/21<br>£'000 |
|---|---|---|
| **Capital Grant & Contribution Receipts in Advance** | | |
| ESFA & Other Capital Grants | 7,505 | 4,308 |
| Housing Capital Grants including Green initiatives | 3,083 | 3,650 |
| S106 | 15,715 | 10,910 |
| **Total Capital Grant & Contribution Receipts in Advance** | **26,303** | **18,868** |

### 35. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below, 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 Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in this note.

| | 2021/22 £'000 | 2020/21 £'000 |
|---|---|---|
| **Opening Capital Financing Requirement** | **404,414** | **410,578** |
| **Capital investment** | | |
| Property, Plant and Equipment | 70,661 | 57,431 |
| Intangible Assets | 130 | 1 |
| Revenue Expenditure Funded from Capital under Statute | 7,177 | 7,680 |
| Long Term Investment in HFL | 1,129 | 0 |
| Loan to HFL | (6,771) | 3,271 |
| **Sources of finance** | | |
| Capital receipts | (13,281) | (11,307) |
| Government grants and other contributions | (16,657) | (14,864) |
| **Sums set aside from revenue:** | | |
| Direct revenue contributions | (22,252) | (24,065) |
| Minimum Revenue Provision (MRP) / loans fund principal | (12,266) | (24,042) |
| Other Revenue Provision | (228) | (269) |
| **Closing Capital Financing Requirement** | **412,056** | **404,414** |
| | | |
| **Explanation of movements in year** | | |
| Increase/(Decrease) in underlying need to borrow : | | |
| - unsupported by Government financial assistance | 7,642 | (6,164) |
| **Increase/(Decrease) in Capital Financing Requirement** | **7,642** | **(6,164)** |

The Capital Financing Requirement (CFR) is a measure of the Council's underlying need to borrow for capital purposes. It does not represent the Council's actual borrowing which is determined following consideration of other balances such as reserves, provisions, working capital and timing differences of cash inflows and outflows.

### 36. LEASES

In financial years prior to 2021/22 the Council acquired a private finance initiative (PFI) school and a contract for superloos under finance leases with the risks and rewards associated with ownership of such assets having transferred to the Council. Assets acquired under finance leases are carried as Property, Plant and Equipment in the Balance Sheet. Since the initial transfer, the PFI school moved to Academy status and the asset was removed from the balance sheet, however the Council still holds the liability. As at 31st March 2022 the Council has ended all the superloo finance leases.

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the asset and finance costs that will be payable by the Council in future years whilst the liability remains outstanding.

A number of vehicles and properties are also held under operating leases, for which regular rental payments are made but the risks and rewards of ownership of such asset do not lie with the Council. The future payments relating to both finance and operating leases held by the Council are made up of the following amounts:

**Finance Leases - Lessee (including PFI**

| **Plant, Property and Equipment Outstanding obligations on 31 March** | **Finance Lease Liabilities** | | **Minimum Lease Payments** | |
|---|---|---|---|---|
| | **2021/22 £'000** | **2020/21 £'000** | **2021/22 £'000** | **2020/21 £'000** |
| Within 1 year (held in current liabilities) | 216 | 219 | 334 | 446 |
| 2 - 5 years | 102 | 318 | 134 | 468 |
| Total costs payable in future years | 102 | 318 | 134 | 468 |
| **Total future lease payments** | **318** | **537** | **468** | **914** |

**Operating Leases - Lessee**

| **Plant, Property and Equipment Outstanding obligations on 31 March** | **Operating Lease** | |
|---|---|---|
| | **2021/22 £'000** | **2020/21 £'000** |
| Within 1 year | 101 | 169 |
| 2 - 5 years | 76 | 51 |
| **Total future lease payments** | **177** | **220** |

Operating lease obligations include commitments held by Hillingdon maintained schools as well as those held by the Council. Operating lease expenditure of £101k (£80k in 20/21) relating to maintained schools is included within Cost of Services in the Comprehensive Income and Expenditure Statement.

**Operating Leases - Lessor**

The Council leases out property under operating leases for the following purposes:
- for the provision of community services, such a sports facilities and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses

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

| **Future Minimum Lease Payments:** | **Operating Lease** | |
|---|---|---|
| | **2021/22 £'000** | **2020/21 £'000** |
| Within 1 year | 1,337 | 1,543 |
| 2 - 5 years | 3,441 | 4,148 |
| More than 5 years | 8,798 | 9,429 |
| **Total future lease payments** | **13,576** | **15,120** |

The minimum lease payments receivable do not include rents that are contingent on events taking place after the commencement of the lease, such as adjustments following rent reviews.

**37. LONG TERM CONTRACTS AND PRIVATE FINANCE INITIATIVE**

The Council has entered into a number of Long-Term Contracts, committing itself to revenue expenditure over future years. However, there is one contract that has a fixed annual sum over £1,000k and is over 4 years in length.

- Liberata UK Ltd (Revenues & Benefits) - 01/06/2017 to 31/05/2022

| **Year** | **Annual Cost £'000** |
|---|---|
| 2022/23 | 170 |

**Private Finance Initiative (PFI)**

In December 1998 the Council entered into a 25-year contract with a private sector partner, Jarvis (Barnhill) Limited, to build and provide facilities management at Barnhill Community High school under a private finance initiative (PFI) arrangement. The school opened in September 1999. In 2010 the parent company Jarvis PLC went into administration and management of the facility was transferred to Johnson Workplace Management Ltd without impacting the day to day operation of the school. In August 2013 Johnson Workplace Management Ltd were acquired by Bellrock Facilities Management who are now responsible for the management of the contract. In 2021/22 the Council paid principal of £219k, interest of £227k and service charges of £2,137k. Current forecasts of future payments, assuming satisfactory performance over the remaining 4 years of the contract, are set out below. As payments to the contractor are index linked, these figures are based on current indexation rates and may vary if rates alter.

| | Payment for Services £'000 | Reimbursement of Capital Expenditure £'000 | Interest £'000 | Total £'000 |
|---|---|---|---|---|
| Within 1 year | 3,554 | 216 | 119 | 3,889 |
| 2 - 5 years | 4,303 | 102 | 32 | 4,437 |
| **Total** | **7,857** | **318** | **151** | **8,326** |

In 2018/19 Barnhill Community High school transferred to academy status resulting in the removal of the property from the Council's asset register; however, the liability will remain in place until it is extinguished in 2023/24. The Council will have no responsibility after this date.

The charge for the current year was £219k matching the principal repayment. The outstanding liability of the capital value at 31 March 2022 is £318k, of this £216k is due within a year and therefore included in creditors and the remaining £102k is included as a deferred liability.

## 38. CONTINGENT LIABILITIES AND ASSETS

***Contingent asset –***

The Council has entered into legal proceedings to recover costs against an organisation from which it purchased a block of flats. The costs are estimated at £15.4m and relate to significant fire safety and structural defects works and associated costs.

***Contingent liability –***

The Council has a number of potential claims which may be pending; the liabilities associated with these potential claims could total £600k collectively.

## 39. EVENTS AFTER THE BALANCE SHEET DATE

Events taking place after the 31st March 2022 are not reflected in the financial statements or notes, unless they are of such importance that non-disclosure would affect the ability of users to make proper evaluations and decisions. Where events taking place before this date provided information about conditions existing at 31 March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no events to report after the Balance Sheet date that deem adjustment or disclosure in the accounts.

## 40. AGENCY

### Collection of Mayoral CIL

The Community Infrastructure Levy (CIL) is a planning charge, introduced by the Planning Act 2008, as a tool for local authorities in England and Wales to help deliver infrastructure to support the development of their area. Following this, the Mayoral CIL (MCIL) was introduced to assist in financing Crossrail. The MCIL Levy was ratified on 29 February 2012 and applies to developments agreed after 1 April 2012. The levy is charged on most developments in Central London and is charged at £35 per square metre (MCIL1) or £60 per square metre (MCIL2) in Zone 2. Local planning authorities are responsible for collecting Mayoral CIL payments on behalf of the Mayor. The local planning authority is able to retain 4% of the levy to cover the costs of administration and collection. Contributions of £8,282k have been received this year and £7,731k has been paid over to the charging authority (Transport for London) with £331k retained by the Council to cover administrative expenses.

### COVID-19 Agency Grants

In 2020-21, grants received from the Department of Business, Energy & Industrial Strategy (BEIS) of £59,816k were processed through the Council's accounts, where the Council acted as an agent on behalf of BEIS and passported these funds to local businesses to support them during the COVID-19 pandemic. In addition to this, a further £28k was passported to Uxbridge BID in 2020-21 as part of a scheme run by the MCCLG to support the nation's Business Improvement Districts. In 2021-22, not grants received were considered to be Agency grants.

## 41. SUMMARY OF TREASURY MANAGEMENT POLICY

The Council defines its treasury management activities as:

"The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

The Council's underlying need to borrow for capital purposes is measured by reference to the Capital Financing Requirement which represents the cumulative capital expenditure of the Council that has not been financed from internal resources.

The Council's borrowing will be affordable, sustainable, and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.

The Council's primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Authority's investments followed by the yield earned on investments remain important but are secondary considerations.

## 42. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

### Financial Instruments - Risks

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

- 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: Treasury**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. The Council manages credit risk by ensuring treasury investments are only placed with organisations of high credit quality as outlined in the Treasury Management Strategy. These include financial institutions with a minimum long term credit rating of A- (Fitch); A3 (Moody's); A- (S&P) for UK counterparties, A+ (Fitch); A1 (Moody's); A+ (S&P) for Overseas counterparties and AA+ (Fitch); Aa1 (Moody's); AA+ (S&P) for non-UK sovereigns, the UK government, other local authorities and organisations without credit ratings upon which the Council has received independent investment advice. The Treasury Management Strategy also sets maximum sums that can be invested with any financial institution.

The Council also considers other information such as corporate developments, market sentiment towards investment counterparties and other sources of intelligence before making deposits.

**Credit Rating Definitions**

| Long Term | | Money Market Funds |
|---|---|---|
| AAA | Highest credit quality | Fitch: AAAmmf : Extremely strong capacity to achieve fund's investment objective of preserving principal and providing shareholder liquidity through limiting credit, market, and liquidity risk. |
| AA | Very high credit quality | |
| A | High credit quality | |
| BBB | Good credit quality | |
| BB | Speculative | Moody's: Aaa Money Market Funds are judged to be of an investment quality similar to Aaa-rated fixed income obligations. |
| B | Highly speculative | |
| CCC | Default possibility | S&P: AAAm has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market and/or liquidity risks. |
| CC | Default imminent | |
| D | Defaulted | |

# Notes to the Main Financial Statements

The table below summarises the credit risk exposures of the Council's treasury investment portfolio and other receivables by credit rating and remaining time to maturity, also identifying any expected loss:

| | 31 March 2022 | | | | 31 March 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Rating at 31 March 2022*** | **Long Term £'000** | **Short Term £'000** | **Expected Loss £'000** | **Rating at 31 March 2021*** | **Long Term £'000** | **Short Term £'000** | **Expected Loss £'000** |
| **Credit Risk Exposures** | | | | | | | | |
| UK Banks: | | | | | | | | |
| - Barclays Current Accounts | A | 0 | 3,936 | 0 | A | 0 | 3,283 | 0 |
| - Handelsbanken Current Account | AA | 0 | 1 | 0 | N/A | 0 | 0 | 0 |
| - HSBC Current Accounts | A+ | 0 | 82 | 0 | A+ | 0 | 38 | 0 |
| - Lloyds Current Accounts | A+ | 0 | 14,303 | 0 | A+ | 0 | 19,163 | 0 |
| - Lloyds Short-Term Deposit | A+ | 0 | 1,461 | 0 | A+ | 0 | 1,360 | 0 |
| - NatWest Current Accounts | A | 0 | (3,255) | 0 | A | 0 | 5,068 | 0 |
| - Santander Current Accounts | A | 0 | 1 | 0 | A | 0 | 6,505 | 0 |
| **Sub Total** | | **0** | **16,529** | **0** | | **0** | **35,417** | **0** |
| **Investments where credit loss is not applicable** | | | | | | | | |
| Government & Local Authority Investments: | | | | | | | | |
| - DMADF | AA- | 0 | 34,001 | N/A | | | | |
| Money Market Funds | AAA** | 0 | 32,700 | N/A | AAA** | 0 | 21,700 | N/A |
| Pooled Funds (Long-Term) | Unrated | 13 | 0 | N/A | Unrated | 12 | 0 | N/A |
| Strategic Pooled Funds | Unrated | 14,553 | 0 | N/A | Unrated | 15,309 | 0 | N/A |
| Shares in Listed Companies (Long-Term) | Unrated | 57 | 0 | N/A | Unrated | 99 | 0 | N/A |
| Hillingdon First Limited | Unrated | 4,500 | 0 | N/A | Unrated | 3,800 | 6,771 | N/A |
| Cash Held By Council | N/A | 0 | 24 | N/A | N/A | 0 | 31 | N/A |
| **Sub Total** | | **19,123** | **66,725** | **0** | | **19,220** | **28,502** | **0** |
| Trade Receivables - Simplified Approach | | 0 | 32,704 | (6,475) | | 0 | 33,184 | (9,033) |
| **Sub Total** | | **0** | **32,704** | **(6,475)** | | **0** | **33,184** | **(9,033)** |
| **Total** | | **19,123** | **115,958** | **(6,475)** | | **19,220** | **97,103** | **(9,033)** |

*Ratings provided are the Fitch rating or lowest equivalent, ** All funds held with AAAmmf or equivalent ratings with at least one of the rating agencies

Loss Allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies. Loss allowances as at 31 March 2022 and 31 March 2021 have been calculated on treasury investments held at amortised cost but are immaterial and therefore no impairments have been made.

Loss allowances on trade receivables are calculated using a simplified approached based on historic experience adjusted for current and forecast influences. Credit impairment assessments are carried out annually with the total balance sheet carrying amount being adjusted and the movement being allocated to the CIES accordingly.

The Council's credit risk on lease receivables is mitigated by its legal ownership of the assets leased, which can be repossessed if the debtor defaults on the lease contract.

**Borrowing**

The policy on borrowing is to spread exposure between Public Works Loans Board (PWLB), local authorities and market sources. This enables the Council to avail itself of rescheduling facilities offered by PWLB and to obtain favourable rates, when offered by the market.

| | 31 March 2022 | | | | 31 March 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | PWLB | Market | Temporary Local Authorities | Total | PWLB | Market | Temporary Local Authorities | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Nominal Value | 208,838 | 48,000 | 100,000 | **356,838** | 179,671 | 48,000 | 100,000 | **327,671** |
| Premium | (9,528) | 0 | 0 | **(9,528)** | (9,579) | 0 | 0 | **(9,579)** |
| Accrued Interest | 416 | 612 | 127 | **1,155** | 298 | 609 | 198 | **1,105** |
| **Amortised Value** | **199,726** | **48,612** | **100,127** | **348,465** | **170,390** | **48,609** | **100,198** | **319,197** |

**Liquidity Risk**

Liquidity risk is the risk that cash will not be available when it is required. This can jeopardise the ability of the Council to carry out its daily functions or disrupt these from being carried out in the most cost-effective manner. To prevent or minimise this risk, the Council has a comprehensive cash flow management process that seeks to ensure that cash is available as needed. If unexpected movements occur, the Council has ready access to borrowings from money markets and the PWLB. There is no significant risk that the Council will be unable to raise finance to meet its commitments.

Instead the risk to which the Council is exposed is when loans or other forms of capital financing mature, they cannot be refinanced where necessary on terms that reflect the assumptions made in formulating revenue and capital budgets. The policy on debt redemption is to maintain a fairly stable fall out of debt required to be refinanced each year. To achieve this, targets are set within the Treasury Management Strategy which limit the maximum amount of debt maturities within specific time periods. This spreads the risk of interest rate exposure so all debt is not subject to renewal at the same time. The maturity analysis of financial liabilities is as follows:

| | Limit for Debt Maturity | Actual % Debt Maturity 31 March 2022 | Principal Repayment £'000 | Principal and Interest Repayments £'000 | Actual % Debt Maturity 31 March 2021 | Principal Repayment £'000 | Principal and Interest Repayments £'000 |
|---|---|---|---|---|---|---|---|
| Less than 1 year | 50% | 25.6% | 89,321 | 96,412 | 16.3% | 51,939 | 59,734 |
| Between 1 and less than 2 years | 50% | 9.5% | 33,167 | 40,667 | 19.1% | 60,833 | 68,268 |
| Between 2 and less than 5 years | 50% | 9.9% | 34,500 | 55,838 | 8.6% | 27,500 | 47,561 |
| Between 5 and less than 10 years | 100% | 15.5% | 53,833 | 83,781 | 13.2% | 42,167 | 71,763 |
| Between 10 and less than 20 years | 100% | 20.2% | 70,571 | 114,625 | 18.6% | 59,667 | 105,245 |
| Between 20 and less than 30 years | 100% | 0.0% | 0 | 34,805 | 3.2% | 10,071 | 44,874 |
| Between 30 and less than 40 years | 100% | 5.5% | 19,072 | 45,398 | 6.0% | 19,021 | 47,034 |
| Between 40 and less than 50 years | 100% | 11.2% | 39,000 | 48,462 | 12.2% | 39,000 | 50,089 |
| Over 50 years | 100% | 2.6% | 9,000 | 10,363 | 2.8% | 9,000 | 10,709 |
| **Total** | | **100.0%** | **348,464** | **530,351** | **100.0%** | **319,198** | **505,277** |

In addition to debt that falls out naturally in any year, the Council can choose to redeem debt early as part of its overall debt management policy. This assists in restructuring the Council's debt portfolio and although in the short term a premium charge may be incurred, longer term finance costs may be significantly reduced. LOBO loans have been included at their final maturity date.

**Interest Rate Risk**

The Council is exposed to risks arising from movements in interest rates. To manage interest rate risk the Council will aim to balance variable rate debt with its exposure to variable rate investments. This approach will offset any increase or decrease in borrowing costs with comparable changes in investment income. The Council is required to set an indicator to control the Council's exposure to interest rate risk. The interest rate risk indicator Limit Upper limit on one-year revenue impact of a 1% rise in interest rates is £1.0m; Upper limit on one-year revenue impact of a 1% fall in interest rates is (£1.0m). The impact of a change in interest rates is calculated both on the assumption that fixed-rate maturing loans and investments will be replaced at their existing fixed rates and with a forecast maximum variable rate net investment and debt position of £100m.

Movements in interest rates can impact the Council in several ways. 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 will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates and pooled funds – 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.

If interest rates had been 1% higher (based on 2021/22 balances and with all other variables held constant) the financial effect would be:

| | £'000 |
|---|---|
| Increase in interest payable on variable rate borrowings | 367 |
| Increase in interest receivable on variable rate investments | (568) |
| Decrease in fair value of investments held at FVPL charged against provision of services | 388 |
| **Impact on Surplus or Deficit on the Provision of Services** | **187** |
| **Share of overall impact credited to the HRA** | **5** |
| Decrease in fair value of investments held at FVOCI | 0 |
| **Impact on Other Comprehensive Income and Expenditure** | **0** |
| Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure) | 30,616 |

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. The fair value assumptions are based on the same methodology as used in the "Fair Value" disclosure note.

**Price Risk**

The Council has a small historic holding of £57k classified as shares in listed companies. Based on the holding value at 31 March 2022 a 5% fall in share prices would result in a £3k charge to the Income and Expenditure Account.

The Council's investment in pooled equity funds is subject to the risk of falling share prices. This risk is limited by the Council's maximum exposure to equity investment of £15m. Based on the holding value at 31 March 2022 a 5% fall in share prices would result in transfer of £71k to Financial Instruments Revaluation Reserve.

The market prices of the Council's units in pooled funds are governed by prevailing interest rates and the market risk associated with these instruments which is managed alongside interest rate risk.

**Foreign Exchange Risk**

All the financial assets and liabilities are denominated in GBP and thus have no exposure to loss arising from movements in exchange rates.

# Notes to the Main Financial Statements

**Financial Liabilities**

The majority of borrowing made by the Council is sourced from the PWLB (£208,838k nominal value 31 March 2022; all at fixed rates). Borrowing at fixed rates enables the Council to enjoy stability of costs in future years and helps improve budgetary processes. Fixed rates protect the Council from interest rate increases but in contrast exposes it to opportunity costs should rates fall. Borrowing at variable rates currently allows the Council to source debt at levels which are considerably lower than fixed rate debt. Sourcing debt from the PWLB allows the Council to reschedule or prematurely redeem debt and the portfolio is continually monitored to take advantage of opportunities that may present themselves periodically to reduce overall costs.

£36,000k of debt (nominal value) is held in "Lenders Option Borrowers Option" (LOBO) market loans. These have been set to provide varying periods of fixed rate ranges with subsequent options for the lender to change this rate on agreed dates. Over the next three years loans totalling £5,000k, £5,000k and £6,000k respectively are scheduled for rate change options. In addition, the Council holds £12,000k of fixed-rate market loans and £100,000k of Local Authority to Local Authority borrowing.

Although the Council continued to utilise internal balances to reduce the need to borrow, significant external borrowing was also required during 21/22 to ensure liquidity was maintained. Throughout the period temporary maturing local authority loans were replaced, retaining the £100,000k total in March. The portfolio increased by £29,167k because of £35,000k new PWLB borrowing and £5,833k of naturally maturing longer term debt, leaving a balance at year-end of £356,838k.

**Financial Assets**

The Council had a weighted average balance of investments for 2021/22 of £85,766k. Throughout the year deposits were placed in instant access accounts, pooled funds, in fixed-term deposits with varying maturity periods. This approach aimed to match investment maturities with expected expenditure and so spread interest rate risk. At year-end there were no deposits with maturities extending one year and therefore all instruments are classified as variable.

The Council has invested a total of £9,871k in its wholly owned subsidiary; a short-term loan of £6,500k and a long-term investment of £3,371k in shares in the subsidiary. During 21/22 the £6,500k short term loan was repaid to the Council but the investment in shares remains. The objective of Hillingdon First Limited is to deliver a financial return to the Council and provide housing and or a commercial unit for sale or rent. It will achieve this by the generating of long-term sustainable revenue streams through the delivery of high-quality housing to meet the needs of Hillingdon’s residents.

The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. While one of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. To limit these risks, upper limits on the sums invested in each category have been set in Table 1 below. Furthermore, the Council is protected against any loss through a charge over the assets of Hillingdon First Ltd.

