London Borough of Havering

Statement of accounts

For the financial year

2014/15

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Explanatory Foreword and Financial Review

Introduction

I am pleased to introduce the Authority's Statement of Accounts for 2014/15.

The purpose of the Statement of Accounts is to summarise the financial performance for the financial year 2014/15 and the overall financial position of the Authority. This foreword aims to give a general guide to the main features of the information reported within the rest of the accounts and provides a summary of the Authority's overall financial position.

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code), and the *Service Reporting Code of Practice (SeRCOP) 2014/15* published by the Chartered Institute of Public Finance and Accountancy (CIPFA), as supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government Act 2003. The Code sets out the proper accounting practices required by statute to be followed in preparing the statement of accounts.

Whilst these accounts are presented as simply as possible the use of some technical terminology cannot be avoided. To aid a better understanding of the terminology used a glossary of the terms is set out on pages 122 to 125 at the end of the document.

The key financial statements set out within this document include:

- **Movement in Reserves Statement (MiRS) –** This statement shows the movement in the year on the different reserves held by the Authority, analysed into usable reserves and unusable reserves. It analyses the increase and decrease in net worth of the Authority as a result of incurring expenses, gathering income and from movements in the fair value of the assets. It also analyses the movement between reserves in accordance with statutory provisions;
- **Comprehensive Income and Expenditure Statement (CIES) –** This statement brings together all of the functions of the Authority and summarises all the resources that the Authority has generated, consumed or set aside in providing services during the year. As such, it is intended to show the true financial position of the Authority, before allowing for the concessions provided by statute to raise council tax according to different rules and the ability to divert particular expenditure to be met from capital resources;
- **Balance Sheet –** This records the Authority's year end financial position. It shows the balances and the reserves at the Authority's disposal, its long term debt, net current assets or liabilities, and summarises information on the non-current assets held;
- **Cash Flow Statement –** This summarises the inflows and outflows of cash arising from transactions with third parties for both capital and revenue;
- **Notes to the Financial Statements –** The notes provide more detail about the items contained in the key financial statements, the Authority's Accounting Policies and other information to aid the understanding of the financial statements;
- **Housing Revenue Account (HRA) –** This records the Authority's statutory obligations to account separately for the cost of the landlord role in respect of the provision of the Authority Housing;
- **Collection Fund –** The Authority is responsible for collecting council tax and non-domestic rates; and

- **Pension Fund –** The Pension Fund Accounts show the contributions from the Authority, participating employers and employees for the purpose of paying pensions. The Fund is separately managed by the Authority, acting as trustee, and its Accounts are separate from those of the Authority.

Review of the Year 2014/15

Revenue Budget

During 2014/15 the Authority continued its transformation programme designed to increase efficiency and reduce bureaucracy. The Authority has placed a particular emphasis on sharing services, reducing back-office costs and minimising the impact on front line services.

The Coalition Government announced plans for significant reductions in public expenditure during 2010 in order to reduce the public sector deficit. The 2010 Comprehensive Spending Review (CSR) indicated major reductions in funding over the next four years, and the local government financial settlement for 2014/15 followed the broad approach set out in the CSR, with a further reduction in formula grant.

The Authority has successfully delivered a programme of organisational change over the four year period ending in 2014/15, during which time substantial savings have been delivered. These savings were reflected in the Authority's Medium Term Financial Strategy (MTFS) culminating in the setting of the budget for 2014/15.

Highlights

The following matters are particularly worthy of note:

- Despite significant reductions in grant funding from Central Government the Authority has continued to deliver service improvements and to meet continued growth in demand for our services.
- The Authority entered into a ground breaking partnership with the London Borough of Newham to create oneSource – a joint arrangement which is delivering efficiencies and savings by sharing back-office functions across both authorities. The partnership came into being on 1 April 2014.
- The Authority entered into a business rates pooling arrangement on 1 April 2014 with three other authorities; Barking and Dagenham, Basildon and Thurrock which will enable a greater share of business rate growth to be retained locally.
- Council tax was frozen in 2014/15 for the fourth year in succession.

Revenue Budget

The Authority's budget and how it was financed is set out in the table below.

	2014/15 £000
Community and Resources	43,651
Children's Adults and Housing	101,469
oneSource	4,982
Corporate Finance	17,494
	167,596
Levies	12,745
Non ring-fenced grants	(14,785)
Total Expenditure	**165,556**
Financed by:	
Revenue Support Grant	(38,890)
Business Rates	(30,833)
Council Tax	(95,833)
Total External Income	**(165,556)**
Net Underspend	**-**

The Authority delivered its final outturn in line with budget. The General Fund working balance remains at £11.8m, whilst earmarked reserves increased from £45.1m to £48.6m, reflecting the net movement in funds over the year to support key projects. These sums will be released in future years to fund key work streams; in particular the costs associated with transforming the Authority. Further details of are included at note 9 to the accounts.

The service expenditure headings and figures reported above reflect the Authority's organisational and management structure. These are consistent with but presented differently to the Service headings reported within the Comprehensive Income and Expenditure Statement on page 14, which conform to the SeRCOP requirements. Information is provided in note 28 of the notes to the accounts to reconcile the financial position against the Authority's management structure to that of the Comprehensive Income and Expenditure Statement.

The financing and surplus figures reported above are not the same as those reported in the Comprehensive Income and Expenditure Statement. This is because of a number of accounting adjustments that are required to be reflected in the Comprehensive Income and Expenditure Statement to comply with preparing the Authority's accounts in accordance with prescribed accounting standards.

Capital Expenditure

Capital expenditure relates to the purchase, improvement or enhancement of assets.

Given the pressures on the Authority's financial resources, only essential items were agreed as part of the core programme. The most significant areas of expenditure in 2014/15 included that for schools (increasing the number of pupil places within the Borough's schools and condition and suitability of existing schools buildings infrastructure). The substantial level of expenditure on council housing is supported by Decent Homes Grant and HRA revenue contributions.

Capital expenditure for the year can be analysed as follows:

Service	**2014/15** **£000**
Culture & Leisure	5,253
Streetcare	6,353
Economic Development	2,950
Policy & Community	1,515
Regulatory Services	589
Housing HRA	37,185
Learning & Achievement	472
Children's Services	4,089
Adult Services	40
Resources	11,007
Total	**69,453**

Financed by:

Service	**2014/15** **£000**
Capital Receipts	4,695
Revenue Funds	18,616
Grants and Contributions	46,142
Total	**69,453**

The 2015/16 approved capital programme is based on the application of receipts and external funding as the prime sources of finance. There are no plans to prudentially borrow to fund any capital works. The internally funded core programme for 2015/16 consists of £10.3m split between the following block allocations:

Parks, Libraries, Leisure and Cemeteries	£1.0m
Street Environment	£2.0m
Protection of Assets and Health and Safety	£0.5m
IT Infrastructure	£1.0m
Regeneration	£0.1m
Street Lighting	£2.7m
Capital Contingency	£3.0m

The 2015/16 capital programme also includes £18.7m of education spend predominantly on the expansion of primary schools to address rising primary rolls. This expenditure is being funded from external grants.

In addition to the education grants the Authority has also been allocated grant funding of £2.1m from Transport for London and £0.8m of disabled facilities grant increasing the total approved capital programme to £31.9m.

The approved HRA capital budget for 2015/16 amounts to £25.6m almost entirely funded from the Housing Revenue Account.

Schools Accounting

Academies are state maintained independent schools set up, usually, with help from outside sponsors and Government contributions. The schools are run outside of the local councils' funding control and are not included in the Authority's accounts; though still operate within all the national requirements for curriculum and standards. As at 31 March 2015, there were twenty-two academies within the Borough (eighteen at 31 March 2014).

Foundation, voluntary aided and voluntary controlled schools operate under a high level of autonomy and were therefore not included in the 2013/14 published accounts. However, CIPFA has issued revised guidance to clarify the criteria for accounting for schools balances and transaction in local government accounts, and the 2013/14 accounts have therefore been restated as detailed in Note 2 on page 28.

Housing Revenue Account

The Statement of Accounts also includes the Housing Revenue Account (HRA), a ring-fenced account to which expenditure incurred and income received in relation to the Authority's housing stock is charged. The HRA made a surplus of £1.7m and increased its working balance to £11.9m. The full details of the Housing Revenue Account and the movements on that account are set out on pages 85 to 89.

Treasury Management

The Authority's treasury management policy is agreed annually at full Council in order to provide the framework for managing its investments and borrowing.

The primary objective of the Authority's investment strategy is to minimise risk. The credit ratings of the banks and market information are monitored regularly by officers who are involved in the investment process. Performance is reported regularly to the Cabinet Member for Value, and to the Audit Committee. In 2014/15 deposits were restricted to a limited number of institutions meeting the Authority's lending criteria.

Cash, Investments & Borrowing

Total cash, cash equivalents and deposits held by the Authority at 31 March 2015 amounted to £159m (£129m at 31 March 2014). The average yield from the Authority's cash investments for 2014/15 was 0.67 per cent (0.95 per cent for 2013/14). This reflects the conservative nature of the Authority's investment strategy and historically low interest rates.

Total borrowing stood at £211m as at 31 March 2015 (£211m as at 31 March 2014).

Pension Fund

The Pension Fund's net assets increased by £68.7m in 2014/15. Asset values now stand at £574.7m as compared with £506.0m as at 31 March 2014. This positive result is tempered by the continuing upward pressure on longer term pension fund liabilities.

The last triennial valuation of pension fund assets and liabilities was completed in March 2014. In common with the vast majority of Local Government Pension Schemes, the Authority’s fund is in deficit; the deficit being valued at £292m as at 31 March 2013. The next valuation is due to be completed in March 2017, based on a valuation date of 31 March 2016.

The Authority's current share of the net pension fund liability is disclosed in the accounts at a higher level of £421m (£382m at 31 March 2014) based on the requirements of IAS19 rather than on the triennial valuation. The increase in the liability has been caused by the impact of historically low interest rates on the discount rate used for valuation purposes. Further information on the basis of the IAS19 disclosure is included at note 43.

Prospects and Outlook

The Authority has faced an extremely challenging financial environment over recent years. It has successfully implemented a range of savings totalling £36m over the four year period ending in 2014/15 and in doing so it has focused on increased efficiencies whilst minimising the impact on service delivery. In considering the development of a new financial strategy for 2015, Cabinet considered the prospects for the Local Government Financial Settlement given the continuation of the National Government’s austerity programme.

Following the local elections in May 2014 the new administration began a process of developing a new financial strategy. The Cabinet report of September 2014 indicated the potential scale of the future budget gap over the four year period, commencing in 2015/16. Taking account of a potential loss of grant funding and increasing pressures on services, a gap of £45m was identified. Following an extensive public consultation exercise Cabinet agreed a range of savings proposals and a financial strategy at its meeting of January 2015 designed to balance the budget over the first two years of the cycle. This enabled the Authority to agree a budget for 2015/16 including a council tax increase of 1.99%, the first increase for five years.

The Coalition Government’s Autumn Budget Statement contained no detailed proposals for reducing the size of the Local Government Financial Settlement for 2016/17 and beyond. However the Office for Budget Responsibility reported that the pace of spending reductions in 2016/17 and 2017/18 would be faster and deeper than previously thought. It is anticipated that a further £10bn in Central Government departmental cuts is required in those two years in order to meet the Government’s target of achieving a budget surplus by 2018/19. Following the general election of May 2015, and the election of the new Conservative Government, the Cabinet intends to consider the prospects for the Local Government Financial Settlement once again, with a view to balancing its budget over the full four year cycle.

Further information

Further information about the accounts is available from:

Group Director of Communities and Resources

Town Hall

Romford

RM1 3BD

Interested members of the public have a statutory right to inspect the accounts before the audit is completed. For 2014/15 the inspection period takes place between 7 July 2015 and 3 August 2015. These dates were advertised in the local press on 12 June 2015.

Andrew Blake-Herbert, CPFA

GROUP DIRECTOR OF COMMUNITIES AND RESOURCES

24 September 2015

E mail finance@havering.gov.uk
Website www.havering.gov.uk

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority 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 Authority, that officer is the Group Director of Communities and Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the statement of accounts.

The Group Director of Communities and Resources' Responsibilities

The Group Director of Communities and Resources is responsible for the preparation of the Authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this statement of accounts the Group Director of Communities and Resources has:

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

The Group Director of Communities and Resources has also:

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

I certify that the statement of accounts presents a true and fair view of the financial position of the Council as at 31 March 2015 and its income and expenditure for the year ended 31 March 2015.

Councillor Viddy Persaud
CHAIRMAN, AUDIT COMMITTEE
24 September 2015

Andrew Blake-Herbert
GROUP DIRECTOR OF COMMUNITIES AND RESOURCES
24 September 2015

Independent auditors' report to the Members of the London Borough of Havering

Movement in Reserves Statement 2014/15

This statement shows the movement in the year on the different reserves held by the Authority, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the provision of services line shows the true economic cost of providing the Authority’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

	General Fund Balance £000	General Balances £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Capital Grants Unapplied Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2013 (restated)	***27,004**	**2,728**	**48,690**	**10,223**	***20,878**	**20,889**	**6,206**	***136,618**	***240,565**	***377,183**
<u>Movement in reserves during 2013/14</u>										
Deficit on provision of services	*(84,339)	-	-	(6,736)	-	-	-	*(91,075)	-	*(91,075)
Other comprehensive expenditure and income	-	-	-	-	-	-	-	-	*19,076	*19,076
Total comprehensive expenditure and income	***(84,339)**	**-**	**-**	**(6,736)**	**-**	**-**	**-**	***(91,075)**	***19,076**	***(71,999)**
Adjustments between accounting basis and funding basis under regulations (Note 8)	*78,451	-	-	*3,467	*(3,520)	15,786	3,536	*97,720	*(97,720)	-
Net (decrease)/increase before transfers to earmarked reserves	***(5,888)**	**-**	**-**	***(3,269)**	***(3,520)**	**15,786**	**3,536**	***6,645**	***(78,644)**	***(71,999)**
Transfers to/(from) Earmarked Reserves (Note 9)	*3,503	119	(3,621)	*(1)	-	-	-	-	-	-
(Decrease)/increase in year	***(2,385)**	**119**	**(3,621)**	**(3,270)**	***(3,520)**	**15,786**	**3,536**	***6,645**	***(78,644)**	***(71,999)**
Balance at 31 March 2014 (restated)	***24,619**	**2,847**	**45,069**	**6,953**	***17,358**	**36,675**	**9,742**	***143,263**	***161,921**	***305,184**
<u>Movement in reserves during 2014/15</u>										
(Deficit)/surplus on provision of services	(32,199)	-	-	11,242	-	-	-	(20,957)	-	(20,957)
Other comprehensive expenditure and income	-	-	-	-	-	-	-	-	41,208	41,208
Total comprehensive expenditure and income	**(32,199)**	**-**	**-**	**11,242**	**-**	**-**	**-**	**(20,957)**	**41,208**	**20,251**
Adjustments between accounting basis and funding basis under regulations (Note 8)	34,502	-	-	(9,358)	(2,047)	18,528	7,525	49,150	(49,150)	-
Net (decrease)/increase before transfers to earmarked reserves	**2,303**	**-**	**-**	**1,884**	**(2,047)**	**18,528**	**7,525**	**28,193**	**(7,942)**	**20,251**
Transfers to/(from) Earmarked Reserves (Note 9)	(3,278)	(99)	3,544	(167)	-	-	-	-	-	-
(Decrease)increase in Year	**(975)**	**(99)**	**3,544**	**1,717**	**(2,047)**	**18,528**	**7,525**	**28,193**	**(7,942)**	**20,251**
Balance at 31 March 2015	**23,644**	**2,748**	**48,613**	**8,670**	**15,311**	**55,203**	**17,267**	**171,456**	**153,979**	**325,435**

* Restated figures – see Note 2

Comprehensive Income and Expenditure Statement 2014/2015

This 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. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