**Table 1 - Loans & Shares for Service Purposes**

| Hillingdon First Ltd | 2021/22 Approved Limit £m |
|---|---|
| Loans | 0-35 |
| Shares | 0-50 |
| **TOTAL** | **50** |

**43. PENSION SCHEMES**

**Defined Benefit Pension Schemes**

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits that include retirement pensions, dependent pensions, death grants and lump sum payments. Although these benefits will not actually be payable until employees retire, the Council's commitment to make future payments needs to be disclosed as the future entitlement is earned.

The Council participates in four defined benefit pension schemes; two funds of the Local Government Pension Scheme (LGPS), the Teachers' Pension Scheme and the NHS Pension Scheme. Accounting for the Teachers' Pension Scheme and NHS scheme varies from that of the LGPS and is expanded upon further within this note.

**LGPS**

The two LGPS scheme funds are:

- London Borough of Hillingdon (LBH) Pension Fund of the LGPS for employees, administered locally by the Council.
- London Pension Fund Authority (LPFA) Pension Fund of the LGPS, which is a closed arrangement for former employees administered by the London Pension Fund Authority.

For the London Borough of Hillingdon LGPS, contributions are made at a level intended to balance the pensions liabilities with investment assets. The adequacy of the funds' contributions and investments to resource future liabilities is reviewed tri-annually by actuaries appointed by the Council. Contribution rates are then set to meet the overall liabilities of the fund under Pension Fund Regulations. During 2021/22 the employer's contribution rate was 24.1%.

Employees contributed at variable rates between 5.5% and 12.5% of pensionable salary. The employer's contribution rate set for 2022/23 is 24.1% with any pension strain costs being directly attributable to the service area, as was the case in 2021/22.

The London Pension Fund Authority (LPFA) Pension Scheme has been combined with London Borough of Hillingdon Pension Fund in the figures within this note as it is a closed non-contributing fund for a number of former employees.

**Teachers' Pension Scheme**

Teachers employed by the Council are members of the Teachers' Pension Scheme. This fund is administered by the Department for Education and provides teachers with defined benefits upon their retirement. The Council contributes towards the pensions by making payments to the fund based on a percentage of members' pensionable salaries. The employer's contribution rate for 2021/22 was 23.68% (the rate in 2020/21 was 23.68%). The total contribution to the fund by the Council in 2021/22 was £11,125k (£11,124k in 2020/21), of this amount £941k was outstanding at 31 March 2022 (£935k at 31 March 2021).

The Teachers' Pension Scheme is a defined benefit scheme. Although the scheme is unfunded, a notional fund is used as a basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this statement of accounts it is therefore accounted on the same basis as a defined contribution scheme. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teacher's scheme. There was £297k paid in respect of on-going early retirement payments in 2021/22 (£457k in 2020/21).

**NHS Pension Scheme**

The Health and Social Care Act 2012 made provision for the transfer of public health services and staff from primary care trusts (PCTs) to local authorities. As a result of this transfer, the Council is responsible for deduction of pension contributions, both employees and employers from transferred staff. These contributions are forwarded on directly to the National Health Service Pension Scheme. The National Health Service Pension Scheme is unfunded and administered by National Health Service Business Services Authority (NHSBSA). It is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this statement of accounts it is therefore accounted on the same basis as a defined contribution scheme. The pension cost charged to the accounts is the contribution rate set by the NHSBSA. In 2021/22 the Council paid a total of £32.9k, £36.3k in 2020/21) to the NHS Pension Scheme, representing 14.38% of pensionable pay. The Department of Health and Social Care's transitional arrangement for the increase of employer contributions continued in 2021/22. This means that in 2021/22 all employers continued to pay 14.38% in employer contributions including 0.08% for the scheme administrator charge under the normal monthly payment process to the NHS Pension Scheme. This rate will continue to be paid in 2022/23.

**Transactions relating to retirement benefits**

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required against council tax is based on the cash payable in the year, so the real cost of 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 via the Movement in Reserves Statement during the year:

| **Comprehensive Income and Expenditure Statement** | **LBH Pension Fund** | | **LPFA Pension Fund** | | **Total** | |
|---|---|---|---|---|---|---|
| | **31 March 2022 £'000** | **31 March 2021 £'000** | **31 March 2022 £'000** | **31 March 2021 £'000** | **31 March 2022 £'000** | **31 March 2021 £'000** |
| **Cost of Services** | | | | | | |
| Current Service Cost | 55,490 | 35,534 | 0 | 0 | 55,490 | 35,534 |
| Past Service Costs (Including curtailments) | 202 | 376 | 0 | 0 | 202 | 376 |
| (Gain)/Loss Settlements | (2,254) | 0 | 0 | 0 | (2,254) | 0 |
| Administration Expenses | 879 | 869 | 0 | 1 | 879 | 870 |
| Financing and Investment Income and Expenditure: | | | | | 0 | 0 |
| Net Interest Expense | 14,973 | 11,936 | 38 | 50 | 15,011 | 11,986 |
| **Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services** | **69,290** | **48,715** | **38** | **51** | **69,328** | **48,766** |
| **Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement** | | | | | | |
| Remeasurement of the net defined benefit liability comprising: | | | | | | |
| Return on plan assets (excluding the amount included in the net interest expense) | (69,880) | (132,028) | (9) | (49) | (69,889) | (132,077) |
| Actuarial gains and losses arising on changes in financial assumptions | (93,865) | 324,770 | (51) | 213 | (93,916) | 324,983 |
| Other | 693 | 9,358 | 7 | (68) | 700 | 9,290 |
| **Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement** | **(163,052)** | **202,100** | **(53)** | **96** | **(163,105)** | **202,196** |
| **Movement in Reserves Statement** | | | | | | |
| Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code | (39,882) | (19,179) | (35) | (48) | (39,917) | (19,227) |
| **Actual amount charged against the General Fund** | | | | | | |
| **Balance for pensions in the year:** | | | | | | |
| Employer's contributions payable to scheme | (27,493) | (27,462) | 0 | 0 | (27,493) | (27,462) |
| Contributions in respect of unfunded benefits | (1,916) | (2,074) | (3) | (3) | (1,919) | (2,077) |
| **Total Employers Contributions Payable to Scheme** | **(29,409)** | **(29,536)** | **(3)** | **(3)** | **(29,412)** | **(29,539)** |

In addition, the Comprehensive Income and Expenditure Statement included an actuarial gain of £163,105k in 2021/22 (£202,196k actuarial loss in 2020/21). Any impact of foreign exchange rates will come through as a result of market value movements in asset holdings.

The Council expects to make payments of £25,455k (2021/22 actual £26,168k) in respect of contributions to the LBH Pension Fund during the financial year 2022/23.

## 44. PENSION SCHEMES BALANCE SHEET DISCLOSURES

### Reconciliation of present value of scheme liabilities

| | LBH Pension Fund | | LPFA Pension Fund | | Total | |
|---|---|---|---|---|---|---|
| | 31 March 2022 £'000 | 31 March 2021 £'000 | 31 March 2022 £'000 | 31 March 2021 £'000 | 31 March 2022 £'000 | 31 March 2021 £'000 |
| **Opening Benefit Obligation** | 1,716,627 | 1,353,063 | 2,607 | 2,711 | 1,719,234 | 1,355,774 |
| Current Service Cost | 55,490 | 35,534 | 0 | 0 | 55,490 | 35,534 |
| Administration Expenses | 879 | 869 | 0 | 0 | 879 | 869 |
| Interest on defined liability | 34,441 | 31,080 | 39 | 57 | 34,480 | 31,137 |
| Contributions by Members | 7,362 | 7,215 | | | 7,362 | 7,215 |
| Remeasurement (gains) and losses: | | | | | | |
| - Actuarial (gains)/losses arising from changes in financial assumptions | (93,865) | 324,770 | (51) | 213 | (93,916) | 324,983 |
| - Other | (12,698) | 9,358 | 7 | (68) | (12,691) | 9,290 |
| Past Service Cost including Curtailments | 202 | 376 | 0 | 0 | 202 | 376 |
| Liabilities Extinguished on Settlements | (3,411) | 0 | 0 | 0 | (3,411) | 0 |
| Estimated Unfunded Benefits Paid | (1,916) | (2,074) | (3) | (3) | (1,919) | (2,077) |
| Estimated Benefits Paid | (44,843) | (43,564) | (287) | (303) | (45,130) | (43,867) |
| **Closing Defined Benefit Obligation** | **1,658,268** | **1,716,627** | **2,312** | **2,607** | **1,660,580** | **1,719,234** |

### Reconciliation of fair value of scheme assets

| | LBH Pension Fund | | LPFA Pension Fund | | Total | |
|---|---|---|---|---|---|---|
| | 31 March 2022 £'000 | 31 March 2021 £'000 | 31 March 2022 £'000 | 31 March 2021 £'000 | 31 March 2022 £'000 | 31 March 2021 £'000 |
| **Opening Fair Value of Employer Assets** | 979,636 | 837,351 | 209 | 457 | 979,845 | 837,808 |
| Interest Income on Plan Assets | 19,467 | 19,144 | 1 | 7 | 19,468 | 19,151 |
| Contributions by Members | 7,362 | 7,215 | 0 | 0 | 7,362 | 7,215 |
| Contributions by the Employer | 27,493 | 27,462 | 0 | 0 | 27,493 | 27,462 |
| Contributions in respect of Unfunded Benefits | 1,916 | 2,074 | 3 | 3 | 1,919 | 2,077 |
| Remeasurement (gains) and losses: | | | | | | |
| - The return on plan assets, excluding the amount in the net interest expense | 69,880 | 132,028 | 9 | 49 | 69,889 | 132,077 |
| - Other | (13,391) | 0 | 0 | 0 | (13,391) | 0 |
| Assets Distributed on Settlements | (1,157) | 0 | 0 | 0 | (1,157) | 0 |
| Administration Expenses | 0 | 0 | | | 0 | 0 |
| Estimated Unfunded Benefits Paid | (1,916) | (2,074) | 0 | (1) | (1,916) | (2,075) |
| Estimated Benefits Paid | (44,843) | (43,564) | (290) | (306) | (45,133) | (43,870) |
| **Closing Fair Value of Employer Assets** | **1,044,447** | **979,636** | **(68)** | **209** | **1,044,379** | **979,845** |

Administration costs are included within liabilities for the LBH Pension Fund and within assets for the LPFA Pension Fund as determined by the respective actuaries.

The LBH return on scheme assets is based on actual fund returns as provided by the administering authority at 9.2%

The LPFA return is based on investment returns and market returns estimated where necessary.

### Pension Scheme assets comprised

| | LBH Pension Fund | | | | LPFA Pension Fund | | | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Quoted in Active Markets (Level 1) 21/22 | Not Quoted in Active Markets (Level 2&3) 21/22 | Quoted in Active Markets (Level 1) 20/21 | Not Quoted in Active Markets (Level 2&3) 20/21 | Quoted in Active Markets (Level 1) 21/22 | Not Quoted in Active Markets (Level 2&3) 21/22 | Quoted in Active Markets (Level 1) 20/21 | Not Quoted in Active Markets (Level 2&3) 20/21 | 31 March 2022 | 31 March 2021 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Equity Instruments** | | | | | | | | | | |
| Consumer | 0 | 0 | 0 | 0 | (8) | 0 | 22 | 0 | (8) | 22 |
| Manufacturing | 0 | 0 | 0 | 0 | (4) | 0 | 11 | 0 | (4) | 11 |
| Energy & Utilities | 0 | 0 | 0 | 0 | (1) | 0 | 2 | 0 | (1) | 2 |
| Financial Institutions | 0 | 0 | 0 | 0 | (4) | 0 | 10 | 0 | (4) | 10 |
| Health & Care | 0 | 0 | 0 | 0 | (2) | 0 | 7 | 0 | (2) | 7 |
| Information Technology | 0 | 0 | 0 | 0 | (10) | 0 | 25 | 0 | (10) | 25 |
| Other | 24 | 0 | 36 | 67 | (1) | 0 | 7 | 0 | 23 | 110 |
| **Debt Securities** | | | | | | | | | 0 | 0 |
| Other | 0 | 0 | 0 | 0 | (2) | 0 | 9 | 0 | (2) | 9 |
| **Private Equity** | 0 | 7,597 | 0 | 10,681 | 0 | (6) | 0 | 18 | 7,591 | 10,699 |
| **Real Estate** | 0 | 141,739 | 0 | 115,265 | 0 | (6) | 0 | 19 | 141,733 | 115,284 |
| **Investment Funds & Unit Trusts** | | | | | | | | | 0 | 0 |
| Equities | 0 | 525,742 | 0 | 493,408 | 0 | 0 | 0 | 0 | 525,742 | 493,408 |
| Bonds | 0 | 269,890 | 0 | 317,185 | 0 | 0 | 0 | 0 | 269,890 | 317,185 |
| Infrastructure | 0 | 39,561 | 0 | 28,911 | 0 | (7) | 0 | 17 | 39,554 | 28,928 |
| Other | 0 | 50,009 | 0 | 1,131 | 0 | 0 | 0 | 0 | 50,009 | 1,131 |
| **Target Returns** | 0 | 0 | 0 | 0 | (7) | (5) | 23 | 17 | (12) | 40 |
| **Cash & Cash Equivalents** | 9,885 | 0 | 12,952 | 0 | (5) | 0 | 20 | 2 | 9,880 | 12,974 |
| | **9,909** | **1,034,538** | **12,988** | **966,648** | **(44)** | **(24)** | **136** | **73** | **1,044,379** | **979,845** |

LBH allocation between quoted and not-quoted investments reflects the fair value hierarchy shown in the Pension Fund Accounts.

### Pensions Assets and Liabilities recognised in the Balance Sheet

| | 2021/22 £'000 | 2020/21 £'000 | 2019/20 £'000 | 2018/19 £'000 | 2017/18 £'000 | 2016/17 £'000 | 2015/16 £'000 |
|---|---|---|---|---|---|---|---|
| **Present value of liabilities:** | | | | | | | |
| LBH | (1,658,268) | (1,716,627) | (1,353,063) | (1,518,557) | (1,395,187) | (1,381,086) | (1,123,590) |
| LPFA | (2,312) | (2,607) | (2,711) | (3,567) | (3,783) | (4,283) | (4,660) |
| **Fair Value of Assets:** | | | | | | | |
| LBH | 1,044,447 | 979,636 | 837,351 | 904,602 | 873,391 | 862,749 | 740,154 |
| LPFA | -68 | 209 | 457 | 832 | 1,111 | 1,450 | 1,613 |
| **Deficit in the scheme:** | | | | | | | |
| LBH | (613,821) | (736,991) | (515,712) | (613,955) | (521,796) | (518,337) | (383,436) |
| LPFA | (2,380) | (2,398) | (2,254) | (2,735) | (2,672) | (2,833) | (3,047) |
| **Total** | **(616,201)** | **(739,389)** | **(517,966)** | **(616,690)** | **(524,468)** | **(521,170)** | **(386,483)** |

The liabilities show the underlying commitments that the Council has in the long term to pay retirement benefits. The total liability of £1,660m is offset by the scheme assets of £1,044m to give the net pension liability of £616m as disclosed on the balance sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains viable: the deficit on the LBH scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary, in addition to ongoing investment returns.

## 45. PENSION SCHEMES BASIS OF ESTIMATION

### 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 for both LBH and LPFA have been assessed by their appointed actuary, estimates for the LBH scheme being based on the latest full valuation of the scheme as at 31 March 2022. The appointed actuary for LBH is Hymans Robertson LLP and for LPFA is Barnett Waddingham.

| | LBH Pension Fund | | LPFA Pension Fund | |
|---|---|---|---|---|
| | 31 March 2022 | 31 March 2021 | 31 March 2022 | 31 March 2021 |
| Financial Assumptions: (% | | | | |
| Pension Increase Rate | 3.20% | 2.85% | 3.60% | 2.80% |
| Salary Increase Rate | 3.70% | 3.15% | 4.60% | 3.80% |
| Discount Rate | 2.70% | 2.00% | 2.60% | 1.60% |
| Mortality Assumptions: | | | | |
| Longevity at 65 for current pensioners: | | | | |
| - Men | 22.3 | 22.3 | 22.0 | 22.0 |
| - Women | 24.8 | 24.7 | 24.6 | 24.6 |
| Longevity at 65 for future pensioners: | | | | |
| - Men | 23.0 | 23.3 | 23.4 | 23.3 |
| - Women | 26.0 | 26.2 | 26.1 | 26 |
| Take-up of option to convert annual pension to tax free lump sum pre-April 2008 | 55% | 65% | 50% | 50% |
| Take-up of option to convert annual pension to tax free lump sum post-April 2008 | 55% | 85% | 0% | 0% |

### Sensitivity Analysis

The estimation of the defined benefit obligation is sensitive to principal actuarial assumptions used to measure the scheme. The sensitivity analyses below have been based on possible changes to principal assumptions occurring at the end of the reporting period and assumes all other assumptions remain constant. For example, the assumptions in longevity assume that life expectancy increases or decreases. The estimations on sensitivity analysis have followed the accounting policies of the scheme. The methods and types of estimations in sensitivity analysis have not changed from those in the previous period. Life expectancy is based on the Fund's Vita Curves with improvements in line with the Continuous Mortality Investigation (CMI) 2020 model

| | LBH Pension Fund | | LPFA Pension Fund | |
|---|---|---|---|---|
| | % Increase to Employer Liability | Increase to Employer Liability £'000 | % Increase to Employer Liability | Increase to Employer Liability £'000 |
| **Changes in Assumptions as at 31** | | | | |
| % Decrease in Real Discount Rate | 2% | 27,707 | (1%) | (16) |
| 1 Year Increase in Member Life Expectancy | 4% | 66,331 | 20% | 472 |
| 0.1% Increase in the Salary Increase Rate | 0% | 2,123 | 0% | 0 |
| 0.1% Increase in the Pension Increase Rate | 2% | 25,389 | 1% | 16 |

*The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, the estimate that a one-year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 4%. In practice the actual cost of a one-year increase in life expectancy will depend on the structure of the revised assumption.

**IAS19 remeasurements of plan amendments, curtailments and settlements**

On 7 February 2018, the IASB issued amendments to IAS19 on accounting for plan amendments, curtailments and settlements ('events'). As set out in IAS19 and CIPFA guidance, it the actuaries understanding that where an event is considered 'significant', the profit and loss account should be remeasured at the date of the event. Where the event is not deemed to be significant, the actuary has not remeasured the profit and loss account in this year's disclosures. In the absence of any instruction or statutory guidance, the actuary has measured significance based on 5% of active membership being affected by any event. If an alternative measure of significance were to apply, changes may be required to our calculations and disclosures, however the closing balance sheet position would remain unchanged. Analysis by the actuary shows there were no significant events for 2021/22.

**Scheme and Impact on the Authorities cash flows**

The LBH Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Committee of the Council. Policy is determined in accordance with the Pension Fund Regulations. The principal risks to the Council in relation to the scheme are the sensitivity of contribution rates to changes in assumptions, investment risk and regulatory risk. These risks are mitigated to an extent by the statutory requirements to charge amounts required by statute as described in the accounting policies note.

The objectives of the LBH LGPS Pension fund are to keep employer's contributions at a rate, which is as constant as possible. The Council's Pension Fund undergoes a triennial valuation to set the contribution rates of the all the employers in the scheme to give a greater than 50% chance of achieving a funding level of 100% within the next 20 years. The current contribution rate was set over the last triennial valuation period ending March 2022 to cover contribution rates of the Council for three years from April 2023. Contributions are set for three years to minimise disruption in cash flow impacts of the Council.

The weighted average duration of the defined benefit obligation for Council scheme members is 19 years as established in the triennial valuation dated 31 March 2022.

Further information about the LBH pension Fund can be seen in the Pension Fund accounts and in the Pension Fund annual report.

**COVID-19 and Ukraine War**

The IAS19 balance sheet is based on financial market values and future market expectation indicators as at 31 March 2022 to comply with the accounting standard. The financial markets at the accounting date will have taken into account risks and opportunities of COVID-19 and the Ukraine War as two of many national and worldwide economic considerations. There has been no explicit additional allowance or adjustment made for COVID19 or the Ukraine war by Hymans Robertson.

Looking at the period 1 April 2020 – 31 March 2021:

- In the immediate aftermath of the invasion, there was a significant fall in the Fund's asset values. However, over the remainder of March 2022, the Fund's assets will have broadly recovered to similar levels to before the invasion.
- Some LGPS Funds had direct Russian investment exposure which may have been written down, however these typically very small proportions (<0.2%) of a Fund's overall assets. The Hillingdon Fund had holdings of 0.06%.

# Other Financial Statements

**Housing Revenue Account (HRA) (page 98)**

There is a statutory duty to account separately for local authority housing provision. The HRA Income and Expenditure Statement shows further detail of the Income and Expenditure on HRA services included in the whole Council Comprehensive Income and Expenditure Statement. It includes the major elements of Council housing revenue expenditure on maintenance, administration and capital financing costs and major income sources such as rents and other income.

**The Collection Fund Account (page 102)**

This account reflects the statutory requirement to maintain a separate Collection Fund which shows the transactions of the billing authority in relation to non-domestic rates and council tax, and illustrates the way in which these have been distributed to preceptors and the general fund. The Collection fund is consolidated with the other accounts of the Council.

**The Pension Fund Account (page 106)**

This fund is not included within the Council's Balance Sheet but is maintained separately. The Council acts as the administrator for the London Borough of Hillingdon Fund of the Local Government Pension Scheme.