		1 April 2014 – 31 March 2015			1 April 2013 – 31 March 2014		
		£000	£000	£000	£000	£000	£000
	Notes	**Gross Expenditure**	**Gross Income**	**Net**	**Gross Expenditure**	**Gross Income**	**Net**
Gross expenditure, gross income and net expenditure of continuing operations							
Central Services to the Public		11,233	(2,353)	8,880	9,831	(3,207)	6,624
Cultural and Related Services		15,997	(1,233)	14,764	14,046	(1,172)	12,874
Environment and Regulatory Services		19,943	(7,108)	12,835	19,473	(6,637)	12,836
Planning Services		8,869	(3,272)	5,597	8,010	(3,373)	4,637
Children’s and Education Services		220,593	(148,988)	71,605	*268,400	*(145,060)	*123,340
Highways, Roads and Transport Services		24,453	(6,054)	18,399	25,680	(5,595)	20,085
Local Authority Housing (HRA)		71,724	(78,067)	(6,343)	70,442	(66,036)	4,406
Other Housing Services		105,241	(102,899)	2,342	105,394	(102,651)	2,743
Adult Social Care Services		80,601	(16,815)	63,786	79,388	(13,128)	66,260
Public Health		9,344	(9,783)	(439)	7,983	(8,868)	(885)
Corporate and Democratic Core		5,006	(290)	4,716	4,445	(133)	4,312
Non Distributed Costs		-	(695)	(695)	-	(542)	(542)
Cost of services		**573,004**	**(377,557)**	**195,447**	***613,092**	***(356,402)**	***256,690**
Other operating expenditure	10			10,719			*19,490
Financing and investment income and expenditure	11			18,338			20,674
Taxation and non specific grant income	12			(203,547)			(205,779)
Deficit on provision of services				**20,957**			***91,075**
Surplus on revaluation of property, plant and equipment assets	24a			(68,627)			*(13,389)
Actuarial losses/(gains) on pension assets / liabilities	24d			27,419			(5,687)
Other comprehensive income and expenditure				**(41,208)**			***(19,076)**
Total comprehensive income and expenditure				**(20,251)**			***71,999**

* Restated figures – see note 2

Balance Sheet as at 31 March 2015

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority 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 are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

	Notes	31 March 2015 £000	31 March 2014 £000 (restated)	31 March 2013 £000 (restated)
Property, plant and equipment	13	772,450	*742,165	*820,662
Heritage assets	14	105	106	106
Investment property	15b	37,581	34,619	33,728
Intangible assets	16	1,533	3,220	4,823
Long Term Investments	17	6,000	-	-
Long Term debtors	17	607	1,294	1,433
Long-term assets		**818,276**	***781,404**	***860,752**
Short-term investments	17	138,500	102,501	100,403
Inventories	18	268	297	344
Short-term debtors	19	49,352	*41,955	*45,233
Cash and cash equivalents	20	30,441	*41,665	*28,560
Assets held for sale	15c	1,508	7,519	11,990
Current assets		**220,069**	***193,937**	***186,530**
Bank overdraft	20	-	-	(1,256)
Short-term borrowing	17	(271)	(447)	(13,136)
Short-term creditors	21	(64,724)	*(57,343)	*(45,123)
Current liabilities		**(64,995)**	***(57,790)**	***(59,515)**
Long-term creditors	39	(515)	(670)	-
Provisions	22	(5,612)	(7,882)	(6,462)
Long-term borrowing	17	(211,410)	(210,234)	(211,013)
Other long-term liabilities	43	(421,209)	(382,439)	(385,484)
Capital grants receipts in advance	35b	(9,169)	(11,142)	(7,625)
Long-term liabilities		**(647,915)**	**(612,367)**	**(610,584)**
Net assets		**325,435**	***305,184**	***377,183**
Usable reserves	23	171,456	*143,263	*136,618
Unusable reserves	24	153,979	*161,921	*240,565
Total Reserves		**325,435**	***305,184**	***377,183**

* Restated figures – see note 2

Cash Flow Statement as at 31 March 2015

The Cash Flow statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority 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 Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority'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 Authority.

2013/14 £000		**Note**	**2014/15 £000**
*91,075	Net deficit on the provision of services		20,957
*(180,840)	Adjust net surplus or deficit on the provision of services for non-cash movements	25	(128,528)
59,919	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	25	67,623
*(29,846)	Net cash flows from Operating Activities		(39,948)
*2,017	Investing activities	26	52,172
13,468	Financing activities	27	(1,000)
*(14,361)	Net (increase) /decrease in cash and cash equivalents		11,224
*(27,304)	Cash and cash equivalents at the beginning of the reporting period	20	*(41,665)
***(41,665)**	**Cash and cash equivalents at the end of the reporting period**	**20**	**(30,441)**

* Restated figures – see note 2

Notes to the Core Financial Statements

1. Accounting Policies

Going Concern

The concept of a going concern assumes that an authority, its functions and services will continue in operational existence for the foreseeable future. Where this is not the case, particular care will be needed in the valuation of assets, as inventories and property, plant and equipment may not be realisable at their book values and provisions may be needed for closure costs or redundancies. An inability to apply the going concern concept can have a fundamental impact on the financial statements.

Accounts drawn up under the Code assume that a local authority's services will continue to operate for the foreseeable future. This assumption is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of Central Government). If an authority was in financial difficulty, the prospects are thus that alternative arrangements might be made by Central Government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2014/15 financial year and its position at the year end of 31 March 2015. The Authority is required to prepare an annual Statement of Accounts by 30 June 2015 (the Accounts and Audit (England) Regulations 2011 require the Accounts to be prepared in accordance with proper accounting practices). These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the *Service Reporting Code of Practice 2014/15*, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government Act 2003.

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

ii. 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 the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority;
- revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority;
- 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 services provided by employees) 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 debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected; and
- most accruals are automatically generated by the feeder system concerned, but a de minimis is applied in respect of accruals raised manually unless material to grant funding streams or to individual budgets. Following a review of accruals raised over the past three years, the de minimis was raised from £10,000 for 2013/14 to £25,000 for 2014/15; this change has resulted in a reduction in net accruals raised estimated at around £1 million.

iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions, repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in one month or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

iv. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance.

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

v. Charges to Revenue for Non-Current Assets

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

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

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance (the Minimum Revenue Provision). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by an adjusting transfer to the General Fund Balance from the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vi. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the relevant service line (or in discontinued operations) in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the Pension Fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves

Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year end.

Post-Employment Benefits

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

- the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE);
- the National Health Service Pension Scheme, administered by the National Health Service; and
- the Local Government Pension Scheme, administered by the Authority.

All three schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Authority. However, the arrangements for the Teachers' and National Health Service schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education and Public Health Services lines in the Comprehensive Income and Expenditure Statement are charged with the employer's contributions payable to the Teachers' Pensions Scheme in the year.

The Local Government Pension Scheme

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 4.5% based on the indicative rate of return on high quality corporate bonds.

The assets of the London Borough of Havering Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:

- quoted securities – current bid price;
- unquoted securities – professional estimate;
- unitised securities – current bid price; and
- property – market value.

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

- current service cost – the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions charged to the Pensions Reserve; and
- contributions paid to the London Borough of Havering Pension Fund – cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

vii. Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are 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.

viii. Financial Instruments

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. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the 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 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 Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Loans and Receivables

Loans and receivables 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 for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

ix. Foreign Currency Translation

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

x. Government Grants and Contributions

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

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

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

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

All Town and Country Planning Act 1990 (as amended) Section 106 contributions, because of their complex nature and numerous legal conditions, are only recognised through the Comprehensive Income and Expenditure Statement once they have been spent. Only then are we certain all conditions have been met and there is no return obligation.

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

Non Ring-fenced Grants

These are allocated by Central Government directly to local authorities as additional revenue funding. They are not ring-fenced and are credited to the Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

Business Improvement Districts

The Authority is the billing authority for the London Riverside Business Improvement District (BID) managed by Ferry Lane Action Group which provides a cleaner, safer more secure business environment and promotes the interests of the business community within the BID. The Authority acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

xi. Heritage Assets

The Authority’s Heritage Assets are split into two categories

- Civic Regalia; and
- Heritage Buildings.

Civic Regalia

The collection of civic regalia includes the Mayor's and the Deputy Mayor's chains, which are worn on ceremonial duties and various items with civic insignia. They are valued based on manufacturing costs and do not include any element for rarity or collectable value, retail mark-up or VAT.

Heritage Buildings

The Authority owns one building that meets the definition of a heritage asset and this is Upminster Windmill. The building has been valued by professional valuers who have stated that the most appropriate means of valuing this building is by its historic cost.

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 Authority's general policies on impairment – see note xviii.

xii. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised). Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. 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(s) 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 Other Operating Expenditure 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.

xiii. Inventories

The Authority has a small number of inventories. These are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned predominantly using the first in first out (FIFO) costing formula.

xiv. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

Receipts Reserve.

xv. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

Leases for the acquisition of vehicles valued at less than £10,000 (£5,000 for plant and equipment) are treated as operating leases on the basis that the impact of incorrectly classifying the lease would not materially impact upon the accounting disclosures.