# Housing Revenue Account Income and Expenditure Statement

The Housing Revenue Account (HRA) Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and other income. Councils charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

| | Note | 31 March 2022 £'000 | 31 March 2021 £'000 |
|---|---|---|---|
| **Expenditure** | | | |
| Repairs and maintenance | | 11,121 | 9,129 |
| Supervision and management | | 20,991 | 19,455 |
| Rents, rates, taxes & other charges | | 314 | 183 |
| Increase in provision for bad debts | | 454 | 456 |
| Depreciation of non current assets | *3* | 12,208 | 11,046 |
| Impairment or Reversal of previous impairment / revaluation loss | | 26,931 | (6,763) |
| | | **72,019** | **33,506** |
| **Income** | | | |
| Gross dwelling rents | | (58,325) | (57,762) |
| Gross non dwelling rents | | (1,651) | (1,729) |
| Charges for services and facilities | | (3,346) | (3,356) |
| Contributions towards expenditure | | (1,081) | (831) |
| | | **(64,403)** | **(63,678)** |
| **Net Cost of HRA Services as included in the HRA Income and Expenditure Statement** | | **7,616** | **(30,172)** |
| HRA Services share of Corporate and Democratic Core | | 1,041 | 986 |
| **Net Cost of HRA services** | | **8,657** | **(29,186)** |
| (Gain) on sale of HRA non current assets | | (9,696) | (453) |
| Interest payable and similar charges | | 6,483 | 6,435 |
| Interest & Investment Income | | (5) | (9) |
| Capital Grant Income | | (4,188) | (1,169) |
| **(Surplus)/Deficit for the year on HRA services** | | **1,251** | **(24,382)** |

# Movement on the Housing Revenue Account Statement

The Movement on Housing Revenue Account Statement shows how the HRA Income and Expenditure Statement (surplus) / deficit for the year reconciles to the movement on the Housing Revenue Account Balance for the year.

| | Note | 31 March 2022 £'000 | 31 March 2021 £'000 |
|---|---|---|---|
| **HRA Balance 31 March** | | **(15,201)** | **(17,075)** |
| | | | |
| **(Surplus)/Deficit for the year on HRA services** | | (459) | (24,382) |
| **Adjustments between accounting basis & funding basis under regulations** | | | |
| Gain/(Loss) on sale of HRA non current assets | | 10,659 | 453 |
| Premium on early redemption of HRA debt | | 0 | 0 |
| HRA share of contributions to or from the Pension Reserve | | (2,351) | (1,043) |
| Revaluation of Non Current Assets | | (26,184) | 6,763 |
| Annual Leave Accrual Adjustment | | 53 | (93) |
| Revenue Expenditure funded by Capital Under Statute | | 123 | (71) |
| Provision for repayment of debt | | 9,799 | 9,615 |
| Capital Grant Income | | 4,188 | 1,168 |
| **Net Increase before transfer to reserves** | | **(4,172)** | **(7,590)** |
| Transfer to Major Repairs Reserve | | 4,246 | 9,240 |
| Transfer from Earmarked Reserve | | (224) | 224 |
| **(Increase)/Decrease in year on HRA** | | **(150)** | **1,874** |
| | | | |
| **HRA Balance at 31 March** | | **(15,351)** | **(15,201)** |
| **HRA Earmarked Reserve** | | **0** | **(224)** |
| **Major Repairs Reserves** | *7* | **(7,115)** | **(12,784)** |
| **Total HRA Balances** | | **(22,466)** | **(28,209)** |

# Notes to the Housing Revenue Account

**1. HOUSING STOCK**

The Council was responsible at 31 March 2022 for managing dwellings (including shared ownership).
The stock was as follows:

| | Total Properties 31 March 2022 | Total Properties 31 March 2021 |
|---|---|---|
| 1 Bed Properties | 3,739 | 3,711 |
| 2 Bed Properties | 3,483 | 3,464 |
| 3 Bed Properties | 2,748 | 2,754 |
| 4 Bed plus Properties | 256 | 251 |
| **Total** | **10,226** | **10,180** |

**2. VALUE OF HRA ASSETS**

| | Net Book Value 31 March 2022 £'000 | Net Book Value 31 March 2021 £'000 |
|---|---|---|
| Council Dwellings | 811,393 | 786,295 |
| Other Land & Buildings | 1,775 | 3,353 |
| Vehicle, Plant & Equipment | 3,875 | 4,590 |
| Surplus Assets | 656 | 423 |
| Intangible Asset | 86 | 104 |
| | | |
| Assets Held For Sale | 32 | 0 |
| Assets Under Construction | 12,424 | 22,424 |
| **Total** | **830,241** | **817,189** |

The vacant possession value of dwellings within the Council's HRA as at 31 March 2022 was £3,245m; this differs from the balance sheet value of £811m, which is based on the economic use value of social housing. The difference of £2,434m between these two figures shows the economic cost of providing housing at social rents over 30 year cycle compared to open market rents.

**3. DEPRECIATION**

Depreciation charged in year to the HRA

| | Depreciation 31 March 2022 £'000 | Depreciation 31 March 2021 £'000 |
|---|---|---|
| Council Dwellings | 11,403 | 10,398 |
| Other Land & Buildings | 30 | 35 |
| Intangibles | 17 | 17 |
| Surplus Assets | 9 | 8 |
| Vehicle, Plant & Equipment | 749 | 588 |
| **Total** | **12,208** | **11,046** |

# Notes to the Housing Revenue Account

#### 4. CAPITAL EXPENDITURE

HRA Capital Expenditure during 2021/22 totalled £35,046k. This was financed by:

| | 31 March 2022 £'000 | 31 March 2021 £'000 |
|---|---|---|
| Capital Receipts | 8,736 | 6,560 |
| Capital Grants & Contributions | 4,188 | 1,169 |
| Major Repairs Reserve | 22,123 | 22,730 |
| | **35,047** | **30,459** |

Capital receipts from the sale of HRA RTB properties during 2021/22 totalled £10,477k of which £1,171k was paid to Central Government under the pooling arrangements, with £9,306k remaining with the Council.

#### 5. RENT ARREARS

At 31 March 2022 the gross HRA rent arrears amounted to £2,989k (£2,798k in 2020/21).

#### 6. IMPAIRMENT ALLOWANCE

The impairment allowance on all HRA debts as at 31 March 2022 was £2,208k (£2,013k in 2020/21). In year, there was an increase in the HRA impairment allowance of £454k and debts totalling £258k were written off.

#### 7. MAJOR REPAIRS RESERVE

HRA resource accounting requires the maintenance of a Major Repairs Reserve (MRR) and holds depreciation charged to the HRA and revenue contribution to capital expenditure of HRA. The movements on this reserve are shown below.

| | 31 March 2022 £'000 | 31 March 2021 £'000 |
|---|---|---|
| Balance as at 1 April | 12,784 | 15,228 |
| Depreciation transferred to Reserve | 12,208 | 11,046 |
| Transfer to MRR | 4,246 | 9,240 |
| Capital programme funding | (22,123) | (22,730) |
| | **7,115** | **12,784** |

The £7,116k held in this reserve will be used to finance capital expenditure on dwellings.

#### 8. CONTRIBUTIONS TO PENSION RESERVE

The cost of employer's pension contributions in the HRA Income and Expenditure is reported in-line with IAS 19, which requires the current service cost, rather than the actual employer's contribution, be recognised. The HRA increase for 202/22 was £2,351k.

# Collection Fund Account

The Collection Fund is an agent's statement that reflects the statutory obligation for the Council, as a billing authority, to maintain a separate Collection Fund. This statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

| **Council Tax** | **Note** | **31 March 2022 £'000** | **31 March 2021 £'000** |
|---|---|---|---|
| Council Tax Income | | (162,504) | (152,429) |
| Contribution towards previous years' estimated Council Tax (Surplus)/Deficit | *1* | (3,084) | (50) |
| Write-offs Uncollectable Council Tax Debt | | 129 | 47 |
| Write-back Uncollectable Council Tax Debt | | (166) | (2) |
| Provision for Doubtful Council Tax Debts | | 1,361 | 1,470 |
| London Borough of Hillingdon Council Tax Precept | *1* | 126,539 | 120,786 |
| Greater London Authority Council Tax Precept | *1* | 37,119 | 33,907 |
| **Council Tax (Surplus)/Deficit for the Year** | | **(606)** | **3,729** |
| Opening Council Tax (Surplus)/Deficit Balance | | 4,113 | 384 |
| Council Tax (Surplus)/Deficit for the Year | | (606) | 3,729 |
| **Brought Forward Council Tax (Surplus) / Deficit Balance** | | **3,507** | **4,113** |

| **National Non-Domestic Rates (NNDR) & Business Rate Supplement (BRS)** | **Note** | **31 March 2022 £'000** | **31 March 2021 £'000** |
|---|---|---|---|
| National Non-Domestic Rates Income | | (335,102) | (275,967) |
| Business Rate Supplement Income | | (10,177) | (10,110) |
| Contribution towards previous years' estimated NNDR (Surplus)/Deficit | | (104,793) | (11) |
| Write-offs Uncollectable NNDR Debt | | 565 | 420 |
| Write-back Uncollectable NNDR Debt | | (79) | (13) |
| Provision for Doubtful NNDR Debts | | (149) | 3,765 |
| Provision/(Release of Provision) for Backdated Appeal Losses | *3* | (4,285) | 4,566 |
| London Borough of Hillingdon Share NNDR Income | *2* | 110,518 | 112,315 |
| Greater London Authority Share NNDR Income | *2* | 136,305 | 138,521 |
| Central Government Share NNDR Income | *2* | 121,570 | 123,545 |
| Transitional Payment Protection Receivable | | 1,881 | 2,530 |
| Payment to Greater London Authority in respect of BRS Income | | 10,167 | 10,100 |
| NNDR Cost of Collection Allowance | | 566 | 573 |
| BRS Cost of Collection Allowance | | 10 | 10 |
| **NNDR (Surplus)/Deficit for the Year** | | **(73,003)** | **110,244** |
| Opening NNDR (Surplus)/Deficit Balance | | 112,248 | 2,004 |
| NNDR (Surplus)/Deficit for the Year | | (73,003) | 110,244 |
| **Brought Forward NNDR (Surplus)/Deficit Balance** | | **39,245** | **112,248** |

# Notes to the Collection Fund Account

**1. Calculation of the Council Tax Base and 2021/22 Council Tax Revenues**

The Council Tax Base is based upon the number of dwellings within the borough, analysed by valuation band and adjusted for reductions in expected tax yield arising from discounts, exemptions and the Council Tax Support Scheme. The Council Tax Base is set annually in advance of budget setting, with the 2021/22 base agreed by full Council on 14 January 2021.

| Band | Estimated No. of Properties | Discounts & Exemptions | Council Tax Support Scheme | Net Estimated No. of Properties | Band D Equivalent Ratio | Band D Equivalent 2021/22 | Band D Equivalent 2020/21 |
|---|---|---|---|---|---|---|---|
| A | 1,163 | (207) | (175) | 781 | 6/9 | 522 | 486 |
| B | 6,511 | (1,183) | (1,212) | 4,116 | 7/9 | 3,201 | 3,166 |
| C | 26,857 | (3,364) | (3,790) | 19,703 | 8/9 | 17,514 | 17,347 |
| D | 47,681 | (3,781) | (4,440) | 39,460 | 9/9 | 39,461 | 39,748 |
| E | 19,056 | (1,577) | (918) | 16,561 | 11/9 | 20,241 | 20,255 |
| F | 10,131 | (922) | (210) | 8,999 | 13/9 | 12,999 | 13,064 |
| G | 5,312 | (742) | (53) | 4,517 | 15/9 | 7,528 | 7,448 |
| H | 474 | (39) | (4) | 431 | 18/9 | 862 | 852 |
| **Total** | **117,185** | **(11,815)** | **(10,802)** | **94,568** | | **102,328** | **102,366** |
| | | | | | Adjustment for Non-collection | (1,023) | (1,024) |
| | | | | | Ministry of Defence Contribution | 766 | 766 |
| | | | | | **Council Tax Base** | **102,071** | **102,108** |
| | | | | | London Borough of Hillingdon Band D Council Tax (£) | 1,239.72 | 1,182.94 |
| | | | | | Greater London Authority Band D Council Tax (£) | 363.66 | 332.07 |
| | | | | | **Total Band D Council Tax (£)** | **1,603.38** | **1,515.01** |
| | | | | | **Demand on Collection Fund (£'000)** | **163,658** | **154,695** |

Annual precepts levied upon the Collection Fund Account in respect of Council Tax by the Council and Greater London Authority are derived from the Council Tax Base and the Band D Council Tax charge approved for the financial year. The following table analyses all Council Tax activity within the Collection Fund between the major preceptors, with the Council's own activity reflected in the main statement of accounts.

# Notes to the Collection Fund Account

| | Balance 31 March 2021 £'000 | 2021/22 Precept £'000 | Release of Prior Year Estimated Surplus £'000 | 2021/22 Council Tax Revenues £'000 | 2021/22 Deficit £'000 | Balance 31 March 2022 £'000 |
|---|---|---|---|---|---|---|
| London Borough of Hillingdon | 3,210 | 126,539 | (2,775) | (124,624) | (860) | 2,350 |
| Greater London Authority | 903 | 37,119 | (308) | (36,557) | 254 | 1,157 |
| **Total** | **4,113** | **163,658** | **(3,083)** | **(161,181)** | **(606)** | **3,507** |

## 2. National Non-Domestic Rating Income & Business Rate Retention System

National Non-Domestic Rates are levied on the basis of the Valuation Office Agency's assessment of the Rateable Value of a non-domestic property. As at 31 March 2022 the aggregate Rateable Value across the 9,021 hereditaments within the borough totalled £802,925k, with rates payable determined by the National Non-Domestic multiplier which is set annually by Central Government. For 2021/22 the standard multiplier was frozen at 51.2p in the pound and for small businesses 49.9p in the pound.

The Business Rate Retention System requires that locally raised income is shared between the Council (30%), the Greater London Authority (37%) and Central Government (33%). The Council's own share of these revenues are reflected in the main statement of accounts.

| | Balance 31 March 2021 | 2021/22 Budgeted Share of Income | Release of Prior Year Estimated Surplus | 2021/22 Non-Domestic Rates Revenues | 2021/22 Surplus | Balance 31 March 2022 |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| London Borough of Hillingdon | 34,034 | 110,518 | (31,809) | (100,981) | (22,272) | 11,762 |
| Greater London Authority | 41,333 | 136,305 | (38,568) | (124,542) | (26,805) | 14,528 |
| Central Government | 36,881 | 121,570 | (34,417) | (111,079) | (23,926) | 12,955 |
| **Total** | **112,248** | **368,393** | **(104,794)** | **(336,602)** | **(73,003)** | **39,245** |

## 3. Provision for losses on Non-Domestic Rating Income due to back-dated appeals

Non-Domestic Ratepayers are able to challenge the Valuation Office Agency's assessment of the Rateable Value for their property, which if successful will result in a reduction in future payments and in some cases a refund of previously levied rates. 122 such appeals relating to 107 separate hereditaments were outstanding with the Valuation Office Agency as at the 31 March 2022. Given the inherent uncertainty around the financial impact of such appeals, a provision of £2,762k has been established on the basis of past experience. This represents a decrease of £4,285k on the previously held provision, mostly driven by legislation change on Material Change of Circumstances (MCC) based appeals, that removed cases citing Covid-19 Pandemic as 'out of scope'.

# Pension Fund Account

## PENSION FUND ACCOUNT

| | Note | 31 March 2022 £'000 | 31 March 2021 £'000 |
|---|---|---|---|
| Contributions | *4* | 50,669 | 48,681 |
| Transfers In from other pension funds | *5* | 4,297 | 4,803 |
| | | **54,966** | **53,484** |
| Less: Benefits | *6* | (52,029) | (47,211) |
| Less: Payments to and on account of leavers | *7* | (5,048) | (3,541) |
| | | **(57,077)** | **(50,752)** |
| **Net additions/(withdrawals) from dealings with members** | | **(2,111)** | **2,732** |
| Less: Management expenses | *8* | (10,832) | (10,749) |
| **Net additions/(withdrawals) including fund management expenses** | | **(12,943)** | **(8,017)** |
| **Return on investments** | | | |
| Investment income | *9* | 11,858 | 13,667 |
| Profit and losses on disposal of investments and changes in market value of investments | *10A* | 102,033 | 170,519 |
| Taxes On Income | | (35) | (22) |
| **Net return on investments** | | **113,856** | **184,164** |
| **Net Increase/(Decrease) in the fund** | | **100,913** | **176,147** |
| **Net Assets at start of year** | | **1,165,202** | **989,055** |
| **Net Assets at end of year** | | **1,266,115** | **1,165,202** |

## NET ASSETS STATEMENT

| | Note | 31 March 2022 £'000 | 31 March 2021 £'000 |
|---|---|---|---|
| Investment Assets | *10* | 1,264,200 | 1,161,568 |
| Investment Liabilities | *10* | 0 | 0 |
| **Total net investments** | | **1,264,200** | **1,161,568** |
| Current Assets | *11* | 2,939 | 4,323 |
| Current Liabilities | *12* | (1,024) | (689) |
| **Net assets of the fund available to fund benefits at the end of the reporting period** | | **1,266,115** | **1,165,202** |

The Pension Fund Accounts summarise the transactions of the scheme and show the net assets at the disposal of members. They do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at note 18.

**Andy Evans**
**Corporate Director of Finance**
27 September 2023

# Notes to the Pension Fund Account

**1. DESCRIPTION OF THE FUND**

**a. General**

The London Borough of Hillingdon Pension Fund ("the Fund") is part of the Local Government Pension Scheme (LGPS) and is administered by the London Borough of Hillingdon ("the administering body"). The Council is the reporting entity for this pension fund. The Fund is a contributory defined benefits scheme established in accordance with statute to provide benefits to members and retired members of the London Borough of Hillingdon and Admitted and Scheduled bodies in the Fund. Benefits in respect of service from 1 April 2014 are based on career average revalued earnings (CARE) scheme. Benefits in respect of past service up to 31 March 2014 are based on final salary. Pensions move in line with the Consumer Price Index (CPI) annually. Benefits paid out include a pension payable to former members and their dependants, lump sum retirement benefits, payment of death benefits where death occurs in service or retirement, and yearly payment of benefits on medical grounds.

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

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

**b. Membership**

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside of the scheme. Due to government legislation, since 1 February 2013 all new employees who are not in the scheme are automatically enrolled. Members have the option to opt out of the scheme. Employees who have opted out are then re-enrolled every 3 years, when they can again opt out.

Organisations participating in the London Borough of Hillingdon Pension Fund include the following:

- Scheduled bodies, which are automatically entitled to be members of the Fund.
- Admitted bodies, which participate in the Fund under the terms of an admission agreement between the Fund and the employer. Admitted bodies include voluntary, charitable, and similar not-for-profit organisations, or private contractors undertaking a local authority function following outsourcing to the private sector.

Employers who contribute to the Fund in addition to London Borough of Hillingdon are:

**Admitted Bodies:**

AIP – Uxbridge High school

Braybourne Facilities - Bishop Ramsey Cleaners

CCS Homecare Service

Caterlink - Frays Academy

Caterplus – Genuine Dining

Cucina - Ruislip High School

Cucina - Bishopshalt

Energy Kidz Ltd

Greenwich Leisure

Cleantec - Harlington School Cleaners

Taylor Shaw - Haydon Academy Catering

Hayward Services

- Hillingdon School
- Highfield School
- Guru Nanak School
- Ryefield School

Heathrow Travel Care

Herts Catering

Hillingdon & Ealing Citizens Advice

HPS Services FM Limited

NHS - Michael Sobel House

Pabulum - West Drayton Academy

PSD Childcare Limited

**Scheduled Bodies:**

Barnhill Academy

Belmore Academy

Bishop Ramsey Academy

Bishopshalt Academy

Charville Academy

Douay Martyrs Academy

Eden Academy Trust

- Moorcroft School
- Pentland Field School
- Grangewood School
- Sunshine House School

Elliot Foundation Trust

- Hillingdon Primary School
- John Locke Academy
- Pinkwell School

Field End Junior School

Guru Nanak Academy Trust

- Nanak Sar Primary School
- Guru Nanak Sikh Academy

Global Academy

Harefield Academy

Harrow & Uxbridge College

Haydon Academy

Heathrow Aviation Engineering

Hermitage Primary School

LBDS Frays Academy Trust

- Cowley St. Lawrence Academy
- Laurel Lane Academy
- St. Matthews Primary School
- St. Martins Primary School

London Housing Consortium

Orchard Hill College Academy Trust

- Young Peoples Academy
- Skills HUB

Park Federation Trust

- Cranford Park Academy
- Lake Farm Park Federation

QED Academy Trust

- Wood End Academy
- West Drayton Academy
- Coteford Junior Academy
- Queensmead Academy
- Northwood Academy

Rosedale Hewens Academy Trust

- Rosedale College
- Brookside Primary School

Ruislip Academy

Ryefield Primary School

Vyners Academy

Park Academy West London

Swakeleys Academy

Uxbridge Academy

William Byrd School

Willows Academy

# Notes to the Pension Fund Account

| London Borough of Hillingdon Pension Fund | 31 March 2022 | 31 March 2021 |
|---|---|---|
| Number of employers with active members | 69 | 61 |
| **Number of employees in scheme** | | |
| London Borough of Hillingdon | 3,858 | 4,972 |
| Other employers | 2,183 | 2,796 |
| **Total** | **6,041** | **7,768** |
| **Number of Pensioners** | | |
| London Borough of Hillingdon | 6,651 | 6,187 |
| Other employers | 721 | 674 |
| **Total** | **7,372** | **6,861** |
| **Deferred Pensioners** | | |
| London Borough of Hillingdon | 8,995 | 7,566 |
| Other employers | 3,767 | 2,659 |
| **Total** | **12,762** | **10,225** |

*Note: 20/21 number of employees in the scheme was calculated using a different method and if the method was aligned with 21/22, then the number of employees for London Borough of Hillingdon would be Active 6,345, Pensioners - 6,946, Deferred - 9,900. Also, in September 2021 the Fund transitioned administration providers and undertook a data cleansing exercise to ensure all records were recorded and shown in accordance with the new administrators' classifications and methodology. This exercise resulted in an increase in the disclosed membership numbers for pensioners and deferred pensioners.*

### c. Funding

The Fund is financed by contributions from the employers, Pension Fund members and by income from the Fund's investments. The Pension Fund accounts do not take account of liabilities to pay pensions and other benefits in the future. The contributions from the London Borough of Hillingdon and other participating employers are set through the triennial actuarial valuation at a rate sufficient to meet the long-term liabilities of the Fund.

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 for the financial year ending 31 March 2022. Employers also pay contributions into the Fund based on triennial funding valuations. The contributions are based on valuations as of 31 March 2019, this covers the three financial years following 2019/20 (2020/21, 2021/2022 & 2022/23). Currently employer contribution rates range from 18.5% to 37.4% of pensionable pay, as per the 2019 valuation.