The Authority 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 the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

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

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

Operating Leases

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

Operating Leases

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

xvi. Overheads and Support Services

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

- Corporate and Democratic Core – costs relating to the Authority's status as a multifunctional, democratic organisation; and

- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in the SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of the Cost of Services.

xvii. Interest in Joint Committee

oneSource is a participative arrangement created by the Authority and the London Borough of Newham to share back office operations. It is governed by a joint committee and is not deemed to meet the definition of joint control; hence the assets, liabilities, income, expenditure and cash flows of the joint committee are not consolidated into the Authority's group accounts. Instead, the Authority accounts for its own transactions arising within the agreement, including the assets, liabilities, income, expenditure and cash flows, in its single entity financial statements. Cost savings are shared between the two authorities on the basis of an agreed formula and are allocated on an annual basis.

xviii. Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is 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
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Finance costs are excluded in valuations for assets valued at depreciated replacement cost.

Havering has applied the following de minimis criteria for the capitalisation of expenditure, so that schemes which cost less than this are classified as revenue rather than capital: -

- works to buildings £5,000
- infrastructure £5,000
- office and information technology £5,000
- other furniture and equipment £5,000

There are no de minimis limits for the following categories: land acquisition, vehicles and plant, energy conservation work, health and safety improvements, aids and adaptations for the disabled.

These de minimis rules may be waived where grant or borrowing consent is made available for items of capital expenditure below £5,000.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

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

- infrastructure, community assets and assets under construction – depreciated historical cost;
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH); and

- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued as a minimum every five years, to ensure that their carrying amount is not materially different from their fair value at the year end. 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 loss previously charged to a service.)

Where decreases in value are identified, they are accounted for as follows:

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

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.

Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Where impairment losses are identified, they are accounted for 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); and
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Depreciation

Depreciation is provided for on all property, plant and equipment by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction). Depreciation is not charged in the year of acquisition but is charged in full during the year of disposal.

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer;
- vehicles, plant, furniture and equipment – straight-line allocation over a five year period unless a suitably qualified officer determines a more appropriate period; and
- infrastructure – straight-line allocation over 20 years.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the Code requires that these components are depreciated separately.

Major components which have materially different asset lives will be identified in respect of:

- new capital expenditure as it arises; and
- existing assets as they become subject to revaluation.

Assets will not be valued on a componentised basis in the following circumstances on the basis that the impact upon asset valuation and depreciation is not material to the accounting disclosures:

- capital expenditure of less than £300,000 per scheme; and

- assets valued at less than £3,000,000.

As a consequence of the application of this policy the Authority has not identified any major components with materially different asset lives. However, the application of this policy will be reviewed on an ongoing basis to ensure that the carrying value of assets is not materially affected.

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.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued 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 Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, 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 Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority’s underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

xix. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are 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 payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from 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 Authority settles the obligation.

Contingent Liabilities

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

Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority 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 Authority. 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.

xx. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement, and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

xxi. Revenue Expenditure Funded from Capital under Statute

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

xxii. VAT

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

xxiii. Accounting for Schools

The Authority includes the income and expenditure of local authority maintained schools within its financial statements on the basis that they remain within the local authority boundary under common control. These are defined as community, voluntary controlled, voluntary aided, foundation, community special, foundation special and nursery schools. Assets of these schools are also included in the Authority's Accounts except for non-current assets owned by another legal body acting as a trustee (such as the diocese) and made available for the school's use.

Academies control their own assets and prepare accounts under the Charities' Statement of Recommended Practice. This is a requirement in their Funding Agreements. Academies are therefore excluded from the Authority's Accounts from the date of conversion with any outstanding grant allocations for the financial year of conversion being included as expenditure within the Consolidated Income and Expenditure Statement.

2. Prior Year Restatements

Foundation and Voluntary Aided Schools

The financial transactions of foundation and voluntary aided schools were previously consolidated within the Authority's Statement of Accounts, but from 2010/11 the Authority determined that these schools operate under a high level of autonomy and removed them from its Balance Sheet.

CIPFA has now confirmed its view that "*the single entity financial statements are also defined as including the income, expenditure, assets, liabilities, reserves and cash flows of the local authority maintained schools in England and Wales within the control of the local authority*". Local authority maintained schools are defined as community, voluntary controlled, voluntary aided, foundation, community special, foundation special and nursery schools. The following schools are therefore included in the restated 2013/14 accounts:

- Foundation schools: Mawney Primary School; Chafford Secondary School (prior to it converting to an academy from 1 November 2013), Sanders Draper, Royal Liberty for Boys, and Marshalls Park Secondary Schools;
- Voluntary controlled: Dame Tipping CE Primary School;
- Voluntary aided: St Edward's CE, La Salette RC, St Patrick's RC, St Joseph's RC, St Peter's RC and St Alban's RC Primary Schools, St Ursula's RC Infant and Junior Schools.

Transactions and assets of these schools were included in the Consolidated Income and Expenditure Account and the Balance sheet, except for non-current assets owned by another legal body acting as trustee (such as the diocese) and made available for the school's use.

Movement on the Housing Revenue Account Balance

In the Movement on the Housing Revenue Account Balance statement on page 86, prior year figures have been restated to move "Capital expenditure funded by the HRA" from "Items not included in the HRA Income and Expenditure Account but included in the HRA balance" to "Adjustments between accounting basis and funding basis under regulations". There were no changes from this to the Balance Sheet or the Consolidated Statement of Income and Expenditure, but a corresponding adjustment of £14,180,000 was made to the Movement in Reserves Statement – Usable Reserves between the General Fund Balance and the Housing Revenue Account against the two rows "Adjustments between accounting basis and funding basis under regulation" and "Transfers to / (from) Earmarked Rows".

This is a technical reclassification which does not impact on the General Fund or Housing Revenue Account balances,

Effect on opening Balance Sheet 1 April 2013

	Opening balances as at 1 April 2013 £000	Restatement £000	Correction required to opening balances as at 1 April 2013 £000
Property, plant and equipment	787,402	820,662	33,260
Short-term debtors	44,969	45,233	264
Cash and cash equivalents	24,244	28,560	4,316
Short-term creditors	(43,605)	(45,123)	(1,518)
Useable reserves	132,675	136,618	3,943
Unusable reserves	208,186	240,565	32,379

Effect on Comprehensive Income and Expenditure Statement 2013/14

Net expenditure on Children's and Education services as recorded in the Comprehensive Income and Expenditure Statement has also been restated to reflect the addition of the revenue transactions listed below.

	As previously stated 2013/14 £000	As restated £000	Correction 2013/14 £000
Children's and Education Services	121,489	123,340	1,851
Other operating expenditure	11,859	19,490	7,631
Surplus on revaluation of property, plant and equipment assets	(9,545)	(13,389)	(3,844)

Movement in Reserves Statement – Usable Reserves 2013/14

	As previously stated 2013/14 £000	As restated £000	Correction 2013/14 £000
Balance as at the end of the previous reporting period – 31 March 2013	**132,675**	**136,618**	**3,943**
Including:			
General Fund Balance	***23,398***	***27,004***	***3,606***
Capital Grants Unapplied	***20,541***	***20,878***	***337***
Surplus or deficit on the provision of services	(81,593)	(91,075)	(9,482)
Including:			
General Fund Balance	*(74,857)*	*(84,339)*	*(9,482)*
Adjustments between accounting basis and funding basis under regulation	89,671	97,720	8,049
Including:			
General Fund Balance	55,970	78,451	22,481
Housing Revenue Account	17,647	3,467	(14,180)
Capital Grants Unapplied	(3,268)	(3,520)	(252)
Transfers to / (from) Earmarked Reserves	-	-	-
Including:			
General Fund Balance	(17,683)	(3,503)	(14,180)
Housing Revenue Account	14,181	1	14,180
Increase/(decrease) in the year	**8,078**	**6,645**	**(1,433)**
***Including*:**			
General Fund Balance	**(1,204)**	**(2,385)**	**(1,433)**
Balance at the end of the current reporting period	**140,753**	**143,263**	**2,510**
***Including*:**			
General Fund Balance	**22,194**	**24,619**	**2,425**
Housing Revenue Account	**6,953**	**6,953**	**-**
Capital Grants Unapplied	**17,273**	**17,358**	**85**

Movement in Reserves Statement – Unusable Reserves 2013/14

	As previously stated 2013/14 £000	As restated £000	Correction 2013/14 £000
Balance as at the end of the previous reporting period – 31 March 2013	**208,186**	**240,565**	**32,379**
Other comprehensive income and expenditure	15,232	19,076	3,844
Adjustments between accounting basis and funding basis under regulation	(89,671)	(97,720)	(8,049)
Decrease in the year	**(74,439)**	**(78,644)**	**(4,205)**
Balance at the end of the current reporting period	**133,747**	**161,921**	**28,174**

Effect on Balance Sheet 31 March 2014

	Closing balances as at 31 March 2014 £000	Restatement £000	Correction required to closing balances as at 31 March 2014 £000
Property, plant and equipment	713,106	742,165	29,059
Short-term debtors	41,608	41,955	347
Cash and cash equivalents	39,128	41,665	2,537
Short-term creditors	(56,084)	(57,343)	(1,259)
Useable reserves	140,753	143,263	2,510
Unusable reserves	133,747	161,921	28,174

3. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

For 2014/15 the following accounting policy changes that need to be reported relate to:

- IFRS 13 Fair Value Measurement
- IFRIC 21 Levies.
- Annual Improvements to IFRSs 2011–2013 Cycle

Once adopted, these amendments to the standards are not expected to have a material impact on the Authority's financial position as they are largely presentational in nature. We therefore do not expect these changes in accounting standards to have a material impact upon the 2015/16 financial statements.

Other changes adopted in the 2015/16 Code are not expected to require additional disclosure in the 2014/15 or 2015/16 financial statements. Some changes to the Code relate to changes in circumstances. Other changes clarify the requirements of the Code or provide additional guidance, but do not change the requirements of the Code.

The 2016-17 Code of Practice on Local Authority Accounting (The Code) will adopt the measurement requirements of the CIPFA *Code of Practice on Transport Infrastructure Assets*, as amended in 2013 (or any subsequent amendments to that Code that may be issued), i.e. measurement on a Depreciated Replacement Cost basis. This will represent a change in accounting policy from 1 April 2016 and will require full retrospective restatement in accordance with the requirements of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and IAS 1 *Presentation of Financial Statements* as adopted by this Code.

4. Critical Judgements in Applying Accounting Policies

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

- there is a high degree of uncertainty about future levels of funding for Local Government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision; and
- the statement of accounting policies incorporates a number of de mimimis thresholds below which certain low value transactions are not recognised in strict accordance with the Code of Practice. These thresholds have been selected for the purpose of reducing the volume and complexity of financial transactions without materially altering the accounting disclosures. The areas most affected by this policy relate to the recognition of fixed assets, leases and accruals.

5. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures based on assumptions made by the Authority 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 Authority’s Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, plant and equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	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 for buildings would increase by £1.8m for every year that useful lives had to be reduced.
	Assets have been valued by the Authority’s external valuers on	If the asset valuation of all property plant and equipment were to fall by

Item	Uncertainties	Effect if actual results differ from assumptions
	the basis of a five year rolling valuation programme. In the current economic climate, the Balance Sheet valuation of £772m may be subject to fluctuations.	1% a reduction in value of £7.13m would arise. This would normally be reversed to the Revaluation Reserve. Where revaluation losses exceed unrealised gains, the net loss would be charged to the Consolidated Income and Expenditure and subsequently written off to the Capital Adjustment Account.
Provisions	The Authority has made a provision of £5.6m for the settlement of insurance claims based upon an actuarial assessment of the current level of liability.	An increase over the forthcoming year of 10% in the value of claims to be settled would have the effect of adding £0.5m to the provision required.
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 Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £83.6m. However, the assumptions interact in complex ways. During 2014/15, the Authority's actuary advised that changes in actuarial assumptions gave rise to a loss of £78.8m (as compared to a gain of £0.2m in 2013/14) to the Consolidated Income and Expenditure Statement.
Arrears	At 31 March 2015, the Authority had a gross debtors balance of £70.5m. A review of significant balances suggested that an impairment of doubtful debts of 34% (£23.9m) was appropriate. However, in the current economic climate it may not be certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a 50% increase in the amount of the impairment of doubtful debts would require an additional £11.5m to be set aside as an allowance.

6. Material Items of Income and Expense

There were no material items of income and expenditure in the 2014/15 accounts.

7. Events after the Balance Sheet Date

Academies

Marshalls Park Secondary Foundation School is pursuing, and Royal Liberty for Boys Secondary Foundation School is considering, academy status, but the date is not known at present.

Dycorts Special Community School adopted sponsored academy status from 1 September 2015. The Pupil Referral Unit is also pursuing academy status but, again, the date is not known at present.

Authorisation of Accounts for Issue

The Accounts were approved by Andrew Blake-Herbert, Group Director of Communities and Resources on 24 September 2015. No material post Balance Sheet events were identified at that date other than the matters disclosed above.

8. 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 Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure. The following sets out a description of the reserves against which the adjustments are made.

General Fund Balance: The General Fund is the statutory fund into which all the receipts of an Authority are required to be paid and out of which all liabilities of the 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 Authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Authority is required to recover) at the end of the financial year. (For housing authorities, however, the balance is not available to be applied to funding HRA services).

Housing Revenue Account Balance: The Housing Revenue Account (HRA) 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 Authority’s landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Major Repairs Reserve: The Authority maintains a Major Repairs Reserve (MRR), through which depreciation on HRA assets is reversed out and capital expenditure applied to the financing of capital expenditure. The MRR is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the extent to which the MRR has 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 Authority 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.

	Usable Reserves					
2014/15	**General Fund Balance**	**Housing Revenue Account**	**Capital Grants Unapplied Account**	**Capital Receipts Reserve**	**Major Repairs Reserve**	**Movement in Unusable Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Adjustments involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(45,914)	(43,804)	-	-	-	89,718
Movements in the market value of investment properties	1,120	-	-	-	-	(1,120)
Amortisation of intangible assets	(1,898)	-	-	-	-	1,898
Revenue expenditure funded from capital under statute	(1,406)	-	-	-	-	1,406
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	(30,933)	10,481	-	-	-	20,452
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the repayment of debt	1,489	-	-	-	-	(1,489)
Capital expenditure charged against the General Fund and HRA balances	7,531	11,085	-	-	-	(18,616)
Adjustments involving the Capital Grants Unapplied Account:						
Amortisation of deferred grant credited to the Comprehensive Income and Expenditure Statement	19,912	24,183	(44,095)	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	46,142	-	-	(46,142)
Adjustments involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement	24,271	-	-	(24,271)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	4,695	-	(4,695)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(1,048)	-	-	1,048	-	-
Adjustments involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement	(744)	-	-	-	-	744
Adjustment involving the Major Repairs Reserve:						
Reversal of HRA depreciation	-	7,525	-	-	(7,525)	-

2014/15	Usable Reserves: General Fund Balance	Usable Reserves: Housing Revenue Account	Usable Reserves: Capital Grants Unapplied Account	Usable Reserves: Capital Receipts Reserve	Usable Reserves: Major Repairs Reserve	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	97	-	-	-	-	(97)
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 43)	(34,068)	(115)	-	-	-	34,183
Employer's pensions contributions and direct payments to pensioners payable in the year	22,832	-	-	-	-	(22,832)
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	3,547	-	-	-	-	(3,547)
Adjustment involving the Accumulated Absences Account:						
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	710	3	-	-	-	(713)
Total Adjustments	**(34,502)**	**9,358**	**2,047**	**(18,528)**	**(7,525)**	**49,150**

Comparative figures for 2013/14 are as follows:

2013/14	Usable Reserves: General Fund Balance	Usable Reserves: Housing Revenue Account	Usable Reserves: Capital Grants Unapplied Account	Usable Reserves: Capital Receipts Reserve	Usable Reserves: Major Repairs Reserve	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account:						
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>						
Charges for depreciation and impairment of non-current assets	*(90,345)	(41,754)	-	-	-	*132,099
Revaluation gains on property plant and equipment matching previous loss	550	-	-	-	-	(550)
Movements in the market value of investment properties	435	-	-	-	-	(435)

2013/14	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Grants Unapplied Account	Capital Receipts Reserve	Major Repairs Reserve	Movement in Unusable Reserves
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Amortisation of intangible assets	(2,235)	-	-	-	-	2,235
Revenue expenditure funded from capital under statute	*(1,695)	-	-	-	-	*1,695
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	*(34,498)	3,283	-	-	-	*31,215
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the repayment of debt	1,357	-	-	-	-	(1,357)
Capital expenditure charged against the General Fund and HRA balances	*5,591	*14,180	-	-	-	(19,771)
Adjustments involving the Capital Grants Unapplied Account:						
Amortisation of deferred grant credited to the Comprehensive Income and Expenditure Statement	*20,572	14,248	*(34,820)	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	*38,340	-	-	*(38,340)
Adjustments involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement	24,862	-	-	(24,862)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	8,124	-	(8,124)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(952)	-	-	952	-	-
Adjustments involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement	(115)	-	-	-	-	115
Adjustment involving the Major Repairs Reserve:						
Reversal of HRA Depreciation	-	6,675	-	-	(6,675)	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	-	3,139	(3,139)
Adjustments involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	96	-	-	-	-	(96)