### d. Investments

The Pension Fund investments are managed externally by fund managers: Adams Street Partners, AEW UK, JP Morgan Asset Management, Legal & General Investment Management, LGT Capital Partners, London CIV, Macquarie Investments, Permira LLP, and UBS Global Asset Management. In addition, there is one direct investment into pooled funds with M&G Investments.

### e. Governance

The Fund is overseen by the Pensions Committee (comprised of Councillors) and the Pensions Board (comprised of an even number of employer and member representatives). The performance of the fund managers is monitored by the Pensions Committee (Four meetings in 2021-22) and governance is overseen by the Pensions Board (Four meetings in 2021-22). Pensions Committee and Pensions Board consisted of the following members in 2021/22:

**Pensions Committee**

Cllr Martin Goddard (Chairman)
Cllr Duncan Flynn (Vice-Chairman)
Cllr Carol Melvin - until Nov 21
Cllr Tony Eginton - Reserve
Cllr John Morse
Cllr Raju Sansarpuri
Cllr John Hensley – From Dec 2021

**Pensions Board**

Roger Hackett (Scheme Member Representative)
Tony Noakes (Employee Representative)
Anil Mehta – From November 2022
Hayley Seabrook (Employer Representative)- until July 2021
Shane Woodhatch (Employer Representative)

## 2. BASIS OF PREPARATION

The accounts have been compiled in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, which is based on International Financial Reporting Standards (IFRS) as amended for the public sector and underpinned by the Local Government Pension Scheme Regulations. The accounts have been prepared on an accrual basis, except for transfer values, which are accounted for on a cash basis, and summarise the Fund transactions and report on the net assets available to pay pension benefits as of 31 March 2022.

The accounts do not take into account obligations to pay benefits and pensions that fall due after the reporting date (31 March 2022). The Pension Fund Accounts have been prepared on a going concern basis.

## 3. ACCOUNTING POLICIES

a. Valuation of assets

- Market quoted investments: Equities are valued at bid market prices available on the final day of the accounting period.

- Fixed income securities including short-term instruments are priced based on evaluated prices provided by independent pricing services.
- For pooled funds, if bid prices are provided by the Fund administrators, then these are used, otherwise the Net Asset Value (NAV) is used. The NAV for pooled funds is derived by subtracting the fund's liabilities from assets and divide the result by total units/shares within the pooled fund.

- Private Equity is valued using the latest audited valuation from the Limited Partner/General Partner. This is adjusted for any capital calls/distributions that have taken place since the date of the statement. Unquoted investments for Private Placements and Infrastructure are priced using discounted cash flow methodology.

b. Foreign currency translation of assets and liabilities and forward foreign exchange contracts are converted into sterling at the closing middle rates of exchange in the Net Assets Statement. Overseas income is converted at rates of exchange ruling when remitted.

c. Acquisition costs of investments occur as brokerage commission when investments are purchased. They are recorded in the cost figure on an accrual basis.

d. Investment management expenses are recorded at cost when the fund managers/custodian invoice the fund on a quarterly basis or provide a fee schedule deducted at source. Expenses are recorded on an accrual basis. Where an investment manager's complete fee schedule has not been received by year end, an estimate based on the previous quarter's amount is included in the accounts. In 2021/22, no such fees are based on estimates (2020/21: £41k). The fund also agreed with the following fund managers that their fees include elements of performance, Adams Street Partners, AEW UK, Macquarie Infrastructure Partners and Permira LLP.

e. Administration expenses are paid when invoiced by third party providers through the administering authority's payment system and recharged to the Pension Fund.

f. Interest on property developments - property is held in unit trusts for the Pension Fund, the return received is calculated in accordance with the unit price at the Net Assets Statement date.

g. Contribution Income
Normal contributions are accounted for on accrual basis as follows:
- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes, that rise according to pensionable pay.
- Employer contributions are set at a percentage rate recommended by the fund actuary for the period which they relate.

Employer deficit funding contributions are accounted for on the basis advised by the fund actuary in the rates and adjustment certificate issued to the relevant body.
Additional employers' contributions in respect of ill-health are accounted for as part of the tri-ennial valuation exercise and employers' contribution rates adjusted accordingly for relevant employers. Early retirement strain costs are accounted for on accrual basis.

h. Benefits are accounted for in the period in which they fall due. All benefits are calculated in accordance with the statutory regulations in force at the relevant benefit date.

i. Transfers are accounted for on a cash basis, as the amount payable or receivable by the scheme is not determined until payment is made and accepted by the recipient. Group transfers are accounted for under the agreement upon which they are made.

j. Cash and cash equivalents are held in the custody accounts by fund managers as agreed in the individual Investment Management Agreements (IMA). Cash held is at the discretion of the manager but must not exceed the stipulated permitted range in the IMA.

k. Investment Income - dividends from quoted securities are accrued when the securities are quoted ex-dividend. Interest on cash deposits is accrued on daily basis.

**Critical Judgements and Uncertainties**

l. Unquoted Alternative Investments - Fair values of alternative investments are highly subjective in nature. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted alternative investments are valued by investment managers using methods such as IFRS fair value principles, discounted cash flow method and guidelines set out by the International Private Equity and Venture Capital Association (IPEV), of which the British Venture Capital Association is a founding member. The value of alternative investments as of 31 March 2022 was £168,884k (£294,037k on 31 March 2021).

m. Assumptions made about the future and other major sources of estimation uncertainty - The Pension Fund accounts contains estimated figures that are based on assumptions made by the Fund about the future or events 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 the assumptions and estimates.

# Notes to the Pension Fund Account

**Items where there is a significant risk of material movements in value in the financial year are as follows:**

| Item | Uncertainties | Effect if actual results differ from assumptions |
|---|---|---|
| Private equity | Private equity investments are valued at fair value in accordance with British Venture Capital Association guidelines or commensurate overseas equivalent. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. The fair value principles employed to value the underlying investments and the valuation policy remains unchanged. Both managers continue to use the latest valuation available from underlying investment managers, adjusting for any known cash flows and take into account any known and measurable impact. It is important to note that given the evolving situation and the quarterly cycle of private equity valuations, additional data needs to be accessible before a more accurate estimate can be made with regard to potential effects of market events on net asset values. | The total private equity investments in the financial statements are £8,545k. There is a risk that this investment may be under or overstated in the accounts. |
| **Item** | **Uncertainties** | **Effect if actual results differ from assumptions** |
| Infrastructure - Macquarie Infrastructure Real Assets and LCIV Stepstone | Infrastructure Valuation represents the fair value of investments held at 31 March 2022. The valuations have been completed by MIRA (Macquarie Infrastructure Real Assets) in accordance with ASC 820-10 (Fair Value Measurements), under which the fair value is determined to be the price that would be received upon sale of the investments in an orderly transaction between market participants. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. | The total infrastructure alternative investments in the financial statements are £43,208k. There is a risk that this investment may be under or overstated in the accounts. There are no openly traded market prices available for this asset category. |
| **Item** | **Uncertainties** | **Effect if actual results differ from assumptions** |
| Private Finance - M&G | Private Finance investments are valued at par as they are mostly floating rate notes tied to LIBOR. Final valuation is undertaken by the analysts employed by the fund manager as they are not traded on the open market. | The total private finance investments in the financial statements are £1,641k. There is a risk that this investment may be under or overstated in the accounts. There are no openly traded market prices available for this asset category. |

# Notes to the Pension Fund Account

| Item | Uncertainties | Effect if actual results differ from assumptions |
|---|---|---|
| Direct Lending - Permira Credit Solutions & LCIV Private Debt | Private Debt Investments are valued on a quarterly basis and in accordance with International Private Equity and Venture Capital valuation guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. | The total Private Debt investments in the financial statements are £66,537k. There is a risk that this investment may be under or overstated in the accounts. There are no openly traded market prices available for this asset category. |
| **Item** | **Uncertainties** | **Effect if actual results differ from assumptions** |
| Pooled Property - AEW UK & UBS Property | Pooled property assets are valued independently for the respective managers with a lot of subjective and unobservable inputs that may be affected by prevalent socio-economic issues. The underlying assets do not have the luxury of an open market transactional data like Equities and does result in valuation varying by wide degrees. The Assets Value as at 31 March 2022 were not subject to any uncertainty clauses as the funds had fully recovered from the effects of COVID19. | The total Pooled property investments in the financial statement is £48,912k. There is a risk the investments may be over or under stated in the accounts. These asset class of investments are not openly traded and a lot of unobservable inputs are utilised in the valuation of the assets. These unobservable valuation assumptions may have a profound effect on the actual pricing at year end thus skew shown valuation the fund accounts. |
| **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 rates used, the rates at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of actuaries, Hymans Robertson, are engaged to provide the fund with expert advice about the assumptions to be applied. The IAS19 balance sheet is based on financial market values and future market expectation indicators as at 31 March 2022 to comply with the accounting standard. The financial markets at the accounting date will have taken into account COVID19 risks (and opportunities) as one of many national and worldwide economic considerations. There has been no explicit additional allowance or adjustment made for COVID19 by Hymans Robertson. | The effects on the net pension liability of changes in individual assumptions can be measured. For instance, an increase in the discount rate assumption would result in a decrease in pension liability. An increase in assumed earnings would increase the value of liabilities and an increase in assumed life expectancy would increase the liability. This would not effect the Fund Account or Net Asset Statement, but would impact the Council Accounts. Below are the details of the sensitivity analysis to the method of assumptions used for year ended 31 March 2022 by the fund's actuaries. |

Sensitivity to Unquoted Alternative Assets valuation and Pricing: Information on sensitivities of the valuation and pricing methodologies of these asset classes are disclosed in notes 14 and 16.

**Sensitivity Analysis**

| Sensitivity to the assumptions for the year ended 31 March 2022 | Approximate % increase to liabilities | Approximate monetary amount (£m) |
|---|---|---|
| 0.1% p.a increase in the Discount Rate | 2% | 37 |
| 1 year increase in member life expectancy | 4% | 79 |
| 0.1% p.a. increase in the Salary Increase Rate | 0% | 2 |
| 0.1% p.a. increase in the Pension Increase Rate (CPI) | 2% | 35 |

The principal demographic assumption is the longevity assumption. For sensitivity purposes, it is estimated that a 1-year increase in life expectancy would approximately increase the liabilities of the Pension Fund by around 3-5%.

## 4. CONTRIBUTIONS

| **By category** | **31 March 2022 £'000** | **31 March 2021 £'000** |
|---|---|---|
| Employees | 11,015 | 10,231 |
| **Employers Contributions:** | | |
| Normal | 33,824 | 32,737 |
| Deficit Funding | 5,830 | 5,713 |
| | **50,669** | **48,681** |

Deficit Funding: At the actuarial valuation on 31 March 2022 the Fund was 88% funded, with the remaining 12% deficit to be recovered over a period of 20 years.

| **By authority** | **31 March 2022 £'000** | **31 March 2021 £'000** |
|---|---|---|
| LB Hillingdon | 35,181 | 34,759 |
| Scheduled Bodies | 14,889 | 13,528 |
| Admitted Bodies | 599 | 394 |
| | **50,669** | **48,681** |

## 5. TRANSFERS IN

| | **31 March 2022 £'000** | **31 March 2021 £'000** |
|---|---|---|
| Individual transfers in from other schemes | 4,297 | 4,803 |
| | **4,297** | **4,803** |

### 6. BENEFITS

| By category | 31 March 2022 £'000 | 31 March 2021 £'000 |
|---|---|---|
| Pensions | (42,557) | (39,955) |
| Commutations and Lump Sum Retirement Benefits | (8,024) | (6,478) |
| Lump Sum Death Benefits | (1,448) | (778) |
| | **(52,029)** | **(47,211)** |

| By authority | 31 March 2022 £'000 | 31 March 2021 £'000 |
|---|---|---|
| LB Hillingdon | (47,038) | (43,708) |
| Scheduled Bodies | (4,439) | (3,177) |
| Admitted Bodies | (552) | (326) |
| | **(52,029)** | **(47,211)** |

### 7. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

| | 31 March 2022 £'000 | 31 March 2021 £'000 |
|---|---|---|
| Refunds to members leaving service | (161) | (82) |
| Individual transfers out to other schemes | (4,887) | (3,459) |
| | **(5,048)** | **(3,541)** |

### 8. MANAGEMENT EXPENSES

The administering authority incurred costs in managing the Fund for the period ending 31 March 2022 as follows:

| | 31 March 2022 £'000 | 31 March 2021 £'000 |
|---|---|---|
| Administrative Costs | (1,385) | (963) |
| Investment Management Expenses | (9,222) | (9,548) |
| Oversight and Governance | (225) | (238) |
| | **(10,832)** | **(10,749)** |

### 8A. INVESTMENT MANAGEMENT EXPENSES BREAKDOWN

| 2021/2022 | £'000 | £'000 | £'000 | £'000 |
|---|---|---|---|---|
| | Total | Management Expenses | Performance Fees | Transaction Costs |
| Equities | 0 | 0 | 0 | 0 |
| Pooled Investments | (5,703) | (3,464) | (979) | (1,260) |
| Pooled Property Investments | (3,361) | (2,449) | (148) | (764) |
| Private Equity | (98) | (71) | (5) | (22) |
| | **(9,162)** | **(5,984)** | **(1,132)** | **(2,046)** |
| Custody Fees | (60) | | | |
| Total | **(9,222)** | | | |

| 2020/2021 | £'000 | £'000 | £'000 | £'000 |
|---|---|---|---|---|
| | Total | Management Expenses | Performance Fees | Transaction Costs |
| Equities | (94) | (88) | 0 | (6) |
| Pooled Investments | (5,971) | (2,827) | (1,242) | (1,902) |
| Pooled Property Investments | (2,323) | (1,307) | (104) | (912) |
| Private Equity | (1,099) | (241) | (797) | (61) |
| | **(9,487)** | **(4,463)** | **(2,143)** | **(2,881)** |
| Custody Fees | (61) | | | |
| Total | **(9,548)** | | | |

### 8B. EXTERNAL AUDIT COSTS

| | 31 March 2022 £'000 | 31 March 2021 £'000 |
|---|---|---|
| Payable in Respect of External Audit | (26) | (40) |
| | **(26)** | **(40)** |

External Audit costs are included in Oversight and Governance within Management Expenses

## 9. INVESTMENT INCOME

| | 31 March 2022 £'000 | 31 March 2021 £'000 |
|---|---|---|
| Income from Equities | 57 | 1,398 |
| Pooled Property Investments | 3,104 | 2,108 |
| Pooled Investments- Unit trusts and other managed funds | 8,546 | 10,061 |
| Interest on cash deposits | 42 | 18 |
| Other (for example from stock lending or underwriting) | 109 | 82 |
| | **11,858** | **13,667** |

## 10. INVESTMENTS

| | 31 March 2022 £'000 | 31 March 2021 £'000 |
|---|---|---|
| **Investment Assets** | | |
| Equities | 29 | 42 |
| Pooled investments | 1,011,872 | 943,976 |
| Pooled property investments | 231,826 | 188,926 |
| Private equity | 8,545 | 13,369 |
| **Other Investment balances** | | |
| Cash deposits | 11,821 | 15,166 |
| Investment income due | 107 | 89 |
| **Total investment assets** | **1,264,200** | **1,161,568** |
| **Net investment assets** | **1,264,200** | **1,161,568** |

### 10A. RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

| 2021/22 | Value 1 April 2021 £'000 | Purchases at cost £'000 | Sales proceeds £'000 | Profits and losses on disposal of investments and Changes in market value of investments £'000 | Value 31 March 2022 £'000 |
|---|---|---|---|---|---|
| Equities | 42 | 0 | 0 | (13) | 29 |
| Pooled Investments | 943,976 | 422,330 | (414,496) | 60,062 | 1,011,872 |
| Pooled Property Investments | 188,926 | 12,294 | (3,060) | 33,666 | 231,826 |
| Private Equity | 13,369 | 122 | (5,763) | 817 | 8,545 |
| | **1,146,313** | **434,746** | **(423,319)** | **94,532** | **1,252,272** |
| | **1,146,313** | **434,746** | **(423,319)** | **94,532** | **1,252,272** |
| **Other investment balances** | | | | | |
| Cash Deposits | 15,166 | 0 | 0 | 0 | 11,821 |
| Investment Income Due | 89 | 0 | 0 | 0 | 107 |
| Outstanding Sales | 0 | | | | |
| Adjustments to Market Value Changes | 0 | 0 | 0 | 7,501 | 0 |
| **Total Investment Assets** | **1,161,568** | | | **102,033** | **1,264,200** |

| 2020/21 | Value 1 April 2020 £'000 | Purchases at cost £'000 | Sales proceeds £'000 | Profits and losses on disposal of investments and Changes in market value of investments £'000 | Value 31 March 2021 £'000 |
|---|---|---|---|---|---|
| Equities | 84,471 | 3,657 | (90,547) | 2,461 | 42 |
| Pooled Investments | 706,512 | 216,071 | (126,184) | 147,577 | 943,976 |
| Pooled Property Investments | 165,448 | 14,970 | (181) | 8,689 | 188,926 |
| Private Equity | 13,614 | 11 | (3,916) | 3,660 | 13,369 |
| | **970,045** | **234,709** | **(220,828)** | **162,387** | **1,146,313** |
| | **970,045** | **234,709** | **(220,828)** | **162,387** | **1,146,313** |
| **Other investment balances** | | | | | |
| Cash Deposits | 15,520 | 0 | 0 | 0 | **15,166** |
| Investment Income Due | 502 | 0 | 0 | 0 | **89** |
| Outstanding Sales | 64 | 0 | 0 | 0 | **0** |
| Adjustments to Market Value Changes | 0 | 0 | 0 | 8,133 | **0** |
| **Total Investment Assets** | **986,131** | | | **170,520** | **1,161,568** |

## 10B. ANALYSIS OF INVESTMENTS

| | 31 March 2022 £'000 | 31 March 2021 £'000 |
|---|---|---|
| **Equities** | | |
| **UK** | | |
| Quoted | 29 | 42 |
| | **29** | **42** |
| **Pooled funds - additional analysis** | | |
| Fixed income unit trust | 268,297 | 261,498 |
| Diversified Growth Funds | 54,528 | 50,833 |
| Infrastructure Funds | 43,208 | 34,327 |
| Global Equity | 577,640 | 537,065 |
| Limited liability partnerships | 68,176 | 60,253 |
| | **1,011,849** | **943,976** |
| **Other Investments** | | |
| Pooled property Investments | 231,849 | 188,926 |
| Private equity | 8,545 | 13,369 |
| | **240,394** | **202,295** |
| Cash deposits | 11,821 | 15,166 |
| Investment income due | 107 | 89 |
| | **11,928** | **15,255** |
| **Total investment assets** | **1,264,200** | **1,161,568** |
| **Net investment assets** | **1,264,200** | **1,161,568** |

## 10C. INVESTMENTS ANALYSED BY FUND MANAGER

| Fund Manager | Market Value 31 March 2022 £'000 | % | Market Value 31 March 2021 £'000 | % |
|---|---|---|---|---|
| **Investments Managed by London CIV Pool** | | | | |
| Legal & General Investment Management | 729,696 | 58 | 668,045 | 58 |
| London CIV Asset Pool | 166,219 | 13 | 127,945 | 11 |
| | 895,915 | 71 | 795,990 | 69 |
| **Investments Managed Outside of London** | | | | |
| Adams Street Partners | 5,823 | 0 | 10,103 | 1 |
| AEW UK | 82,349 | 7 | 60,712 | 5 |
| JP Morgan Asset Management | 115,979 | 9 | 116,580 | 10 |
| LGT Capital Partners | 2,722 | 0 | 3,266 | 0 |
| M&G Investments | 1,641 | 0 | 1,248 | 0 |
| Macquarie Infrastructure | 17,853 | 2 | 20,862 | 2 |
| Permira Credit Solutions | 36,624 | 3 | 59,005 | 5 |
| UBS Global Asset Management (Equities) | 93 | 0 | 119 | 0 |
| UBS Global Asset Management (Property) | 93,954 | 7 | 78,990 | 7 |
| Other* | 11,247 | 1 | 14,693 | 1 |
| | 368,285 | 29 | 365,578 | 31 |
| **Total** | **1,264,200** | **100** | **1,161,568** | **100** |

* Other includes pending trades, accrued income and cash held in custody accounts, independent of fund managers not mandated to hold cash.

***** No single holding within an investment represents more than 5% of total assets

**10D. STOCK LENDING**

The Fund's investment strategy sets the parameters for the Fund's stock-lending programme. At the year-end, the value of quoted equities on loan was £29k (31 March 2021: £29k). These equities continue to be recognised in the Fund's financial statements.

Counterparty risk is managed through holding collateral at the Fund's custodian bank. At the year-end the Fund held collateral (via the custodian) at fair value of £31k (31 March 2021: £30k) representing 106% of stock lent. Collateral consists of acceptable securities and government debt.

Stock-lending commissions are remitted to the Fund via the custodian. During the period the stock is on loan, the voting rights of the loaned stock pass to the borrower. There are no liabilities associated with the loaned assets.

**11. CURRENT ASSETS**

| | 31 March 2022 £'000 | 31 March 2021 £'000 |
|---|---|---|
| Debtors | | |
| Employers' contributions due | 374 | 63 |
| Employees' contributions due | 107 | 16 |
| Other | 83 | 0 |
| Cash balances | 2,375 | 4,244 |
| | **2,939** | **4,323** |

**12. CURRENT LIABILITIES**

| | 31 March 2022 £'000 | 31 March 2021 £'000 |
|---|---|---|
| Creditors | | |
| Other local authorities (LB Hillingdon) | (244) | (172) |
| Other entities | (780) | (517) |
| | **(1,024)** | **(689)** |

Note: Other entities liabilities are due from the Pension Fund to bodies external to the government e.g., fund managers.

**13. ADDITIONAL VOLUNTARY CONTRIBUTIONS**

Additional Voluntary Contributions paid by scheme members are not included in the accounts. The additional voluntary contributions are paid by scheme members directly to Prudential Assurance Company, who manage these monies independently of the fund and, as determined by the fund actuary, do not form part of the Fund valuation.

According to information provided by Prudential, £106k was received in additional voluntary contributions by members, in 2021/22 (£154k 2020/21) and AVC Fund value was £4,997k (£5,175k 2020/21). Any transfer of additional contributions into the Fund during the year are included in the employee contributions value as detailed in note 4.

| | Market Value 31 March 2022 £'000 | Market Value 31 March 2021 £'000 |
|---|---|---|
| Prudential Assurance Company | 4,997 | 5,175 |
| | **4,997** | **5,175** |

## 14. FAIR VALUE - BASIS OF VALUATION

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

| Description of asset | Valuation hierarchy | Basis of valuation | Observable and unobservable inputs | Key sensitivities affecting the valuations provided |
|---|---|---|---|---|
| Market quoted investments | Level 1 | Published bid market price ruling on the final day of accounting period. | Not required | Not required |
| Quoted bonds | Level 2 | Fixed interest securities are valued at market value based on current yields. | Not required | Not required |
| Pooled investments - overseas unit trusts and property funds | Level 2 | Closing bid price where bid and offer prices are published. Closing single price where single price is published. | NAV-based pricing set on a forward pricing basis | Not required |
| Unquoted equity and Property | Level 3 | Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012) | EBITDA multiple Revenue multiple Discount for lack of marketability Control premium | Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts. |

Having analysed historical data and current market trends, and consulted with fund managers, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of investments held on 31 March 2022.

It is worth noting the sensitivity analysis below is just one of the possible changes to assets value due to the impact of factors affecting valuation methodology employed by the fund managers. Sensitivity being measured in this note differs from those in note 16 (other price risks).

**Sensitivity of assets valued at level 3**

| | Valuation range (+/-) | Market Value 31 March 2022 £'000 | Value on Increase £'000 | Value on Decrease £'000 |
|---|---|---|---|---|
| Pooled investments - Limited Liability Partnerships (Infrastructure) a | 10% | 43,208 | 47,529 | 38,887 |
| Pooled investments - Limited Liability Partnerships (Private Credit) b | 10% | 68,178 | 74,832 | 61,524 |
| Pooled Property - UBS Property & AEW UREF | 10% | 48,912 | 53,803 | 44,021 |
| Private Equity - d | 5% | 8,545 | 8,972 | 8,118 |
| Venture Capital | 5% | 41 | 43 | 39 |
| **Total** | | **168,884** | **185,179** | **152,589** |

a) The potential movement of 10% represents a combination of the following factors, which could all move independently in different directions: i) material changes in economic and financial assumptions. ii) discounted equity cash flow rate.

b) The assumed movement is based on pricing of loans in the secondary leveraged loan market, with widening/narrowing spreads resulting in price changes either way.

c) The assumed movement is based fluctuations in market prices for comparable assets, real estate market Illiquidity and counterparty default.

d) Movement in the assessed valuation range derive from changes in the underlying profitability of component companies, the range in the potential movement of 5% is caused by unexpected changes to cash flow forecast and discounts for lack of potential bids.

## 14A. FAIR VALUE HIERARCHY

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

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

**Level 2**
Assets and liabilities at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.

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

# Notes to the Pension Fund Account

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

| Values as at 31 March 2022 | Quoted Market Price | Using Observable Inputs | With Significant Unobservable Inputs | |
|---|---|---|---|---|
| | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
| **Financial Assets at Fair Value through Profit and Loss** | | | | |
| Equities | 29 | 0 | 0 | 29 |
| Pooled Investments | 0 | 900,445 | 111,427 | 1,011,872 |
| Pooled Property Investments | 0 | 182,914 | 48,912 | 231,826 |
| Private Equity | 0 | 0 | 8,545 | 8,545 |
| | **29** | **1,083,359** | **168,884** | **1,252,272** |
| **Financial Liabilities at Fair Value through Profit and Loss** | | | | |
| **Total** | **29** | **1,083,359** | **168,884** | **1,252,272** |

| Values as at 31 March 2021 | Quoted Market Price | Using Observable Inputs | With Significant Unobservable Inputs | |
|---|---|---|---|---|
| | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
| **Financial Assets at Fair Value through Profit and Loss** | | | | |
| Equities | 42 | 0 | 0 | 42 |
| Pooled Investments | 0 | 849,355 | 94,621 | 943,976 |
| Pooled Property Investments | 0 | 0 | 188,926 | 188,926 |
| Private Equity | 0 | 0 | 13,369 | 13,369 |
| | **42** | **849,355** | **296,916** | **1,146,313** |
| **Financial Liabilities at Fair Value through Profit and Loss** | | | | |
| **Total** | **42** | **849,355** | **296,916** | **1,146,313** |

## 14B. RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

### Level 3 Assets Reconciliation

| Fund Managers & Asset Categories | Value 1 April 2021 | Transfers Out of Level 3 | Purchases at cost | Sales proceeds | Unrealised gains/(losses) | Realised gains/(losses) | Value 31 March 2022 |
|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Private Equity - Adams Street Partners, LGT Capital Partners & UBS | 13,369 | 0 | 122 | (5,763) | (840) | 1,657 | 8,545 |
| Private Finance - M&G | 1,248 | 0 | 0 | (333) | 836 | (110) | 1,641 |
| Infrastructure - Maquarie & LCIV | 34,327 | 0 | 9,704 | (5,342) | (348) | 4,867 | 43,208 |
| Venture Capital - UBS | 41 | 0 | 0 | 0 | 0 | 0 | 41 |
| Property - UBS Property, LGIM LPI & AEW UREF | 188,926 | (157,426) | 9,477 | (65) | 8,052 | (52) | 48,912 |
| Direct Lending - Permira & LCIV Private Debt | 59,005 | 0 | 29,481 | (20,563) | (628) | (758) | 66,537 |
| **Total Level 3 Assets** | **296,916** | **(157,426)** | **48,784** | **(32,066)** | **7,072** | **5,604** | **168,884** |

There were transfers out of level 3 assets in 2021/22. Property Investments in UBS Fund of Funds, AEW & LGIM were reclassified as Level 2 assets due to the removal of uncertainty clauses in the valuation of these assets for the year under consideration.

**14C. LEVEL 3 PRICING HIERARCHY DISCLOSURES**

***Quantitative Information on Significant unobservable inputs***

**Private Equity: Adams Street & LGT capital**
The significant unobservable inputs used in the fair value measurement of privately held securities are Revenue multiples, EBITDA multiple, net income multiple and discount for lack of marketability and potential bids.

**Private Finance: M&G**
The assets are mostly floating rate notes and held at par value.

**Infrastructure: Macquarie**
The following quantitative information are considered for significant unobservable inputs, in valuation of infrastructure assets:

- The acquisition financial model is used as a base case.
- Update for any material changes in economic, operational, and financial assumptions.
- Discount equity cash flows at the sum of the risk-free rate and the appropriate risk premium (as determined by the implied risk premium at acquisition unless there is an inherent change in the riskiness of the underlying investments which may necessitate a change in the risk premium).

**Direct Lending: Permira**
The following key terms are confirmed as inputs for each yield analysis calculation:

- Cash / PIK (Payment in Kind) margin
- Frequency of interest payments
- Commitment and settlement date
- Contracted and expected maturity date

**Pooled Property: AEW, UBS Property & LGIM LPI**
Fair value is primarily derived using recent market transactions on arm's length terms, where available and discounted cashflow of future earnings are taking into consideration, alongside observable and unobservable inputs.

***Description of Valuation Process***

**Private Equity**
The fair value of financial instruments that are not traded in an active market are determined by using valuation techniques. Private equity investments for which market quotations are not readily available are valued at their fair values by the Board of Directors. Private equity valuations are usually generated by the managers of the underlying portfolio of investments on a quarterly basis and are actually received with a delay of at least one-to-two months after the quarter end date. As a result, the year-end net asset value predominantly consists of portfolio valuations provided by the investment managers of the underlying funds at a specific date, adjusted for subsequent capital calls and distributions. If the Board of Directors comes to the conclusion upon recommendation of the Investment Manager (after applying the above-mentioned valuation methods), that the most recent valuation reported by the manager/administrator of a Fund investment is materially misstated, it will make the necessary adjustments using the results of its own review and analysis. The valuation adjustments relate to events subsequent to the last capital account valuation statement received but based upon information provided by the investment manager and all other available unobservable inputs. In estimating the fair value of fund investments, the Investment Manager in its valuation recommendation to the Board of Directors considers all appropriate and applicable factors.

**Private Finance: M&G**
These assets are floating rate and are held to maturity, they are valued at par unless suffering from impairment. Impairments may be applied if an asset's credit rating deteriorates.

**Direct Lending: Permira**

- In each case, valuations are prepared in accordance with International Private Equity & Venture Capital Valuation ("IPEV") Guidelines
- All direct lending investments are valued on a mark-to-market basis at the date of valuation
- Where an investment is considered illiquid (level 3), a yield analysis is performed to infer a fair market value for that investment.
- Each valuation is reviewed to ensure:

- Third party evidence to support pricing (such as Market data, broker quotes or Bloomberg pricing, as well as latest financials and capital structure; and any other adjustments to value) was evidenced.
- That the valuations are prepared in a consistent manner with previous valuations and that any changes in methodology or valuation are clearly explained; and valuations are derived using methodology consistent with the IPEV guidelines.

**Infrastructure: Macquarie**
Valuations are calculated by the individual asset teams on a quarterly basis. The valuation process follows the British Venture Capital Association (BVCA) guidelines and is compliant with International Financial Reporting Standards (IFRS). The most generally accepted methodology of valuing infrastructure assets is by way of a discounted cash flow (DCF) analysis.

**DCF-Based Market Valuation Process**
**Financial Model**
The acquisition financial models of all the Fund's underlying investments will be externally audited prior to financial close. They will be used as the initial base financial models for the DCF analysis.

**Update for Economic, Operational and Financial Assumptions**
The economic assumptions in the financial models are adjusted every three months to reflect current market conditions. The main economic variables relate to interest rates, exchange rates and inflation.

The initial operational assumptions in each of the financial models are the acquisition forecasts. Any historical information (e.g., distributions received in an intervening period and year-to-date performance) will be updated within the model. In relation to forward-looking assumptions, the acquisition assumptions will continue to be used unless there is a material inconsistency between these assumptions and:

- The actual operational results to date
- The revised forecasts provided by management or approved by the board.

The financial assumptions in the model (e.g., cost of debt and capital structure) are also updated to reflect the actual debt put into place, current base rates and any material change in outlook with regards to future leverage.

**Discount Rate**
Equity cash flows are discounted at the acquisition internal rate of return, which is adjusted for changes in the relevant risk-free rate. The acquisition internal rate of return is the return, which is forecast under the acquisition case and price, reflecting the risks inherent in each of the investments. The difference between the acquisition internal rate of return and the risk-free rate at the date of acquisition equates to the risk premium, which is the risk compensation to equity holders.

Most of the Fund's assets are likely to see some decrease in the risk premium as assets are de-risked following acquisition. Such projects may have a changing risk "life-cycle", whereby the risk changes as the asset matures. In addition, if there is a change in the inherent risk of an investment, then the risk premium may need to be reconsidered.

**Pooled Property: AEW, UBS Property & LGIM LPI**
Pooled properties have been valued in accordance with RICS valuation – Professional Standards VPS4 (7.1) fair value and VPGA 1 valuations for inclusion in financial statements, which adopts the definition of fair value used by the International Accounting Standards Board:

*"The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date."*

The properties are valued individually, and the details of tenure, tenancies and floor area are considered for valuation purposes.

**Narrative and Quantitative description of sensitivity to changes in valuation methods and market conditions:**

**Private Equity**
Market valuation method applied to investments is sensitive to four main components:
i) changes in actual market prices.
ii) interest rate risk;
iii) foreign currency movements; and
iv) other price risks

**Private Finance (M&G)**
The only possible sensitivity associated with private finance valuations and methodology is credit rating. This may result in an analyst impairing an asset if there is a change in the asset's credit rating.

**Infrastructure: Macquarie**
The economic assumptions in the financial models are adjusted every three months in order to reflect current market conditions. The main economic variables relate to interest rates, exchange rates and inflation.

**Infrastructure: LCIV**
See Direct Lending, LCIV Private Debt below

**Direct Lending: Permira**
The yield analysis methodology used to value the level 3 assets are sensitive to the following inputs:

- EURIBOR swap rates (up to 7 years)
- LIBOR swap rates (up to 7 years)
- ELLI (3 year discounted spread data)

These inputs are sourced directly from Bloomberg feeds or independently from Duff & Phelps (ELLI data) relevant to each period end date.

These inputs impact on: (1) the implied IRR calculations at the period end valuation date; (2) the forecast cash and/or PIK yields that track LIBOR or EURIBOR; and (3) ultimately the implied asset price calculated from these inputs as the period end to determine the valuation price.

**Direct Lending: LCIV Private Debt**
Investments are initially recognized at cost and subsequently measured at fair value. Investments are valued on a basis that the Manager considers fair and reasonable having considered the latest available valuation provided by the investment entity. The level of estimation uncertainty is significant and actual values may differ significantly from estimates.
Purchases and sales are recognised when a legally binding and unconditional right to obtain, or an obligation to deliver, an asset or liability arises. All realised and unrealised gains and losses on investments are recognized as net capital gains/(losses) in the Statement of Total Return. Unrealised gains and losses comprise changes in the fair value of investments for the period.

**Pooled Property** – AEW, UBS Property & LGIM LPI
Prevalent economic conditions may affect occupancy rate or possible default in rent payments and conversely affecting transaction values. Local authority intentions, planning proposals and onerous restrictions are some of the other factors to which Pooled Property assets transactions may be sensitive towards. These are:

i) Market price risk: Future values of investments in direct property and related property investments will fluctuate due to changes in market prices.
ii) Real Estate valuation changes: Property investments are illiquid assets and valuing is difficult.
iii) Credit risk: counterparty (to a financial instrument) or tenant (of a property) will cause a financial loss to the Fund by failing to meet a commitment it has entered into with the Fund.

## 15. CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table analyses the carrying amounts of financial instruments by category and net assets statement heading. No financial instruments were reclassified during the accounting period.

| | Designated as fair value through P&L | Assets at amortised cost | Financial Liabilities at Amortised Cost | Total | Designated as fair value through P&L | Assets at amortised cost | Financial Liabilities at Amortised Cost | Total |
|---|---|---|---|---|---|---|---|---|
| | 31 March 2022 £'000 | 31 March 2022 £'000 | 31 March 2022 £'000 | 31 March 2022 £'000 | 31 March 2021 £'000 | 31 March 2021 £'000 | 31 March 2021 £'000 | 31 March 2021 £'000 |
| **Financial Assets** | | | | | | | | |
| Equities | 29 | 0 | 0 | 29 | 42 | 0 | 0 | 42 |
| Pooled Investments | 1,011,872 | 0 | 0 | 1,011,872 | 943,976 | 0 | 0 | 943,976 |
| Pooled property investments | 231,826 | 0 | 0 | 231,826 | 188,926 | 0 | 0 | 188,926 |
| Private Equity | 8,545 | 0 | 0 | 8,545 | 13,369 | 0 | 0 | 13,369 |
| Cash | 0 | 11,821 | 0 | 11,821 | 0 | 15,166 | 0 | 15,166 |
| Other Investment balances | 0 | 107 | 0 | 107 | 0 | 89 | 0 | 89 |
| | **1,252,272** | **11,928** | **0** | **1,264,200** | **1,146,313** | **15,255** | **0** | **1,161,568** |
| **Total** | **1,252,272** | **11,928** | **0** | **1,264,200** | **1,146,313** | **15,255** | **0** | **1,161,568** |

## 15A. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

| | 31 March 2022 £000's | 31 March 2021 £000's |
|---|---|---|
| **Financial Assets** | | |
| Designated at Fair Value through profit and loss | 102,033 | 170,519 |
| | **102,033** | **170,519** |

## 16. NATURE & EXTENT OF EXPOSURE TO RISKS ARISING FROM FINANCIAL INSTRUMENTS

### Risk and Risk Management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities. 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, and interest rate risks) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows.

Responsibility for the Fund's risk management strategy rests with the Pensions Committee. Risk management policies are established to identify and analyse the risks faced by the Council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

### Market risk

The risk that the fair value of cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks. To mitigate against market risk the Pension Fund invests in a diversified pool of assets to ensure a reasonable balance between different categories. The management of the assets are placed with a number of fund managers with different performance targets and investment strategies. Each fund manager is expected to maintain a diversified portfolio in each asset class. Risks associated with the strategy and investment returns are included as part of the quarterly reporting to Pensions Committee where they are monitored and reviewed.

**Other price risk**

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instruments or its issuer, or factors affecting all such instruments in the market. The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The potential losses from shares sold short are unlimited. The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the Fund Investment Strategy Statement.

**Other price risk - Sensitivity Analysis**

Following analysis of historical data and expected investment return movement during the financial year, the Fund has determined that the following potential change in market price risk are reasonably possible for the relevant reporting periods.

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

Had the market price of the Fund investments increased or decreased in line with the percentage change below, the change in the net assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown below).

| Asset Type | Value as at 31 March 2022 £'000 | Percentage Change % | Value on Increase £'000 | Value on Decrease £'000 |
|---|---|---|---|---|
| Global Equity | 632,167 | 15.00% | 726,992 | 537,342 |
| UK Equity | 29 | 15.00% | 33 | 25 |
| Bonds | 268,297 | 6.60% | 286,005 | 250,589 |
| Alternatives | 119,931 | 3.50% | 124,129 | 115,734 |
| Property | 231,848 | 5.50% | 244,600 | 219,096 |
| **Total** | **1,252,272** | | **1,381,759** | **1,122,786** |

Note: Bonds valuation in the table above includes pooled fund held bonds.

| Asset Type | Value as at 31 March 2021 £'000 | Percentage Change % | Value on Increase £'000 | Value on Decrease £'000 |
|---|---|---|---|---|
| Global Equity | 587,857 | 14.80% | 674,860 | 500,854 |
| UK Equity | 42 | 14.80% | 48 | 36 |
| Bonds | 261,498 | 5.70% | 276,403 | 246,593 |
| Alternatives | 107,990 | 4.20% | 112,526 | 103,454 |
| Property | 188,926 | 5.00% | 198,372 | 179,480 |
| **Total** | **1,146,313** | | **1,262,209** | **1,030,417** |

Note: Bonds valuation in the table above includes pooled fund held bonds.

**Interest Rate Risk -** The risk to which the Pension Fund is exposed to changes in interest rates and relates to its holdings in bonds and cash. Based on interest received on fixed interest securities, cash, and cash equivalents.

The Fund's direct exposure to interest rate movements as of 31 March 2022 and 31 March 2021 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

**Interest Rate Risk Sensitivity Analysis**
The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of net assets available to pay benefits. A 120 basis points (1.2%) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

The analysis that follows assumes that all other variables, in particular exchange rates remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates.

| | Value as at 31 March 2022 | Potential movement on 1% change in interest rates | Value on increase | Value on decrease |
|---|---|---|---|---|
| **Assets exposed to interest rate risks** | **£'000** | **£'000** | **£'000** | **£'000** |
| Cash balances | 11,821 | 118 | 11,939 | 11,703 |
| Bonds - pooled funds | 268,297 | 2,683 | 270,980 | 265,614 |
| **Total change in assets available** | **280,118** | **2,801** | **282,919** | **277,317** |

| | Value as at 31 March 2021 | Potential movement on 1.2% change in interest | Value on increase | Value on decrease |
|---|---|---|---|---|
| **Assets exposed to interest rate risks** | **£'000** | **£'000** | **£'000** | **£'000** |
| Cash balances | 15,166 | 182 | 15,348 | 14,984 |
| Bonds - pooled funds | 261,498 | 3,138 | 264,636 | 258,360 |
| **Total change in assets available** | **276,664** | **3,320** | **279,984** | **273,344** |

**Currency Risk -** The risk to which the pension fund is exposed to fluctuations in foreign currency exchange rates. The Pension Fund has the ability to set up a passive currency hedge where these risks are perceived to be adverse. As of 31 March 2022, the Fund had no currency hedge in place for those managers who do not hedge their own portfolios. The following table summarises the fund's currency exposure as of 31 March 2022 and as at the previous period ending 31 March 2021.

**Currency exposure by asset type**

**Currency risk sensitivity analysis**
Following analysis of historical data in consultation with PIRC Ltd, the Funds data provider, the Fund considers the likely volatility associated with foreign exchange rate movements to be 5.30%, based on the data provided by PIRC. A 5.30% fluctuation in the currency is considered reasonable based on PIRC's analysis of historical movements in month end exchange rates over a rolling twelve-month period. This analysis assumes that all variables, in particular interest rates, remain constant. Managers that hedge against currency risk are not included in this sensitivity analysis. A 5.30% strengthening/weakening of the pound against various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

| Assets exposed to currency risk | Asset Value 31 March 2022 | Potential market movement | Value on increase | Value on decrease |
|---|---|---|---|---|
| | | 5.30% | | |
| | £'000 | £'000 | £'000 | £'000 |
| Pooled Funds | 521,174 | 27,622 | 548,796 | 493,552 |
| Private Equity/Infrastructure | 51,753 | 2,743 | 54,496 | 49,010 |
| | **572,927** | **30,365** | **603,292** | **542,562** |

| Assets exposed to currency risk | Asset Value 31 March 2021 | Potential market movement | Value on increase | Value on decrease |
|---|---|---|---|---|
| | | 6.60% | | |
| | £'000 | £'000 | £'000 | £'000 |
| Pooled Funds | 473,377 | 31,243 | 504,620 | 442,134 |
| Private Equity/Infrastructure | 47,696 | 3,148 | 50,844 | 44,548 |
| | **521,073** | **34,391** | **555,464** | **486,682** |

**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 financial assets and liabilities.

The Pension Fund's entire investment portfolio is exposed to some form of credit risk, except for the derivative position, where the risk equates to the net market value of a positive derivative position. Credit risk can be minimised through careful selection of high-quality counterparties, brokers, and financial institutions. The Pension Fund is also exposed to credit risk through Securities Lending, Forward Currency Contracts, and its daily treasury activities. The Securities Lending programme is run by the Fund's custodian Northern Trust which assigns four different risk management oversight committees to control counterparty risk, collateral risk, and the overall securities lending programme. The minimum level of collateral for securities on loan is 102%, however more collateral may be required depending on the type of transaction. To further mitigate risks, the collateral held on behalf of the pension fund is ring fenced from Northern Trust. Securities lending is capped by investment regulations and statutory limits are in place to ensure no more than 25% of eligible assets can be on loan at any one time.