2013/14	Usable Reserves: General Fund Balance	Usable Reserves: Housing Revenue Account	Usable Reserves: Capital Grants Unapplied Account	Usable Reserves: Capital Receipts Reserve	Usable Reserves: Major Repairs Reserve	Movement in Unusable Reserves
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 43)	(35,467)	(107)	-	-	-	35,574
Employer's pensions contributions and direct payments to pensioners payable in the year	32,932	-	-	-	-	(32,932)
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	301	-	-	-	-	(301)
Adjustment involving the Accumulated Absences Account:						
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	*160	8	-	-	-	*(168)
Total Adjustments	**[x]*(78,451)**	**[x](3,467)**	***3,520**	**(15,786)**	**(3,536)**	***97,720**

* Restated figures – see Note 2

9. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balance as earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2014/15.

	Balance as at 31 3 2013	Transfers (from)/to Revenue	Transfers between reserves	Balance as at 31 3 2014	Transfers (from)/to Revenue	Transfers between reserves	Balance as at 31 3 2015
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Corporate Transformation (incl. Plusage) reserve	**22,966**	(7,317)	277	**15,926**	7,314	-	**23,240**
oneSource	**-**	750	-	**750**	507	-	**1,257**
Insurance reserve	**4,383**	-	-	**4,383**	353	-	**4,736**
Reserves for future capital schemes	**8,715**	(134)	-	**8,581**	349	-	**8,930**

	Balance as at 31 3 2013 £000	Transfers (from)/to Revenue £000	Transfers between reserves £000	Balance as at 31 3 2014 £000	Transfers (from)/to Revenue £000	Transfers between reserves £000	Balance as at 31 3 2015 £000
Schools reserves	**1,372**	-	(1,258)	**114**	-	-	**114**
Legal reserve	**105**	(107)	2	**-**	256	-	**256**
Crematorium and Cemetery funds	**632**	(300)	-	**332**	99	-	**431**
Streetcare initiative	**-**	(1,000)	1,000	**-**	-	-	**-**
Social Care funding	**6,696**	1,974	-	**8,670**	(2,937)	-	**5,733**
Public Health reserve	**241**	1,061	-	**1,302**	459	-	**1,761**
Library Book Fund	**640**	(160)	-	**480**	(160)	-	**320**
Whole life costing Transport Fleet reserve	**189**	63	189	**441**	(7)	-	**434**
Other reserves	**2,751**	1,549	(210)	**4,090**	(2,689)	-	**1,401**
Totals	**48,690**	**(3,621)**	**-**	**45,069**	**3,544**	**-**	**48,613**

Corporate Transformation and oneSource Reserves
These reserves will continue to be used to fund strategic projects and the transformation agenda. Salary plusage is paid to officers with 25 years' service and employed by the Authority prior to 24th September 1997.

Insurance Reserve
In accordance with the Accounting Code of Practice, the Authority's insurance fund has been split between a provision for liabilities which are likely to be incurred and a reserve for possible future liabilities that are "incurred but not reported" at this stage.

Reserves for future Capital Schemes
These reserves are set aside for capital schemes where expenditure has yet to be incurred. The reserves are a mixture of revenue contributions, internal leasing arrangements and various invest to save schemes.

Schools Reserves
Schools Reserves include School Bridge Funding to allow for the property market and delays in receipts resulting in a need to plan for temporary transitional borrowing prior to receipts being generated.

Legal Reserve
This reserve provides funding for legal cases.

Crematorium and Cemetery Funds
These funds have existed for many years to maintain cemeteries and to help finance improvements at the crematorium. This covers:

(a) Fund created by fees
(b) Cemetery memorial fund

Social Care Funding
This is support for Social Care funding which local authorities receive from the NHS and it was agreed to carry forward unspent monies to be spent on the programmes jointly agreed by both parties as part of the S256 agreement.

Public Health Reserve
This reserve arose out of a transfer of Primary Care Trust funding for Drugs and Alcohol Action Team

services, a prior year accrual for income in 2012/13, and underspends against the Public Health grant. The intention is to use the reserve for Public Health initiatives.

Library Book Fund
This fund supports the renewal of library books.

Whole Life Costing Vehicle Fleet Reserve
This reserve funds whole life costing in the vehicle and plant system.

Other Reserves
This encompasses a range of several smaller reserves including LSC Further Education, Hornchurch sports track, and provision to fund potential claims arising from building works.

10. Other Operating Expenditure

2013/14 £000 Restated		**2014/15 £000**
12,421	Levies	12,746
952	Payments to the Government Housing Capital Receipts Pool	1,048
*6,117	Gains/(losses) on the disposal of non-current assets	(3,075)
***19,490**	**Total**	**10,719**

* Restated figures – see note 2

11. Financing and Investment Income and Expenditure

2013/14 £000		**2014/15 £000**
7,846	Interest payable and similar charges	7,537
17,263	Pensions interest cost and expected return on pensions assets	15,584
(2,022)	Interest receivable and similar income	(1,256)
(2,348)	Income and expenditure in relation to investment properties	(2,407)
(65)	Changes in the fair value of financial assets	-
-	Changes in the fair value of investment properties	(1,120)
20,674	**Total**	**18,338**

12. Taxation and Non Specific Grant Income

2013/14 £000		**2014/15 £000**
(95,975)	Council tax income	(99,119)
(28,522)	National non-domestic rates income	(31,094)
(60,709)	Non ring-fenced government grants	(53,422)
(20,573)	Capital grants and contributions	(19,912)
(205,779)	**Total**	**(203,547)**

13. Property, Plant and Equipment

Movements in Balances 2014/15

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation							
At 31 March 2014	**343,455**	***332,027**	**35,787**	**129,870**	**3,980**	**6,781**	***851,900**
Additions	36,189	13,518	2,927	10,869	-	3,912	**67,415**
Impairment	(36,189)	(9,122)	-	-	-	-	**(45,311)**
Revaluation increases/(decreases) to:							
Revaluation Reserve	51,861	14,841	-	-	32	-	**66,734**
Capital Adjustment Account	1,333	786	-	-	9	-	**2,128**
Consolidated Income and Expenditure Statement	(5,848)	(34,446)	-	-	73	-	**(40,221)**
De-recognition – disposals	(3,604)	(10,166)	(162)	-	-	-	**(13,932)**
Assets reclassified	-	1,322	-	-	151	(3,889)	**(2,416)**
At 31 March 2015	**387,197**	**308,760**	**38,552**	**140,739**	**4,245**	**6,804**	**886,297**
Accumulated Depreciation and Impairment							
At 31 March 2014	**5,848**	***24,316**	**28,682**	**50,694**	**195**	**-**	***109,735**
Depreciation charge	6,572	6,476	1,733	5,712	58	-	**20,551**
Depreciation written out:							
Revaluations	(5,848)	(10,502)	(162)	-	73	-	**(16,439)**
Disposals	-	-	-	-	-	-	**-**
At 31 March 2015	**6,572**	**20,290**	**30,253**	**56,406**	**326**	**-**	**113,847**
Net Book Value							
At 31 March 2015	**380,625**	**288,470**	**8,299**	**84,333**	**3,919**	**6,804**	**772,450**
At 31 March 2014	**337,607**	***307,711**	**7,105**	**79,176**	**3,785**	**6,781**	***742,165**

Movements in Balances 2013/14

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, furniture and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation							
At 31 March 2013	**341,905**	***429,951**	**35,713**	**116,597**	**3,958**	**1,860**	***929,984**
Additions	32,120	*14,918	1,847	13,273	-	4,921	***67,079**
Impairment	(32,120)	(7,456)	-	-	-	-	**(39,576)**
Revaluation increases/(decreases) to:							
Revaluation Reserve	12,720	*(738)	-	-	18	-	***12,000**
Capital Adjustment Account	(10)	551	-	-	8	-	**549**
Consolidated Income and Expenditure Account	(7,903)	(85,959)	-	-	(4)	-	**(93,866)**
De-recognition – disposals	(3,257)	*(15,090)	(1,773)	-	-	-	***(20,120)**
Assets reclassified	-	(4,150)	-	-	-	-	**(4,150)**
At 31 March 2014	**343,455**	***332,027**	**35,787**	**129,870**	**3,980**	**6,781**	***851,900**
Accumulated Depreciation and Impairment							
At 31 March 2013	**5,815**	**31,654**	**26,624**	**45,079**	**150**	**-**	**109,322**
Depreciation charge	5,848	*7,409	3,190	5,615	45	-	***22,107**
Depreciation written out:							
Revaluations	(5,815)	(14,103)	-	-	-	-	**(19,918)**
Disposals	-	(644)	(1,132)	-	-	-	**(1,776)**
At 31 March 2014	**5,848**	***24,316**	**28,682**	**50,694**	**195**	**-**	***109,735**
Net Book Value							
At 31 March 2014	**337,607**	***307,711**	**7,105**	**79,176**	**3,785**	**6,781**	***742,165**
At 31 March 2013	**336,090**	***398,297**	**9,089**	**71,518**	**3,808**	**1,860**	***820,662**

* Restated figures – see note 2

Capital Commitments

Estimated future capital commitments are shown below. Payment for these schemes will be incurred in 2015/16.

31 March 2014 £000		31 March 2015 £000
	General Fund	
17,294	Arts, culture, sport and leisure	17,686
2,563	Roads, footways and bridges	2,102
16,487	Education capital schemes	23,702
3,397	Town centre and environmental Improvements	288
1,581	Office accommodation, equipment, ICT and vehicles	1,434
1,504	Housing and Public Protection	-
1,131	Other smaller General Fund schemes	1,419
43,957	**Total General Fund commitments**	**46,631**
11,212	Housing HRA	20,207
55,169	**Total commitments**	**66,838**

Revaluations

The following statement shows the progress of the Authority's rolling programme for the revaluation of fixed assets. The valuations are certified by G.K. Green, FRICS, the Authority's Property Strategy Manager, in accordance with the Statements of Asset Valuation Practice and Guidance Notes issued by the Assets Valuation Standards Committee of the Royal Institution of Chartered Surveyors. The basis for valuation is set out in the statement of accounting policies. Valuations are carried out by our external valuers, Wilks Head and Eve, and by the Authority's Property Strategy Manager on the basis of a five year rolling programme; the most recent of which was carried out on 1 April 2014.

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Carried at historical cost	-	-	8,299	84,333	2,108	6,804	**101,544**
Valued at fair value as at:							
1 April 2014	380,625	152,818	-	-	405	-	**533,848**
1 April 2013	-	71,522	-	-	965	-	**72,487**
1 April 2012	-	16,365	-	-	-	-	**16,365**

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
1 April 2011	-	15,057	-	-	302	-	**15,359**
1 April 2010	-	32,708	-	-	139	-	**32,847**
Total cost or valuation	**380,625**	**288,470**	**8,299**	**84,333**	**3,919**	**6,804**	**772,450**

14. Heritage Assets

Carrying value of heritage assets held by the Authority:

Cost or Valuation	Civic Regalia £000	Heritage Buildings £000	Total Assets £000
1 April 2013	**80**	**26**	**106**
Depreciation	-	-	-
31 March 2014	**80**	**26**	**106**
Depreciation	-	(1)	(1)
31 March 2015	**80**	**25**	**105**

15. Investment Properties and Assets Held for Sale

a) The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

2013/14 £000		2014/15 £000
2,758	Rental income from investment property	2,743
(410)	Direct operating expenses arising from investment property	(336)
2,348	**Net gain**	**2,407**

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

b) The following table summarises the movement in the fair value of investment properties over the year.

2013/14 £000		2014/15 £000
33,728	**Opening Balance**	**34,619**
435	Revaluation gains from fair value adjustments	1,120
-	Additions	419
458	Assets reclassified	1,806
(2)	Disposal of investment properties	(383)
34,619	**Balance at end of the year**	**37,581**

c) The following table summarises the movement in the fair value of assets held for sale over the year.

2013/14 £000		2014/15 £000
11,990	**Opening Balance**	**7,519**
4,063	Revaluation gains from fair value adjustments	(303)
3,691	Assets reclassified	610
-	Depreciation	(18)
(12,225)	Disposal of Assets Held for Sale	(6,300)
7,519	**Balance at end of the year**	**1,508**

16. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets represent the value of purchased licencses only.

The maximum life attributed to software assets is currently five years on the grounds that it is a reasonable estimate of the life of computer systems and is the life applied to computer hardware for depreciation purposes.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £1.898m charged to revenue in 2014/15 was charged to Central Support Services and then absorbed as an overhead across all the service headings in the Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

2013/14 £000	Intangible fixed assets software and system development	2014/15 £000
12,842	Gross carrying amounts	13,474
(8,019)	Less accumulated amortisation	(10,254)
4,823	**Net carrying amount at start of year**	**3,220**
632	Additions - purchases	211
(2,235)	Less amortisation for the period	(1,898)
3,220	**Net carrying amount at end of year**	**1,533**
	Comprising:	
13,474	Gross carrying amounts	13,685
(10,254)	Less accumulated amortisation	(12,152)

17. Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet.

	Long-term		Current	
	31 March 2015 £000	**31 March 2014 £000**	**31 March 2015 £000**	**31 March 2014 £000**
Investments				
Loans and receivables	6,000	-	138,500	102,501
Total investments	**6,000**	**-**	**138,500**	**102,501**
Debtors				
Financial assets carried at contract amounts	607	1,294	30,639	26,722
Total included in debtors	**607**	**1,294**	**30,639**	**26,722**
Borrowings				
Financial liabilities at amortised cost	211,410	210,234	271	401
Total borrowings	**211,410**	**210,234**	**271**	**401**
Finance lease liabilities				
Finance lease liabilities	-	-	-	46
Total finance lease liabilities	**-**	**-**	**-**	**46**
Total Borrowings and Liabilities	**211,410**	**210,234**	**271**	**447**
Creditors				
Financial liabilities at amortised cost	449	795	39,921	39,235
Total included in creditors	**449**	**795**	**39,921**	**39,235**

Fair value of assets and liabilities carried at amortised cost

Loans and receivables are carried on the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

For loans from the Public Works Loans Board (PWLB) and other loans payable, premature repayment rates from PWLB have been applied to provide the fair value under PWLB debt redemption procedures:

- no early repayment or impairment is recognised; and
- the fair value of trade debtors and creditors is taken to be the invoiced or billed amount.

Details of carrying amount and fair value are shown below:

	Interest rates	Carrying Amount	Fair Value
	%	**31 March 2015 £000**	**31 March 2015 £000**
PWLB debt	3.6	203,566	264,211
Market loan	3.6	7,092	8,307
Other long-term borrowing		752	752
Temporary borrowing	0.4	271	271
Total debt		**211,681**	**273,541**
Creditors less than 1 year		39,921	39,921
Long-term creditors		449	449
Total financial liabilities		**252,051**	**313,911**
Investments		144,500	145,327
Debtors less than 1 year		30,639	30,639
Long-term debtors		607	607
Total liabilities less receivables		**76,305**	**137,338**

Comparative figures as at 31 March 2014 were as follows:

	Interest rates	Carrying Amount	Fair Value
	%	31 March 2014 £000	31 March 2014 £000
PWLB debt	3.6%	203,234	218,658
Market Loan	3.6%	7,000	8,215
Temporary borrowing	0.4%	401	401
Finance lease liability		46	46
Total debt		**210,681**	**227,320**
Creditors less than 1 year		31,644	31,644
Long-term creditors		670	670
Total financial liabilities		**242,995**	**259,634**
Investments		102,501	103,035
Debtors less than 1 year		26,722	26,722
Long-term debtors		1,294	1,294
Total liabilities less receivables		**112,478**	**128,583**

Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

The purpose of this valuation is to enable the user to evaluate quantitatively the Authority's financial position and performance.

Methodology and Assumptions

The fair value of an instrument is determined by calculating the Net Present Value (NPV) of future cash flows, which provides an estimate of the value of payments in the future in today's terms. The discount rate used in the NPV calculation should be equal to the current rate in relation to the same instrument from a comparable lender. This will be the rate applicable in the market on the date of valuation. The structure and terms of the comparable instrument should be the same, although for complex structures it is sometimes difficult to obtain.