The prime objective of the Pension Fund treasury management activity is the security of principal sums invested. As such it will take a prudent approach to organisations employed as the banker and deposit taker. The Pension Fund will ensure it has adequate but not excessive cash resources in order to meet its objectives. The bank accounts are held with NatWest Bank, which holds an S&P long-term credit rating of A. Deposits are placed in the AAAf rated Northern Trust Money Market Fund which is ring fenced from the administering company. Credit ratings, market indicators and media coverage are monitored to ensure credit worthiness is maintained. The Fund's cash holding under its treasury management arrangements on 31 March 2022 was £14,196k (31 March 2021: £19,410k) and this was held with the following institutions:

| Summary | Rating S&P | Balances as at 31 March 2022 £'000 | Rating S&P | Balances as at 31 March 2021 £'000 |
|---|---|---|---|---|
| **Money market funds** | | | | |
| Northern Trust | AAAf S1+ | 11,821 | AAAf S1+ | 15,366 |
| **Bank current accounts** | | | | |
| NatWest | A | 2,375 | A | 4,044 |
| **Total** | | **14,196** | | **19,410** |

**Liquidity Risk -** The risk the Pension Fund will have difficulties in paying its financial obligations when they fall due.

The Pension Fund holds a working cash balance in its own bank accounts with NatWest as well as Money Market Funds to which it has instant access to cover the payment of benefits and other lump sum payments (£2,375k). At an investment level the fund holds a large proportion of assets in instruments which can be liquidated at short notice, normally three working days. As of 31 March 2022, these assets totalled £900,424k, with a further £11,821k held in cash in the Custody accounts at Northern Trust.

**Refinancing risk**

The key risk is that the fund will be bound to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its investment strategy.

**17. FUNDING ARRANGEMENTS**

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a revaluation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last valuation took place as of 31 March 2022 setting rates for the period April 2023 to March 2026. The next triennial valuation will take place as of 31 March 2025.

In line with the triennial valuation the Fund updates its Funding Strategy Statement every three years. The key elements of the funding strategy are:

1. to ensure the long-term solvency of the fund, i.e., that sufficient funds are available to meet all pension liabilities as they fall due for payment.
2. to ensure that employer contribution rates are as stable as possible.
3. to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return.
4. to reflect the different characteristics of employing bodies in determining contribution rates where it is reasonable to do so.
5. to use reasonable measures to reduce the risk to other employers and ultimately to the Council taxpayer from an employer defaulting on its pension obligations.

The funding level is the ratio of assets to liabilities at the valuation date. A funding level of less/more than 100% implies that there is a deficit/surplus in the Fund at the valuation date against the funding target. Funding plans are set to eliminate any deficit (or surplus) over the set time horizon and therefore get back to a funding level of 100%. To do so, additional contributions may be required to be paid into the Fund; these contributions are known as the "secondary rate".

At the 2022 actuarial valuation, the Fund was assessed as 88% funded (87% at the March 2019 valuation).
This corresponded to a deficit of £167m (2019 valuation: £161m) at that time. The slight improvement in funding position between 2019 and 2022 is mainly due to investment performance over the inter-valuation period. The liabilities have also increased due to a reduction in the future expected investment return, although this has partially been offset by lower-than-expected pay and benefit growth (both over the inter-valuation period and forecast to continue into the long term).

**Significant events**

The figures in this report are based on our understanding of the benefit structure of the LGPS in England and Wales as of 31 March 2019. Details can be found at http://www.lgpsregs.org/.

**Contribution rates**

The table below summarises the whole Fund Primary and Secondary Contribution rates at this triennial valuation. These rates are the payroll weighted average of the underlying individual employer primary and the total of employer secondary rates expressed as a monetary amount, calculated in accordance with the Regulations and CIPFA guidance.

| Primary Rate (%) 1 April 2023- 31 March 2026 | Secondary Rate (£) 2023/24 | 2024/25 | 2025/26 |
|---|---|---|---|
| 19.60% | £6,682,000 | £6,897,000 | £7,120,000 |

The Primary rate above includes an allowance for administration expenses of 0.8% of pay. The employee average contribution rate is 6.7% of pay.

# Notes to the Pension Fund Account

The valuation of the Fund has been undertaken using a risk-based approach, this approach recognises the uncertainties, and risks posed to funding and follows the process outlined below:

Step 1: The Fund sets a funding target (or funding basis) which defines the target amount of assets to be held to meet the future cash flows. The assumptions underlying the funding target are discussed further in the next section. A measurement is made at the valuation date to compare the assets held with the funding target.

Step 2: The Fund sets the time horizon over which the funding target is to be reached.

Step 3: The Fund sets contributions that give a sufficiently high likelihood of meeting the funding target over the set time horizon.

**Assumptions**

Due to the long-term nature of the Fund, assumptions about the future are required to place a value of the benefits earned to date (past service) and the cost of benefits that will be earned in the future (future service). Assumptions fall into three categories when projecting and placing a value on the future benefit payments and accrual – financial, demographic and Commutation.

**Financial Assumptions**

A summary of the financial assumptions underpinning the target funding basis and adopted during the assessment of the liabilities of the Fund as at 31 March 2022 (alongside those adopted at the last valuation for comparison) are shown below.

| Description | 31 March 2022 | 31 March 2019 |
|---|---|---|
| Funding Basis Discount Rate | 4.1% | 4.0% |
| Benefit Increases (CPI) | 2.7% | 2.3% |
| Salaries Increases | 3.2% | 2.6% |

**Demographic Assumptions**

The main demographic assumption to which the valuation results are most sensitive is that relating to the longevity of the Fund's members. The longevity assumptions result in the following typical future life expectancies from age 65. For this valuation, the Fund has adopted assumptions which give the following sample average future life expectancies for members:

| Description | | 31 March 2022 | 31 March 2019 |
|---|---|---|---|
| **Male** | | | |
| | Pensioners | 22.3 years | 22.1 years |
| | Non- Pensioners | 23.0 years | 22.8 years |
| **Female** | | | |
| | Pensioners | 24.8 years | 24.3 years |
| | Non- Pensioners | 26.0 years | 25.5 years |

**Commutation assumptions**

An allowance is included for future retirements to elect to take 55% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service.

## 18. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting Fund contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

The IAS19 balance sheet is based on financial market values and future market expectation indicators as of 31 March 2022 to comply with the accounting standard. The financial markets at the accounting date will have considered COVID19 risks (and opportunities) as one of many national and worldwide economic considerations. There has been no explicit additional allowance or adjustment made for COVID19 by Hymans Robertson.

| Description | 31 March 2022 % per annum | 31 March 2021 % per annum |
|---|---|---|
| Inflation /Pensions Increase Rate | 3.2% | 2.9% |
| Salary Increase Rate | 3.5% | 3.2% |
| Discount Rate | 2.7% | 2.0% |

An IAS 19 valuation was carried out for the Fund as of 31 March 2022 by Hymans Robertson with the following results:

| Description | 31 March 2022 £m | 31 March 2021 £m |
|---|---|---|
| Present Value of Promised Retirement Benefits | 1,965 | 2,039 |
| Active Members | 787 | 770 |
| Deferred Members | 530 | 572 |
| Pensioners | 648 | 697 |

*****_Incorporates an allowance for the potential increase in liabilities arising from the McCloud judgement and GMP indexation_

These figures are presented as required by IAS 26. They are not relevant for the calculations undertaken for funding purposes or other statutory purposes under UK pension legislation. This item is not recognised in the Net Asset Statement, hence is considered not to be in opposition to the assertion included in the Net Asset Statement surrounding future liabilities of the Fund.

The promised retirement benefits on 31 March 2022 have been projected using a roll forward approximation from the formal funding valuation as of 31 March 2019. The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. The impact from the triennial valuation update as of 31 March 2022 was assessed as immaterial for the fund overall.

Note that the above figures on 31 March 2022 (and 31 March 2021) include an allowance for the "McCloud ruling", i.e. an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes.

### Net Liability

The table below shows the total net liability of the Fund as of 31 March 2022. The figures have been prepared by Hymans Robertson, the Fund's actuary, only for the purposes of providing the information required by IAS26. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pension's legislation. In calculating the required numbers, the actuary adopted methods and assumptions that are consistent with IAS19.

| Description | 31 March 2022 £m | 31 March 2021 £m |
|---|---|---|
| Present Value of Promised Retirement Benefits | (1,965) | (2,039) |
| Fair Value of Scheme Assets (bid value) | 1,261 | 1,162 |
| **Net Liability** | **(704)** | **(877)** |

**19. Going Concern**

The Pension Fund accounts, and Notes have been prepared on a going concern basis. The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code (Code of Practice on Local Authority Accounting in the United Kingdom 2021/22) in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

The Fund's triennial valuation on 31 March 2022 reported a funding level of 88%. Currently, contributions and investment income are sufficient to fund benefits as they fall due without the need to liquidate investments. The Fund is currently operating with a cash flow surplus. If a need to obtain liquidity arises, approximately 72% of the Fund's assets are held in liquid investments. A recent review undertaken in response to the Covid-19 effects as of 31st March 2022 determined that there was no material risk to the Fund of employers defaulting on their contributions. LGPS regulations remain in force with no expectation that the scheme will be wound up or substantive changes made to it.

A cash flow forecast covering a 12 month period has been produced to confirm the solvent position and outlook of the Pension Fund over the period stated above.

**20. RELATED PARTY TRANSACTIONS**

It is required under IAS 24 "Related Party Disclosures" that material transactions with related parties which are not disclosed elsewhere should be included in a note to the financial statements. The London Borough of Hillingdon is a related party to the Pension Fund, represented by the Pensions Committee members. The committee is responsible for management of fund assets, including investment directions and administration of the fund. List of committee members may be found in Note 1C. The revenue contributions the Council has made into the Pension Fund are set out in note 4 to the Pension Fund accounts. No senior officer or Pension Committee member had any interest with any related parties to the Pension Fund.

**Governance**

There are three members of the Pension Fund Committee who are retired members of the Pension Fund, Cllr Raju Sansarpuri, Cllr John Hensley and Cllr Tony Eginton (Reserve). Each member is required to declare their interest at each meeting.

**Key Management Personnel**

Three employees of the London Borough of Hillingdon held key positions in the financial management of the London Borough of Hillingdon Pension Fund. These employees are the Section 151 officer, the Deputy Director, Corporate Finance, and the Head of Statutory Accounts & Pensions. Total remuneration payable to key management personnel is set out below:

| | 31 March 2022 £'000 | 31 March 2021 £'000 |
|---|---|---|
| Short term benefits | 94 | 55 |
| Post employment benefits | 155 | 145 |
| | **249** | **200** |

The Pensions Committee of the London Borough of Hillingdon Pension Fund ("the Fund") has prepared an Investment Strategy Statement (ISS) in accordance with the DLUHC Guidance on Preparing and Maintaining an Investment Strategy Statement.

As set out in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the Pensions Committee will review this Statement from time to time, but at least every three years, and revise it as necessary. Also, in the event of a significant change, changes will be reflected within three months of the change occurring. The current version of the ISS is available on the pension fund pages of the Council's website: www.hillingdon.gov.uk and included in the Annual Report.

## 21. BULK TRANSFER

There were no bulk transfers in 2021-22.

## 22. CONTRACTUAL COMMITMENTS

Outstanding capital commitments (investments) as of 31 March 2022 totalled £85,428k (£50,576k on 31 March 2021).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the Private Equity, Infrastructure, Property and Private Credit parts of the portfolio. The amounts called by these funds vary both in size and timing over a period of up to six years from the date of each original commitment.

## 23. CONTINGENT ASSETS

Six admitted body employers in the London Borough of Hillingdon Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default. Total value of bonds held come to £244,000.00.

## 24. POST BALANCE SHEET EVENTS

Events taking place after the 31st of March 2022 are not reflected in the financial statements or notes, unless they are of such importance that non-disclosure would affect the ability of users to make proper evaluations and decisions. Where events taking place before this date provided information about conditions existing on 31 March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no events to report after the Balance Sheet date that deem adjustment or disclosure in the accounts.

# London Borough of Hillingdon
# Annual Governance Statement 2021/22

## 1. Introduction

1.1 The London Borough of Hillingdon (LBH) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. In discharging this overall responsibility, LBH is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions that include arrangements for the management of risk.

1.2 LBH follows an approach to corporate governance which is in accordance with the principles of the CIPFA/SOLACE 2016 Framework and guidance '*Delivering Good Governance in Local Government'.* This statement meets the requirements of Regulation 6 (1)(a) of the Accounts and Audit (Amendment) Regulations 2021 which require an authority to conduct a review at least once a year of the effectiveness of its system of internal control and to include a statement reporting on the review with the published Statement of Accounts. Regulation 6(1)(b) requires that the statement is an Annual Governance Statement (AGS) which must be prepared in accordance with proper practices in relation to the accounts.

## 2. Executive Summary and Conclusion

2.1 The review of effectiveness has concluded that internal control and governance systems were in place and remain largely unchanged for the financial year ended 31st March 2022 and, except where identified in Section 3 below, the Council's management and control systems are operating effectively in accordance with good practice. The Council will continue the operation of its governance framework and take steps to carry out the actions for improvement identified in the review of effectiveness to further strengthen its governance arrangements.

## 3. Significant Governance Issues

3.1. LBH has implemented a range of improvement actions, as part of its overall continuous improvement programme, to strengthen governance arrangements and control systems. All governance issues reported in the **2020/21 AGS** and in previous years have been addressed and the following points are noted:

3.1.1 **Anti-Social Behaviour Environment Team (ASBET) Case Management** – The 2020/21 Internal Audit (IA) assurance review of ASBET Case Management identified inconsistent recording, out of date policies and procedures and absence of a risk assessment and triaging of contacts. Improvements have been identified and the team are currently working towards implementation phase, firstly ensuring that policies and procedures are updated (including the overarching Enforcement Policy) and assessment devised and implemented to triage contacts. The team conducted a review of the volumes and throughput of cases and created process maps of the various types of cases which is the next step and will support the build of the new specialist model in Civica Cx.

3.1.2 **Schools Purchasing and Payments, Governance and Financial Management** – During 2020/21, IA performed 2 thematic reviews across 10 maintained schools within the borough. The first IA assurance review was Purchasing and Payments and the second was Governance and Financial Management. Schools have reviewed and updated both Finance and Procurement Policies to add further detail to their procurement processes and ensure that the process specifies clear responsibilities and tender requirements. In addition to support schools, the Council's Procurement Team undertook scoping work to gauge the appetite to potentially implement a Service Level Agreement with maintained schools. Further, Procurement have provided training in July 2021 to all schools to ensure they are clear on the expectations around procurement. Contract Registers are in place with required fields and Contract checklist has also been implemented to ensure that procurement rules and policies are followed in the acquisition and approval of contracts, including demonstrating that the correct number of quotes has been received. In addition, a range of activities has been undertaken to strengthen governance arrangements and financial management which include the recording of discussions, ratification against objectives and oversight of pay progression awards to the Schools Governing Bodies. Mandatory training was introduced for all governing boards to attend on Headteachers' pay and performance management processes as it was identified that there were misconceptions around some themes identified in the audits.

3.1.3 **Tree Inspections** – The 2020/21 IA assurance review of Tree Inspections identified inconsistent record keeping for tree maintenance and inspection reports and the absence of a tree maintenance strategy. Arrangements are in place to maintain accurate records, monitor KPIs and contractor payments. A Tree Strategy has been drafted, which includes a risk based tree management framework and is scheduled to be submitted to Cabinet/CMT for approval in August 2022. Though recruitment continues to be challenging, the employment of an Agency Tree Inspector has provided additional technical capacity to the team. Also, Admin support has been provided to ensure the qualified tree inspectors are best deployed on inspections rather than administrative tasks.

3.1.4 **Music Service** – The Music Service has procured a new specialist system for invoicing and debt collection, SpeedAdmin. The system has been built in accordance with the Council's financial framework, with an auditable trail and in collaboration with the Corporate Payments team. A staged rollout of the system in underway, utilised by Council staff, teachers and parents. Invoices are raised and consolidated within the system, supported by the Corporate Debtors Team who access to the system in order to chase any monies owed.

3.2 Following a review of the effectiveness of the system of internal control including the Council's risk management framework and its corporate governance arrangements, the following significant governance issues have been identified in **2021/22**:

3.2.1 **Allotments** - The 2021/22 IA assurance review of Allotments identified that there was no clear overarching strategy that outlines the Council's commitment and approach to managing and maintaining allotments within the borough safely and no policy in place to ensure governance, information, and expectations from both the Council and residents over the usage and maintenance of allotments. Although some processes were found to be documented within the terms and conditions agreement on how to maintain and use the allotment, there was no evidence for how the processes would be handled by Council officers. Further, allotment sites are not visited or inspected by any Council staff to ensure that plots are being used for their intended purposes or even being used at all. Management actions have been agreed to address the issues identified.

3.2.2 **Planning Enforcement -** The 2021/22 IA assurance review of Planning Enforcement was able to give limited assurance over the key risks to the achievement of objectives for Planning Enforcement. This included prioritisation and response to complaints, investigating prosecution cases and tracking of enforcement deadlines. The Planning & Regeneration (P&R) Management Team is currently undertaking a service review with a view to ensuring that the Planning Enforcement Team is appropriately resourced to meet service demand moving forward. P&R Management are also currently developing a programme for improved performance management as a means to improving staff performance and managing team progression. Management is also currently undertaking a process review for PACE and prosecution proceedings and are developing clear and formal risk assessment criteria and planning checks to ensure that all planning enforcement cases are assessed and prioritised with a consistent threshold applied to enable efficient use of resources.

3.2.3 **Section 106** - The 2021/22 IA assurance review of Section 106 and Community Infrastructure Levy identified that there was no single central register for recording all S106 agreements from 2015 and governance and overview of current developments with pending, active, or outstanding obligations where trigger points are not proactively identified when they have been reached. Further, the audit review was unable to verify that all appropriate legal and planning compliance fees were paid by the developer in a timely manner due to incomplete management information. The Service has implemented a specialist system, Exacom, on the 9th November 2021, which has the functionality (once fully embedded) to address the risks raised during this review. Exacom is now being used to record and collect information for all new agreements (both financial and non-financial). A process is also underway to upload historic obligations, and the 1st phase (back to 1/1/2015) is due to be completed in June 2022.

3.2.4 **Birth Registration Service** - The 2021/22 IA assurance review of Birth Registration Service identified required enhancements to the service's booking system to produce management information to further improve management oversight and escalation. At the time of the audit review, the system was unable to generate robust performance information, with this having to be manually collated. Positive management action is underway to develop a bespoke module for the new case management system.

3.2.5 **Dedicated Schools Grant (DSG)** – The implementation of the Children & Families Act 2014 has expanded the number eligible for support and in turn the proportion of the DSG required to fund Special Educational Needs and Disabilities (SEND) within the High Needs Block of the DSG. Alongside this there is an ongoing increase in the SEN population with complex learning needs, which cumulatively has resulted in an increased financial pressure and a significant cumulative deficit on the DSG. The government has recently issued a SEND Green Paper which is aimed at dealing with the issues arising from the 2014 Act and recognises that "…the system is not financially sustainable". A formal 'Safety Valve' agreement was put in place with the DfE during the final quarter of 2021/22 and the Council is now in year 2 of the 5 year agreement. This includes measures and targets which will allow the DSG to be brought back into a balanced position and form the basis for securing DfE funding to resolve the deficit alongside a contribution from the Council.

3.3. There have been a number of key appointments during 2021-22 and review of the senior management structure and governance arrangements. In January 2021, Cllr Ian Edwards was formally appointed the new Leader of Hillingdon Council and a new Cabinet put in place. This was followed later in 2021/22 by the appointment of a new Interim Chief Executive and Head of Paid Service and a restructure of senior management and directorates, shaped to deliver the vision for the Council going forward. This includes the development of the Council's Strategy (2022-2026) which is scheduled for presentation to Cabinet in July 2022. The Council's Constitution has been remodelled and modernised to meet changing needs locally and to encompass new national legislation. The revised Constitution will reflect these principles and be submitted for approval by full Council on the 12th of May 2022. In addition, from May 2022 , the number of Councillors will reduce from 65 to 53 and as a result of this, a number of ward boundaries will be changing, including the number of Councillors who will represent these wards going forward.

3.4. The Council continues to operate in an environment of static financial support from government against a backdrop of rising inflation costs and significant demographic changes (i.e. there are an increasing number of children in the borough and people are living longer). As a result, this presents the Council with the challenge of managing the greater demand for its broad range of services, which in the absence of any response would result in a rising annual deficit. However, LBH continues to review and transform services to drive improvement and efficiency through initiatives such as the successful BID programme, which has bridged the budget gap with 2021/22 savings of £7.7 million delivered, on track for delivery or covered in the short term by alternative savings or Covid-19 grant, with a further £1.7 million of the budgeted savings which will crystalise in early 2022-23. This proven successful approach is set to be continued beyond 2021/22, enabling the Council to continue 'putting our residents first' despite the challenging financial conditions and demographic pressures.

Tony Zaman
Chief Executive (Interim)
Corporate Director, Social Care and Health
27 September 2023

Cllr Ian Edwards
Leader of the Council

27 September 2023

**4. The Purpose of the Governance Framework**

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

4.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives 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 the Council's policies, aims and objectives. The embedded process evaluates the likelihood of those risks and the impact should they be realised in order to manage them efficiently, effectively and economically.

4.3 The governance framework has been in place at LBH for the year ended 31st March 2022 and up to the date of approval of the 2021/22 Statement of Accounts.

**5. The Governance Framework**

5.1 LBH has brought together the underlying set of statutory obligations, management systems and principles of good governance to establish a formal governance framework. The key elements outlined in the table overleaf demonstrate how LBH maintains effective internal controls and an effective governance system and aligned to the seven principles of the CIPFA/SOLACE 2016 Framework and guidance '*Delivering Good Governance in Local Government'.* The table overleaf includes examples and hyperlinks to sources of further information which include detail about how the LBH has implemented its commitments.

| 1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law. | | |
|---|---|---|
| **The Council's Commitment** | **How the Council meets these principles** | **Governance in action** |
| **1a**<br>**Behaving with integrity** | ✓ The **Council's vision, 'Putting Our Residents First'** and priority themes; "Our People", "Our Natural Environment", "Our Built Environment" and "Financial Management". Our vision and priority themes underpin everything the Council does, including how it works with partners, makes decisions and serves communities.<br>✓ Rather than adopting a formal **Code of Corporate Governance**, the Council ensures that LBH's governance structure, decision-making process and areas of responsibility are covered in the Council's Constitution and Schemes of Delegation.<br>✓ The **Committee Standing Orders** (Part 4B), Procurement & Contract Standing Orders (Part 4H) & Scheme of Delegation to Officers (Part 3) are incorporated in the Constitution and reviewed annually.<br>✓ Part 5 of the Constitution sets out formal **'Codes of Conduct'** governing the behaviour and actions of all Council Members, co-opted members and Council officers. A formal 'Code of Conduct for Members and Co-opted Members' was adopted in July 2012. This Code requires that Councillors conduct themselves appropriately to fulfil their duties and that any allegations of misconduct are investigated. There is a separate 'Code of Conduct for Employees', which applies to all Council officers and is part of their contract of employment. The authority periodically reviews the code and guidance to ensure these requirements reflect changes to the Council structure. A revised Code of Conduct for Officers and Protocol for Member/Officer Relations were approved by full Council in February 2015. The Member/Officer Protocol governs and regulates the relationship between the elected Members and appointed officers.<br>✓ The Council has a zero-tolerance approach towards fraud and corruption and this commitment is set out in the Council's **Counter Fraud Strategic Plan**. This is underpinned by the ongoing development of the Fraud Universe and a full range of investigative policies and procedures.<br>✓ A formal **Whistleblowing Policy**, which sets out how the Council complies with the Public Interest Disclosure Act 1998, allows Council staff, contractors working for the authority and residents to raise complaints regarding any behaviour or activity connected to the authority, ranging from unlawful conduct to fraud or corruption.<br>✓ The **Member Register of Interests** records the pecuniary and non-pecuniary interests of Members and co-opted members of LBH. There is a separate 'Related Parties' register that all Members and a selection of senior officers are required to complete each year declaring the relationship and nature of any related party transactions, which the authority has entered into. | Constitution<br><br>Counter Fraud<br><br>Register of Interests |

| | | |
|---|---|---|
| **1b**<br><br>**Demonstrating strong commitment to ethical values** | ✓ LBH has set out its vision of 'Putting Our Residents First' as detailed in **principle 1a**. The delivery of these priorities will be achieved through a combination of strategic management programmes.<br><br>✓ Please refer to **principle 1a** for further information on the **Codes of Conduct** which promotes and maintains high standards of conduct by its Members and co-opted members.<br><br>✓ Clear guidance is in place for members and officers regarding the acceptance of **Gifts and Hospitality** detailed in the Gifts and Hospitality Policy, Golden Rules for Employees and the Constitution. Gifts and hospitality of a nominal value over £15 is accepted following manager approval and recorded on a central register. Gifts and or hospitality where either the value attached or opportunity afforded makes acceptance inappropriate is refused and the refusal recorded on the Gifts and Hospitality Register.<br><br>✓ Hillingdon's **Standards Committee** sits outside of the Cabinet and reports directly to Full Council and promotes and maintains high standards of conduct across the Council and to monitor and oversee the respective Codes of Conduct which apply to both Councillors and Officers (including gifts and hospitality).<br><br>✓ The **Public Services (Social Value) Act 2012** is considered by Procurement during every tender. | Constitution<br><br>Standards Committee |
| **1c**<br><br>**Respecting the rule of law** | ✓ The Council uses its legal powers, including the 'general power of competence' to promote its values and priorities to the full benefit of the residents and communities in LBH.<br><br>✓ The Council has **measures to address breaches of its legal and regulatory powers**. The Council's Monitoring Officer (the Borough Solicitor) has statutory reporting duties in respect of unlawful decision making and maladministration.<br><br>✓ The Council appoints Statutory Officers who have the skills, resources and support necessary to ensure the Council's statutory and regulatory requirements are complied with.<br><br>✓ The Chief Finance Officer (the Corporate Director of Finance) has statutory reporting duties in respect of unlawful and financially imprudent decision making.<br><br>✓ The Council ensures that it complies with CIPFA's Statement on the Role of the Chief Finance Officer in Local Government (2016) and the Role of Head of Internal Audit in Public Service Organisations (2019). | Constitution<br><br>Role of the Chief Finance Officer |

| 2. Ensuring openness and comprehensive stakeholder engagement | | |
|---|---|---|
| **The Council's Commitment** | **How the Council meets these principles** | **Governance in action** |
| **2a**<br><br>**Ensuring openness** | ✓ The **Council's website** has been redeveloped to improve functionality and content for visitors and is set out in a clear and easily accessible way using plain language. The information which residents use most, such as Council Tax, and Waste and Recycling can be accessed easily from the main page. Further work is underway to improve the website through a transformation project.<br><br>✓ LBH's commitment to the seven **Nolan Principles of Public Life** (including openness) detailed in the Constitution.<br><br>✓ All **Council and Committee meetings are held in public** (other than in limited circumstances where consideration of confidential or exempt information means that the public are excluded), with agenda and reports being produced in paper form and on the Council's website. Key Council meetings are broadcast live on YouTube including full Council, Cabinet, Planning Committees and Licensing Sub Committees. | LBH Website<br><br>Constitution<br><br>Council Meetings<br>Council's YouTube channel |
| **2b**<br><br>**Engaging with institutional stakeholders** | ✓ LBH has a set of general **consultation/engagement standards** that demonstrate a commitment for building strong relationships with residents, visitors and businesses throughout the borough. The standards set out LBH's commitment to engage, consult and respond to the views of local communities. The standards also support LBH's commitment to transparency and the need for sharing information with LBH residents. All resident and stakeholder feedback supports and informs the Council's corporate intelligence, which drives business planning, policy and decision-making including commissioning and procurement of services. A customer engagement approach is in place covering all Council services to align customer engagement to support the delivery of Council priorities.<br><br>✓ **Hillingdon Partners** is a voluntary body which brings together the key local, public, private, voluntary and community sector organisations to work as a local strategic partnership to improve the quality of life for all those who live in, work in and visit Hillingdon. The Partnership seeks to promote the interests of LBH with external organisations, regional bodies and central government. They have 9 priority areas for the focus of its work, with actions to address local priorities delivered through theme groups. Other statutory providers (**Health & Wellbeing Board** and **Safer Hillingdon Partnership**) are referenced in section 3b.<br><br>✓ The **Council's Policy Overview, Scrutiny and Select Committees** secure strong local stakeholder and expert witness participation in their reviews delivering added value findings to Cabinet. Exercising its statutory Health and Crime & Disorder responsibilities, the External Services Select Committee regularly scrutinises the work of the local NHS, Police and other public agencies with their most senior representatives attending. Corporate parenting responsibilities have been integrated within the Council's overview and scrutiny arrangements to provide stronger oversight and directly engage children in care and care leavers in the democratic process. | Hillingdon Partners<br><br>Policy Overview, Scrutiny and Select Committees |

| | | |
|---|---|---|
| | ✓ LBH's **Employee Forum** is a consultative body and created to ensure that the views of the whole employee population can be heard in an open and transparent way.<br><br>✓ Regular virtual meetings are taking place with the **Hillingdon Foster Carers Association** to discuss and consult on issues pertinent to our Hillingdon foster carers who are corporate parents for our most vulnerable children.<br><br>✓ There are well established **Tenant and Resident Associations** in the Borough as well as Council tenant forum groups (e.g. sheltered housing forum) which provide valuable opportunities to discuss important service developments and to receive and listen to resident feedback. These groups directly inform service developments and provide the platform for effective communication and engagement with council tenants and leaseholders. | |
| **2c**<br><br>**Engaging with individual citizens and service users effectively** | ✓ The Council supports different ways for residents to present their individual and community's **concerns directly to elected members**, for example via Ward Surgeries, Ward Budgets and the Members' Enquiries process.<br><br>✓ The Council has in place a well-established **Petition Scheme**, including e-Petitions. This is widely used by residents in the people in the borough to submit their views on local matters directly to decision-makers.<br><br>✓ A **Joint Strategic Needs Assessment (JSNA)** outlines the current and future health and wellbeing needs of the population over 3 to 5 years and informs the Council's service planning, commissioning strategies and links to strategic plans such as LBH's Joint Health and Wellbeing Strategy. The JSNA is 'live' and can be accessed via the LBH website and is updated throughout the year rather than being refreshed annually.<br><br>✓ **Hillingdon Youth Council** represents the young people of Hillingdon and provides a voice for young people who live, study or work in the borough and is made up of a variety of people from different ethnic and cultural backgrounds between the ages of 11 to 19 (up to 25 years with Special Educational Needs and Disability). It is a forum in which they can discuss and exchange their views and opinions about issues affecting young people.<br><br>✓ **Children in Care Council** engages and enables children in care to express how they are being cared for by Hillingdon. They regularly meet virtually with managers in children's services and councillors to discuss changes we would like to make to practices and procedures which are affecting them. Further, children in care received a fortnightly newsletter throughout the pandemic to strengthen engagement.<br><br>✓ LBH monitors **legislative changes,** considers implications and opportunities and ensures that the authority is substantially compliant with laws and regulations. CMT is briefed on upcoming changes and agreeing actions, reporting to Cabinet on specific issues as required. Legal Services review all Committee and Executive reports prior to decision, for Legal compliance. | Petition Scheme<br><br>JSNA<br><br>Youth Council<br><br>Children in Care Council |

| 3. Defining outcomes in terms of sustainable economic, social and environmental benefits | | |
|---|---|---|
| **The Council's Commitment** | **How the Council meets these principles** | **Governance in action** |
| **3a**<br>**Defining outcomes** | ✓ **The Hillingdon Improvement Programme (HIP)** is LBH's strategic improvement programme which drives transformation across the Council. The programme drives cross cutting strategic change programmes that ensure the Council is meeting the needs of residents in the most effective and efficient way. The programme is jointly led by the Leader of the Council and the Chief Executive with full engagement of Directors and Cabinet Members. The ambition of the programme is to create a Sustainable Hillingdon that is Safer, Healthier, more Inclusive, Greener and More Digital.<br><br>✓ The **Performance Management Framework** is a Council-wide framework requiring all service areas and teams to set annual service delivery plans, targets, identify risk and report performance against Council priorities. Key aspects of performance are monitored on a regular basis through a combination of reporting against service targets and performance scorecards, the results of which are regularly presented to Senior Management Teams and reported quarterly to the Corporate Management Team (CMT).<br><br>✓ The **Medium-Term Financial Forecast (MTFF)** is the Council's key process for service and corporate financial planning, providing a forward view of the Council's financial position over the forthcoming five years and a framework to develop savings proposals to manage emerging budget gaps. This follows an annual cycle from initial scoping in February/ March through a robust challenge process involving both Senior Managers and Members to deliver a consultation budget in December before Council Tax setting for the subsequent financial year in February. A budget consultation report is also produced for each Policy Overview, Scrutiny & Select Committee for discussion at the January round of meetings with any comments added to the final budget report in February. The Council also undertakes the statutory budget consultation process with business ratepayers and residents in the Borough across December and January with the responses included as an appendix to the final budget report. Throughout this process updates are communicated through key officer forums, such as CMT and Business Transformation Board, with regular monthly updates through the Corporate Finance work stream. | HIP<br><br><br><br><br><br><br><br><br><br><br><br>Budget Reports |

| | | |
|---|---|---|
| | ✓ LBH recognises there is a continued need for effective strategic and operational **risk management processes** and procedures. The Council has processes in place to identify and manage risks to the achievement of its objectives, as set out in the Risk Management Policy and Guidance 2020-23. The Corporate Risk Register is a part of this framework and is used to inform decision making, provide assurance over actions being taken to manage key risks, and to inform risk management planning and mitigation activities. Effective risk management helps to mitigate against the financial and reputation risks arising from the broad range of **insurable risks** to which LBH is exposed. It is anticipated that the LBH insurance contracts (which were retendered in 2021) will support the transfer of financial risk through a mixed portfolio of suppliers specialising in specific insurance sectors, alongside actions by the Risk and Insurance Team to raise awareness of such risks. | Risk Management Policy |
| **3b**<br><br>**Sustainable economic, social and environmental benefits** | ✓ Part 2, article 8 of the Constitution also sets out how the Authority works with its partners in LBH through the Health and Wellbeing Board, which is co-chaired by the Cabinet Member for Social Services, Housing, Health and Wellbeing and the Managing Director of Hillingdon Health and Care Partners, which complies with the requirements of the Health and Social Care Act 2012. The **Health and Wellbeing Board** seeks to improve the quality of life of the local population and provide high-level collaboration between LBH, the NHS and other agencies to develop and oversee the strategy and commissioning of local health and social care services. In 2021, the Council made an interim joint appointment to a new Director of Public Health with LB Hounslow and the Terms of Reference of the Board were updated following a review with the LGA and partner organisations to improve effectiveness. One of the outcomes was that the Board is now co-chaired by the relevant Cabinet Member and the Managing Director, Hillingdon Health and Care Partners.<br><br>✓ The **Safer Hillingdon Partnership (SHP)** is the statutory Community Safety Partnership for the borough established under the Crime and Disorder Act 1998, the Police and Justice Act 2006 and Police and Crime Act 2009. The SHP has a duty to conduct an annual strategic assessment of community safety trends and agree key community safety priorities for implementation across the partnership. Performance and progress made against the annual plan is monitored and scrutinised by the SHP Board at every meeting.<br><br>✓ LBH has introduced a significant number of measures to improve air quality in the borough as set out in the **Air Quality Action Plan.**<br><br>✓ The **Hillingdon Housing Strategy 2021 – 2026** sets out our priorities for housing and our key aims for the next five years. The council has responsibilities for housing both as a landlord and in relation to its strategic housing role. This includes assessing needs, identifying priorities and planning for the delivery of affordable housing; standards of housing and management across both the social sector and the private rented sector; **homelessness** and housing advice; housing support and aids and adaptations. The Housing Strategy identifies key challenges and sets out priorities for the coming 5 years. It takes account of and is compliant with national policy and legislation and the London Housing Strategy 2018: Homes for London.<br><br>✓ LBH is on track to achieve its equality-related objectives (set in April 2018) as part of the **Council's Public Sector Equality Duty** set out in the Equality Act 2010. | Constitution<br><br>Safer Hillingdon Partnership<br><br>Air Quality Action Plan<br><br>Housing Strategies<br><br>Homelessness Prevention and Rough Sleeper Strategy<br><br>Promoting Equality Targets |

| 4. Determining the interventions necessary to optimise the achievement of the intended outcomes | | |
|---|---|---|
| **The Council's Commitment** | **How the Council meets these principles** | **Governance in action** |
| **4a**<br><br>**Determining interventions** | ✓ Decision makers receive accurate, relevant and timely performance and intelligence to support objective and analysis of options, intended outcomes, financial impact and associated risks informing service delivery.<br><br>✓ LBH's **Constitution** sets out how the authority operates, how decisions are made, and the procedures that are followed to ensure that they are efficient, transparent and accountable to local people. The Constitution is reviewed at full Council meetings as required and also more comprehensively on an annual basis at each Annual General Meeting, as required.<br><br>✓ Part 2 of the Constitution outlines the **roles and responsibilities** of the Executive, Non-executive, Mayoralty, Overview, Scrutiny and Select Committees, Standards Committee and officer functions. Part 5 of the Constitution sets out the framework governing the conduct of Members and co-opted members and comprise of:<br>● A structure of the Leader of the Council, a Cabinet, Regulatory Committees and Policy Overview, Scrutiny and Select Committees;<br>● A Corporate Management Team;<br>● Senior Management Teams;<br>● The Audit Committee, led by an Independent Chairman; and<br>● The Standards Committee and a Code of Conduct for Members and Co-opted Members.<br><br>✓ Part 2, article 7.08 of the Constitution sets out the **'Cabinet Scheme of Delegations'**. This governs the allocation of responsibilities and the discharge of executive functions by the Leader, the Cabinet and individual Cabinet Members. This is regularly updated to reflect changes to Cabinet Member portfolio responsibilities in line with business priorities and Directors' responsibilities. Executive decision-making is transparent and undertaken in accordance with regulations and the law, with flexibility for urgent decisions.<br><br>✓ Part 3 of the Constitution sets out the **'Scheme of Delegations to Officers'**. This governs the responsibilities allocated to officers to perform the authority's activities. Details of what decisions are taken in this way are included in the Scheme of Delegation in the Council's Constitution. Further specific delegations may be granted through recommendation in public reports to Committees.<br><br>✓ The schemes are updated when required to reflect changes to Corporate Directors' responsibilities in line with business priorities. Each Directorate has individual Schemes of Delegations, setting out how Corporate Directors' responsibilities are sub-delegated. | Constitution |

| | | |
|---|---|---|
| **4b** **Planning interventions** | ✓ The Council plans its activity at a strategic level through its HIP which aims to deliver excellence.<br>✓ The effectiveness of the Council's interventions and the quality of its services is monitored through the provision of regular performance reports showing progress towards goals and targets set in the budget and business plans. Key areas are highlighted so that decision-makers can take corrective action where necessary. | |
| **4c** **Optimising achievement of intended outcomes** | ✓ The **Business Improvement Delivery (BID)** programme is a key part of HIP and has been designed to fundamentally transform the way the Council operates without reducing service delivery to residents. Through the programme, savings of £10.4 million are being delivered for 2021/22. The BID programme delivery and expenditure is overseen by the Leader of the Council, the Corporate Director of Finance and is embedding within the MTFF process.<br>✓ The Council integrates and balances service priorities, affordability and other resource constraints, to take into account the cost of operations over the medium and longer-term including revenue and capital spend budgets.<br>✓ The **Public Services (Social Value) Act 2012** is considered by Procurement during every tender. | Public Services Act |
| **5. Developing the entity's capacity, including the capability of its leadership and the individuals within it** | | |
| **The Council's Commitment** | **How the Council meets these principles** | **Governance in action** |
| **5a** **Developing the organisation's capacity** | ✓ Please refer to **principle 3a** for further information on **HIP.**<br>✓ Please refer to **principle 4c** for further information on **BID.** | HIP |
| **5b** **Developing the capability of the organisation's leadership and other individuals** | ✓ The Leader of the Council and the Chief Executive have defined roles and maintain a shared understanding of roles and objectives. The Chief Executive leads on implementing strategy and managing service delivery.<br>✓ LBH maintains a **Scheme of Delegation** setting out which decisions and powers have been delegated.<br>✓ A **training programme for Members** is conducted in each municipal year. All new Members are trained on the Code of Conduct by the Borough Solicitor and Head of Democratic Services and refresher training is delivered where appropriate. Complaints about alleged breaches of the Code are handled in accordance with the requirements of the Localism Act 2011. The Standards framework includes a 'Whips Protocol' which complainants are expected to make use of first, with complaints only escalated to the Monitoring Officer and Standards Committee if they cannot be resolved through this process. LBH has put in place an induction and training programme for Members along with specific training on scrutiny, planning, audit and licensing rules. | Constitution |

| | | |
|---|---|---|
| | ✓ LBH's **training and development programme** enables staff and senior officers to access and complete a wide range of learning and development opportunities through the internal Learning & Development pages on LBH's intranet. This ensures they have the skills, knowledge and behaviours to deliver the Council's priorities. This training includes induction programmes, e-learning packages and a range of vocational development courses under the Qualifications and Credit Framework.<br><br>✓ The Executive Coaching and the Masters in Business Administration (MBA) programme for managers is a new leadership programme implemented in 2021 aimed at providing the Council's future leaders, offering staff the opportunity to achieve professional qualifications and meet their Continuing Professional Development (CPD) requirements. In addition, the Council runs an all-age **apprenticeship programme**, where apprentices help deliver our vision of 'putting our residents first' while gaining essential vocational skills and qualifications.<br><br>✓ The **Performance and Development Appraisal (PADA)** process at LBH requires all staff to record employees' key objectives and tasks, set targets for when these must be delivered and identify staff learning and development needs. There are competency frameworks for all levels of staff, with descriptors outlining the performance that is expected at each level. Performance reviews are required to be completed on a bi-annual basis against the relevant competency framework. The Performance and Development Appraisal (PADA) process will be reviewed in 2022.<br><br>✓ LBH is committed to promoting the **physical and mental health and wellbeing of the workforce** through both specific interventions and as a central part of the role of all managers. There is a dedicated programme with a wide range of support and guidance for employees and their managers covering mental health in the workplace, health and wellbeing initiatives and a 24/7 Employee Assistance Programme. In 2022, the offer will be extended to include a dedicated clinically led mental health and wellbeing app for staff to download on their personal devices to engage with in their own time.<br><br>✓ The Council has an open approach to external, peer review and inspection and actively considers feedback. | Apprenticeship Programme |
| **6. Managing risks and performance through robust internal control and strong public financial management** | | |
| **The Council's Commitment** | **How the Council meets these principles** | **Governance in action** |
| **6a**<br><br>**Managing risk** | ✓ LBH has established an effective **Risk Management Framework** that aids decision-making in pursuit of the organisation's strategic objectives, protects the Council's reputation and other assets and is compliant with statutory and regulatory obligations.<br><br>✓ The **Risk Management Policy and Guidance** outlines the roles, responsibilities and processes for capturing, reporting and taking action to mitigate key corporate and directorate risks. The Corporate Risk Register (CRR) enables the identification, quantification and management of key strategic risks. Directorate Risk Registers are updated quarterly, reviewed by each Senior Management Team and the most significant risks are escalated to the CRR where appropriate. LBH's Risk Management framework is reviewed annually by the Business Assurance team, Corporate Management Team and the Audit | Risk Management Policy |

| | | |
|---|---|---|
| | Committee.<br><br>✓ A **Corporate Risk Management Group (CRMG)**, chaired by the Corporate Director of Finance, reviews the CRR on a quarterly basis and advises the Cabinet and Corporate Management Team on the significant risks. The CRR is presented to the Audit Committee in the following quarter. Where appropriate, the MTFF embraces the potential financial impact of significant risks.<br><br>✓ **Risk Management training** for staff and Audit Committee Members is available via an e-learning training module and compulsory for managers as part of the induction process. Completion rates have been steady and Business Assurance continues to raise awareness and promote the module via staff publications.<br><br>✓ **GDPR training** forms part of the mandatory induction process for new staff and was included as a Performance and Development Appraisal objective as a mandatory target for all staff, ensuring that staff all understand LBH's data handling and processing responsibilities remains a key workforce objective.<br><br>✓ The Council's **health and safety management system** assists in managing health and safety for the council's undertakings, integrating health and safety and the assessment of risk into the Council's daily business. | |
| **6b**<br><br>**Managing performance** | ✓ The Council puts in place **Key Performance Indicators** (KPIs) to monitor service delivery whether services are produced internally or through external providers. Reports compiling KPIs are submitted to SMTs, CMTs and Members to support transparency and resource allocation to address challenges.<br><br>✓ The Council ensures that external companies who deliver services have an understanding of expected contract performance, and monitoring takes place throughout the contract period. | |
| **6c**<br><br>**Effective overview and scrutiny** | ✓ Part 2, articles 6 and 8 and Part 4E of the Constitution set out how the Council's non-executive decisions by Members are taken. **Select Committees** undertake regular monitoring of services, performance, the budget and an annual programme of major, Member-led service reviews involving witness testimony aimed at influencing Executive policy. Statutory scrutiny of health and police bodies is undertaken annually. Regulatory decisions on planning, licensing and related matters are undertaken judiciously by experienced and trained elected Councillors, in accordance with the Council's ethical standards. | Select Committees |
| **6d**<br><br>**Robust internal control** | ✓ LBH has robust internal control processes which support the achievement of its objectives while managing risks. LBH's approach is set out in the **Annual Corporate Risk Management report**, and Annual **Internal Audit Plan**.<br><br>✓ An **Independently Chaired Audit Committee** operates to oversee financial reporting, provide scrutiny of the financial and non-financial systems, and provide assurance on the effectiveness of risk management procedures and the control | |

| | | |
|---|---|---|
| | environment. The Audit Committee has been set up with terms of reference which are generally consistent with CIPFA's 'Audit Committees – Practical Guidance for Local Authorities and Police 2018'.<br><br>✓ LBH maintains policies and arrangements to effectively manage both the internal and external risks of **fraud and corruption** against the Council which include; the Counter Fraud Strategic Plan, Whistleblowing, Anti Money Laundering and Anti Bribery Policies.<br><br>✓ An **assessment of the overall effectiveness of the framework of governance**, risk management and control is provided by the Council's Internal Audit in the Business Assurance (& Head of Internal Audit) Annual Opinion.<br><br>✓ LBH has **robust expenditure controls** in place to facilitate compliance with Standing Orders and financial regulations. This includes a comprehensive capital release process for the approved MTFF Capital Programme and wider expenditure control processes which are referenced in **principle 4a**. | |
| **6e**<br><br>**Managing data** | ✓ The Council is committed to safeguarding the personal data it holds and sharing this data only in circumstances required or permitted by law. Personal data is processed in accordance with the **General Data Protection Regulations (GDPR)** and the **Data Protection Act 2018.**<br><br>✓ All personal information LBH keeps is stored safely, only accessed by people who need to access it, used safely and responsibly, and disposed of safely and securely when it is no longer required. This also includes transporting data, either physically or electronically.<br><br>✓ A corporate officer group, the **Hillingdon Information Assurance Group (HIAG)**, chaired by the Senior Information Risk Owner (the Head of Internal Audit & Risk Assurance) or their Deputy (Internal Audit Manager) on behalf of the Corporate Management Team, meets quarterly to review updated information governance policies, procedures and guidance for staff, assess the Council's effectiveness in complying with data protection and information security legislation, and to review and mitigate organisation-wide information governance risks. Individual data protection incidents are reviewed to ensure that appropriate action is taken to reduce the impact of the event and the likelihood and recurrence, with any learning or development requirements identified and addressed.<br><br>✓ Following the introduction of **GDPR** LBH updated its data protection procedures and training programme, which was rolled out to all staff and Members. The revised training programme forms part of the mandatory induction process for all new staff and included as a Performance and Development Appraisal objective.<br><br>✓ The Corporate Director, Social Care, is the appointed **Caldicott Guardian** and plays a key role in ensuring that LBH satisfies the highest practical standards for handling person identifiable information and embedding the 7 Caldicott Principles within practice. | GDPR Date Protection Policy<br><br>Information Governance Policy<br><br>The United Kingdom Caldicott Guardian |

| | | |
|---|---|---|
| | ✓ The Council **regularly reviews policies** relating to records management, data quality, and data protection and information security. These policies are accessible by all staff via the intranet.<br><br>✓ The Council's **Public Services Network (PSN)** certificate was in place for 2021-22 until the 22nd of March 2022. The Code of Connection and Remediation Action Plan (RAP) has been submitted in order to renew the Council's certification. The Council continues to meet the IA requirements of the PSN, ensuring our ICT Infrastructure is secure in order to gain access to the PSN. The PSN enables specific teams across the Council to directly access Government data which includes high risk data about individuals, such as social care issues.<br><br>✓ LBH is committed to sharing appropriate data safely with agencies; where this improves effective and efficient service delivery and is compatible with the rights of individuals. Further to this, LBH is compliant with the **Data Security and Protection Toolkit** requirements in order to access systems and data provided by the NHS.<br><br>✓ The Council makes information available to the public via the information access regimes provided for by the **Freedom of Information Act 2000** and the **Environmental Information Regulations 2004**. Individuals may access their own personal data by exercising the right of subject access under the **Data Protection Act 2018**. | DSP Toolkit Guidance<br><br>FOI |
| **6f**<br><br>**Strong public financial management** | ✓ The Chief Finance Officer (CFO) (the Corporate Director of Finance) ensures that appropriate advice is given on all financial matters, proper financial records and accounts are kept and oversees an effective system of internal financial control. The CFO ensures well developed financial management is integrated at all levels of planning and control including management of financial risks, systems and processes. The Constitution (Part 4) details the financial regulations which underpin the financial arrangements.<br><br>✓ Please refer to **principle 4c** for further information on **BID**.<br><br>✓ In order to monitor the MTFF position and manage financial risk **comprehensive budget monitoring** is undertaken across the Council on a **monthly** basis and formally reported to Cabinet. Please refer to **principle 3a** for further information on the **MTFF**. | Constitution |
| **7. Implementing good practices in transparency, reporting and audit to deliver effective accountability** | | |
| **The Council's Commitment** | **How the Council meets these principles** | **Governance in action** |
| **7a**<br><br>**Implementing good practice in transparency** | ✓ The Council follows the **Local Government Transparency Code 2015**, which includes requirements and recommendations for local authorities to publish certain types of data.<br><br>✓ In accordance with this code, financial information about projected and actual income and expenditure, procurement, contracts and financial audit is published on the Council's website. | Council Spending<br><br>Statement of Accounts |

| | | |
|---|---|---|
| | ✓ Please refer to **principle 2a** for further information the **Council's website**.<br>✓ The Council has published **Privacy Notices**, which are key transparency requirements under the GDPR as individuals have the right to be informed about the collection, type and use of their personal data. | Privacy Notices |
| **7b** **Implementing good practices in reporting** | ✓ The Council explains how it **reviews its governance arrangements**, and how it has complied with CIPFA's "Delivering Good Governance in Local Government (2016)" principles by producing this Annual Governance Statement (AGS). A concise summary of the findings of the AGS is included within the Annual Report. | CIPFA/Solace Framework |
| **7c** **Assurance and effective accountability** | ✓ LBH welcomes **peer challenge, internal and external review, audit, and inspections** from regulatory bodies and gives thorough consideration to recommendations.<br>✓ **Public Sector Internal Audit Standards** set out the standards for internal audit adopted by the Council. | PSIAS |

**6. Review of Effectiveness**

6.1 The Council has a statutory 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 senior managers within the authority who have responsibility for the development and maintenance of the governance environment. It is also informed by the Annual Internal Audit Report and Head of Internal Audit Opinion Statement, as well as comments and observations made by the Council's independently appointed external auditors (Ernst & Young), other review agencies and inspectorates.

6.2 The CIPFA/SOLACE 2016 Framework '*Delivering Good Governance in Local Government'* (Chapter 5), sets out seven principles of good practice. The review of effectiveness has considered each of the principles, including the sub-principles and behaviours and actions that demonstrate good governance in practice.

6.3 The review of effectiveness as concluded in section 2 of this report has also been informed by a range of management information and improvement action, including:

6.3.1 A comprehensive annual programme of scrutiny and review by the Policy Overview and Scrutiny Committees as well as the Audit Committee.

6.3.2 The role of the Corporate Director of Finance, detailed in the Finance Schemes of Delegation. As a key member of the Corporate Management Team, his role is to act as, and exercise the functions of, the "Chief Finance Officer" meaning the officer designated under section 151 of the Local Government Act 1972. As such he is actively involved in all material business decisions to safeguard public money and sound financial management on behalf of the authority.

6.3.3 The work of the external auditors as reported in their Annual Results Report. They carry out auditing of the Council's activities in accordance with the National Audit Office Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014. Their key responsibilities are to design their work to provide sufficient assurance to enable them to report to the Authority a commentary against specified reporting criteria (Financial sustainability, Governance and Improving economy, efficiency and effectiveness) on the arrangements the Authority has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

6.3.4 The work of Business Assurance, which develops its quarterly Internal Audit plans after assessment of risk and priorities including discussions with senior managers and reported quarterly to the CMT and the Audit Committee.

6.3.5 LBH continued to maintain effective financial management throughout the financial year with unallocated general reserves of £26.7 million, £11.2 million earmarked for potential Covid-19 pressures and £23.6m of other earmarked reserves as at 31st March 2022.

6.3.6 LBH has a clear commitment to fit for purpose procurement function. Procurement ensures a value for money approach to quality and expenditure commitment. By engaging with groups, Procurement supports the delivery of financial and service requirements to meet corporate objectives with a 'Residents First' approach.

6.3.7 LBH Covid Recovery Board conducted a review of lessons to be learned from its response to the coronavirus pandemic. This included the following key risks affecting the authority:

- Impact on business as usual delivery of services;
- New areas of activity as part of the national response to coronavirus;
- Funding and logistical consequences of delivering a local government response; and
- Assessment of long-term disruption and consequences arising from the pandemic.

There is subsequently now a range of Business Improvement Delivery Reviews underway across the organisation.

6.3.8 Guidance from CIPFA confirmed that the conclusion on whether or not governance is fit for purpose should reflect normal operations.

6.3.9 The Head of Internal Audit (& Risk Assurance) has provided a '**REASONABLE**' level of assurance on the Council's internal control environment and overall governance arrangements for 2021/22. The following areas of significant internal control weakness, identified during internal audits, were noted:

- Allotments;
- Planning Enforcement;
- Section 106 and Community Infrastructure Levy;
- Birth Registration Service; and
- The Dedicated Schools Grant (DSG).

# Glossary

**ACCRUAL** - A sum included in the final accounts to cover income or 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.

**ACCUMULATED ABSENCES ACCOUNT** - Absorbs the differences arising from the statutory requirement to neutralise the impact on the General Fund Balance of accruing for compensated absences earned but not taken in year.

**ACTUARIAL VALUATION** - A valuation of assets held, an estimate of the present value of benefits to be paid, and an estimate of required future contributions, by an actuary, on behalf of a pension fund.

**ACTUARY** - An independent professional who advises on the financial position of the pension fund.

**AGENCY SERVICES** - The provision of services by one body (the agent) on behalf of another that is legally responsible for providing the service.

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

**ASSET** - Something that will be used by the Council over a long period of time and has a lasting value (e.g. land, buildings, and roads). See also **COMMUNITY ASSETS, NON-CURRENT ASSET, INFRASTRUCTURE ASSETS, ASSETS HELD FOR SALE, NON-OPERATIONAL** and **OPERATIONAL ASSETS**.

**ASSETS HELD FOR SALE** - Assets that are being actively marketed for sale and are expected to be sold within the next financial year.

**BAD DEBT PROVISION** – See “Impairment Allowance” below.

**BALANCES** - Unallocated reserves held to resource unpredictable expenditure demands.

**BUDGET** - A statement of the Council's plans for services expressed in money shown over one or a number of years.

**CAPITAL ADJUSTMENT ACCOUNT** - The Capital Adjustment Account represents the balance of capital resources set aside to finance capital expenditure awaiting the consumption of those resources (i.e. depreciation or impairment).

**CAPITAL CHARGE** - A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

**CAPITAL EXPENDITURE** - Spending on assets (e.g. land, buildings, roads etc.) that adds to and not merely maintains the value of an existing fixed asset.

**CAPITAL RECEIPTS** - The proceeds from the sale of land, buildings or other assets. Capital receipts can be used to pay for new capital expenditure, within rules set down by the Government, or to repay outstanding loans.

**CASH EQUIVALENT** - Amounts held as short-term deposits which are readily convertible into cash.

**CIPFA** - The Chartered Institute of Public Finance and Accountancy is the professional accounting body that specialises in the public services.

**COMMUNITY ASSETS** - Assets that the Council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

**CONTINGENCY** - Money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income.

**CONTINGENT ASSET** - A contingent asset is a possible asset 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.

# Glossary

**CONTINGENT LIABILITY** - A contingent liability is either:

a) A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or

b) Past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

**COUNCIL TAX** - The local tax based on relative market values of residential property, which helps to fund local services.

**CREDITORS / PAYABLES** - Amounts owed by the Council for goods and services received where payment has not been made at the date of the balance sheet.

**CREDIT RISK** - Risk that other parties might fail to pay amounts due to the Council

**CURRENT ASSET** - An asset held, which will be consumed or cease to have value within the next financial year; examples are stocks and debtors.

**CURRENT LIABILITY** - An amount which will become payable or could be called in within the next accounting period; examples are creditors and cash overdrawn.

**CURRENT SERVICE COST** - The increase in the present value of Pension Fund Liabilities expected to arise from current year service.

**DEBTORS / RECEIVABLES** - Amounts owed to the Council for goods and services provided but not received at the date of the balance sheet.

**DEDICATED SCHOOLS GRANT** - A specific grant for the funding of schools and which is ring fenced to the Schools Budget.

**DEPRECIATION** - The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, passage of time or obsolescence through technological or other changes.

**DIRECT REVENUE FINANCING (revenue contributions to capital)** - Resources provided from the Council's revenue budget to finance the cost of capital projects.

**DISTRICT AUDITOR** - An auditor employed directly by the Audit Commission to audit the accounts of local authorities.

**EARMARKED RESERVES** - Amounts set aside for a specific purpose or a particular service or type of expenditure.

**EFFECTIVE INTEREST RATE** - The rate of interest that will discount the estimated cash flows that take place over the life of the instrument.

**EMOLUMENTS** - All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

**EXCEPTIONAL ITEMS** - Material items that fall within the ordinary activities of the Council that need to be disclosed in order to present the accounts fairly.

**EXTRAORDINARY ITEMS** - Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur.

**FAIR VALUE** - the price at which an asset could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

**FEES AND CHARGES** - Income raised by charging users of services.

# Glossary

**FINANCE LEASE** - A method of paying for capital expenditure where a rent is paid for an asset during its useful life. Finance Leases are treated as capital. See **OPERATING LEASE**.

**FINANCIAL YEAR** - The period covered by a set of financial accounts - the Council's financial year commences 1 April and finishes 31 March the following year.

**GENERAL RESERVE** - amounts remaining unspent on revenue account after taking account of all expenditure and income for the year. The General Reserve is required to enable the Council to meet potential business risks in the future so that services will not be affected financially should unexpected events occur.

**GOING CONCERN** - The concept that an entity will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assumes no intention to significantly curtail the scale of operations.

**GOVERNMENT GRANTS** - Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the Council.

**GROSS EXPENDITURE** - The total cost of providing the Council's services before taking into account income from government grants and fees and charges for services.

**IMPAIRMENT** - A reduction in the value of a fixed asset below its previously assessed value in the balance sheet.

**IMPAIRMENT ALLOWANCE** - Amounts set-aside in the accounts towards potentially irrecoverable debts. This amount reduces the value of the Debtors in the Consolidated Balance Sheet (previously known as "Bad Debt Provision").

**INCOME** - Amounts due that has been or is expected to be received.

**INFRASTRUCTURE ASSETS** - Fixed assets that have no alternative use and are intended to be held in perpetuity. Examples of infrastructure assets are highways and footpaths.

**INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)** - Statutory guidelines by which the accounts have to be prepared, implemented for the first time in the 2010/11 accounts.

**INVENTORIES** - The amount of unused or unconsumed stocks held in expectation for future use.

**INVESTMENT PROPERTIES** - Assets held solely for capital appreciation or to earn rental and not to meet service objectives.

**INVESTMENTS** - Short-term investments are those maturing within one year if the balance sheet date, any investments maturing more than one year after the balance sheet date are treated as long-term investments.

**LOANS AND RECEIVABLES** - Financial assets (excluding derivatives) that have fixed or determinate payments and that are not quoted in any in any active market. Loans and receivables are carried at amortised cost. The income and expenditure account is charged with interest receivable, impairment losses and any gain or loss on "de-recognition". Movements in fair value during the life of the asset are not recognised.

**LIABILITIES** - Money owed to individuals or organisations that will be paid at some time in the future.

**LIQUIDITY RISK** - The risk that the Council might not have funds available to meet its commitments to make payments.

**MARKET RISK -** The risk that the Council will loss out financially as a result in market factors such as interest rates or stock market movements.

**MINIMUM REVENUE PROVISION - (MRP)** - The minimum amount, which must be charged each year to the Council's revenue account to set aside funds to repay the principal sum of borrowing for capital purposes.

# Glossary

**NATIONAL NON-DOMESTIC RATE (NNDR)** - A levy on businesses based on a national rate in the pound multiplied by the ratable value of the premises occupied. NNDR is redistributed among all local authorities and police authorities on the basis of population.

**NET BOOK VALUE** - The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

**NET EXPENDITURE** - Gross expenditure less specific service income but before deduction of revenue support grant.

**NET CURRENT REPLACEMENT COST** - 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 or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

**NET REALISABLE VALUE** - The open market value of the asset in its existing use (open market value in the case of non-operational assets), or sale proceeds for stocks and stores less the expenses to be incurred in realising the asset.

**NON-CURRENT ASSET** - An asset that has value beyond one financial year.

**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.

**NON-OPERATIONAL ASSETS** - Non-Current assets held by the Council not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties, assets under construction and assets that are surplus to requirements, pending sale or redevelopment.

**OPERATIONAL ASSETS** - Non Current Assets held, occupied, used or contracted to be used on behalf of the Council or consumed by the Council in the direct delivery of the services for which it has a responsibility, whether statutory or discretionary or for the service or strategic objectives of the Council.

**OPERATING LEASE** - A lease under which the asset can never become the property of the lessee.

**OUTTURN** - Actual income and expenditure for a financial year.

**PAST SERVICE COST** - The increase in present value of Pension Fund liabilities arising in the current year from previous years' service.

**PENSION FUND** - The Fund for staff in the Local Government Pension Scheme, maintained on an actuarial basis, which makes pension payments on retirement of participants; it is financed by contributions from the employer and employees and from investment income.

**PENSION INTEREST COSTS** - Expected increases in present value of Pension Fund liabilities because benefits are due one year sooner.

**POST BALANCE SHEET EVENTS** - Those events, both favorable and unfavorable, which occur between the balance sheet date and the date on which the Director of Finance signs the Statement of Accounts.

**PRECEPT** - The charge made by one authority on another to finance its net expenditure.

**PRIOR YEAR ADJUSTMENTS** - Material adjustments applicable to prior years arising from changes in accounting policies or to correct errors.

**PRIVATE FINANCE INITIATIVE (PFI)** - A central government initiative that aims to increase the level of funding available for public services by attracting private involvement. The Council has one such scheme relating to the provision of Barnhill school. The school has been developed and its ancillary services are provided by a private company with which the Council has a long-term contract.

# Glossary

**PROVISION FOR DISCOUNT AND PREMIUMS ON LOAN REDEMPTION** - A provision to spread over an appropriate period discounts received and premiums paid when loans from the Public Works Loan Board are prematurely repaid.

**PROVISION** - An amount, set-aside in the accounts, for liabilities that have to be met but where timing is uncertain.

**PRUDENCE** - The concept that revenue is not anticipated but is recognised only when realised in the form of cash or other assets and full and proper allowance is made for all known and foreseeable losses and liabilities.

**PUBLIC WORKS LOAN BOARD (PWLB)** - A government agency that provides long term and medium-term loans to local authorities at interest rates only slightly higher than those at which the government itself can borrow.

**RELATED PARTY** - Relationships between a senior officer or elected member or their families with another body that has, or might develop, a business relationship with the Council.

**RESERVES** - Money set aside by the authorities to meet particular expenditure in future years, which do not fall within the definition of provisions.

**REVALUATION RESERVE** - a new account opened on 1st April 2007 that records all accumulated gains from fixed assets held by the Council offset by that part of depreciation relating to the revaluation.

**REVENUE EXPENDITURE** - The day-to-day running costs incurred by the Council in providing services, for example payment of salaries to employees or purchase of materials.

**REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE** - A charge arising from capital expenditure but where there is no tangible asset. An example is grants given for private property improvement. The Council is permitted to borrow for such expenditure

**REVENUE SUPPORT GRANT** - A grant paid by central government to aid local authority services in general, as opposed to specific grants, which may only be used for a specific purpose.

**SOLACE** - Society of Local Authority Chief Executives

**SPECIFIC GRANTS** - These are grants paid by various government departments outside the main formula. They include ring-fenced grants and specific formula grants.

**SURPLUS ASSETS** - Assets which are no longer in use by the Council, but which are not being actively marketed and are not expected to be sold within the next financial year.

**TAXBASE** - The number of Band D equivalent properties in a local authority's area. An authority's tax base is taken into account when it calculates its Council Tax, and when central government calculates entitlement to Formula Grant.

**TRANSFER VALUE** - A payment one superannuation fund makes to another when a member changes employment.

**TRUST FUNDS** - Money held in trust by the Council for a specified purpose.

**USABLE RESERVES** - Balances held by the Council which can be used to meet service expenditure.

**UNUSABLE RESERVES** - Balances held by the Council which cannot be used to meet service expenditure

**USEFUL LIFE** - The period over which the Council will derive benefits from the use of a fixed asset.

**VIREMENT** - The permission to spend more on one budget head when this is matched by a corresponding reduction on some other budget head, i.e. an authorised switch of resources between budget heads.

**WORKS IN PROGRESS** - Cost of work done on an uncompleted project at the balance sheet date.

**YIELD** - The amount of cash (in percent terms) of the return on investing activities