Discount rates used in NPV calculation

The rates used in this valuation were obtained from financial markets on 31 March 2015, using bid prices where applicable.

Assumptions

It is noted that the following assumptions do not have a material effect on the fair value of the instrument:

- interest is calculated using the most common market convention ACT/365;
- where interest is paid/received every 6 months on a day basis, the value of interest is rounded to 2 equal instalments;
- for fixed term deposits it is assumed that interest is received on maturity, or annually if duration is

greater than one year; and

- the interest value and date has not been adjusted where a relevant date occurs on a non-working day.

18. Inventories

Stocks comprise Highways (tools, clothing, guard rails and materials), Fleet Stores (fuel and vehicle parts), Gritting (salt), and Catering (foodstuffs / perishables).

2013/14 £000		2014/15 £000
344	**Total balance at start of year**	**297**
(47)	Movement in the year	(29)
297	**Total balance at year end**	**268**

19. Short-Term Debtors

31 March 2013 £000		31 March 2014 £000			31 March 2015 £000	
				Collection Fund Debtors		
14,675		12,946		Council tax payers	13,646	
(9,157)	5,518	(8,269)	4,677	*Less* impairment allowance	(7,591)	6,055
-		1,852		Business rate Payers	1,984	
-	-	(1,067)	785	*Less* impairment allowance	(1,065)	919
	614		-	Greater London Authority (GLA)		-
	2,932		-	Central Government (NNDR)		-
				Other Debtors		
	*3,480		*6,351	Government departments		7,353
	12,164		10,502	Capital		13,325
4,784		4,680		Housing	6,111	
(4,194)	590	(3,687)	993	*Less* impairment allowance	(4,402)	1,709
7,284		8,425		Housing benefit	10,645	
(4,389)	2,895	(5,256)	3,169	*Less* impairment allowance	(6,260)	4,385
4,629		5,216		Social Services	6,538	
(1,689)	2,940	(1,463)	3,753	*Less* impairment allowance	(1,212)	5,326
1,939		1,898		Parking	1,823	
(1,470)	469	(1,379)	519	*Less* impairment allowance	(1,347)	476
	1,091		754	Other local authorities		595
	748		915	Health authorities		567
*12,399		*11,628		Other sundry debtors	10,710	
(607)	*11,792	(2,091)	*9,537	*Less* impairment allowance	(2,068)	8,642
	***45,233**		***41,955**	**Total long-term debtors**		**49,352**

* Restated figures – see note 2

Government departments, capital, and other local authorities do not have an impairment allowance applied.

20. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2013 £000	31 March 2014 £000		31 March 2015 £000
659	2,310	Cash held by the authority	1,333
*13,182	*11,465	Schools – under the LMS cheque book scheme	10,466
14,719	26,478	Short-term deposits with banks – call accounts	14,589
***28,560**	***40,253**	**Cash at hand**	**26,388**
(1,256)	**1,412**	Bank current accounts	**4,053**
***27,304**	***41,665**	**Total cash and cash equivalents**	**30,441**

* Restated figures – see note 2

21. Short-Term Creditors

31 March 2013 £000	31 March 2014 £000		31 March 2015 £000
		Collection Fund creditors	
3,932	4,778	Council tax payers	5,528
-	1,772	NNDR payers	1,111
-	1,580	GLA	1,577
-	3,085	Central Government (NNDR)	1,808
		Other Creditors	
*5,393	*2,838	Central Government	6,521
3,398	3,066	HMRC	2,961
3,475	7,591	Pension Fund	5,298
3,988	4,620	Capital creditors	4,028
*21,245	*23,786	Other sundry creditors	31,914
*3,692	*4,227	Income in advance	3,978
***45,123**	***57,343**	**Total**	**64,724**

* Restated figures – see note 2

22. Provisions

	Self-Insurance £000	Collection Fund £,000	Other Provisions £000	Total £000
Balance at 31 March 2014	**5,729**	**1,765**	**388**	**7,882**
Additional provisions made in 2014/15	-	596	-	**596**
Amounts used in 2014/15	-	(1,466)	-	**(1,466)**
Transfers to revenue	(1,150)	-	(250)	**(1,400)**
Balance at 31 March 2015	**4,579**	**895**	**138**	**5,612**

Self-Insurance Provision

The Authority's insurance cover is arranged with Zurich Municipal with substantial excesses for which a self-insurance provision is maintained. The self-insurance provision has been set up to meet the excesses on the Authority's public and employer's liability, property and motor vehicle insurance policies. It is not possible to determine the precise timing of the settlement of claims relating to this provision. The excess levels at 1 January were public and employer's liability (£159,000), motor vehicles (£153,000) and property (£50,000).

The Authority's insurers have advised the level of provision required to meet known claims and a transfer from the Insurance Reserve has been made to meet the potential cost of these claims.

Collection Fund Provision

As part of the changes in business rate retention, the Authority is required to create a provision in respect of outstanding appeals. These appeals are currently with the Valuation Office Agency for review and, as a result, it is not possible to determine the precise timing of the settlement of claims relating to this provision. Only the Authority's share of the appeals is recorded within the note.

Other Provisions

These consist of Leasing Dilapidations £133,000 (£133,000 31 March 2014) for office premises previously leased by the Authority and £5,000 (£5,000 31 March 2014) to fund pay equalisation responsibilities towards staff formerly based at Purfleet Depot. The provision of £250,000 (as at 31 March 2014) for Carbon Reduction Commitment was released in 2014/15 as the Authority is no longer deemed to be a high energy user and is therefore not now required to participate in the Government scheme.

23. Usable Reserves

31 March 2013 £000	31 March 2014 £000		31 March 2015 £000
*29,732	*27,466	General Fund balance	26,392
48,690	45,069	Earmarked reserves	48,613
10,223	6,953	Housing Revenue Account balance	8,670
*20,878	*17,358	Capital Grants Unapplied	15,311
20,889	36,675	Capital Receipts Reserve	55,203
6,206	9,742	Major Repairs Reserve	17,267
***136,618**	***143,263**	**Total usable reserves**	**171,456**

* Restated figures – see note 2

The General Fund balance can be further analysed as follows:

31 March 2013 £000	31 March 2014 £000		31 March 2015 £000
11,768	11,766	General Fund	11,766
2,728	2,847	General reserves	2,748
14,496	**14,613**	**Sub Total**	**14,514**
*12,322	*11,164	Schools balances	10,214
2,914	1,689	Centrally held schools balances (see Note 34)	1,664
***29,732**	***27,466**	**Total General Fund balance**	**26,392**

* Restated figures – see note 2

General reserves is income that has accumulated over a number of years from schools buying back services from the Authority. The funds are being reinvested back into the development of support services provided to schools.

24. Unusable Reserves

31 March 2013 £000	31 March 2014 £000		31 March 2015 £000
134,002	*131,704	Revaluation Reserve	192,301
*496,988	*417,148	Capital Adjustment Account	383,766
(1,208)	(1,112)	Financial Instruments Adjustment Account	(1,015)
(385,484)	(382,439)	Pensions Reserve	(421,209)
1,321	1,206	Deferred Capital Receipts Reserve	462
(358)	(57)	Collection Fund Adjustment Account	3,490
*(4,696)	*(4,529)	Accumulated Absences Account	(3,816)
240,565	**161,921**	**Total unusable reserves**	**153,979**

* Restated figures – see note 2

a) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority 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 of and the gains are realised.

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

31 March 2014 £000		31 March 2015 £000
134,002	**Balance at 1 April**	***131,704**
*13,389	Net gain on revaluation of fixed assets	68,627
(15,687)	Amount written off to the Capital Adjustment Account	(8,030)
***131,704**	**Balance at 31 March**	**192,301**

* Restated figure – see note 2

b) 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 Authority 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 Authority.

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

Note 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2013/14 £000		2014/15 £000
***496,988**	**Balance at 1 April**	***417,148**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
*(132,099)	• Net charges for depreciation and impairment of non-current assets	(89,718)
550	• Reversal of revaluation losses on Property, Plant and Equipment	-
(2,235)	• Amortisation of intangible assets	(1,898)

2013/14 £000		2014/15 £000
*(1,695)	• Revenue expenditure funded from capital under statute	(1,406)
*(31,215)	• 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	(20,452)
15,688	Adjusting amounts written out of the Revaluation Reserve	8,030
***(151,006)**	**Net written out amount of the cost of non-current assets consumed in the year**	**(105,444)**
	Capital financing applied in the year:	
8,124	• Use of the Capital Receipts Reserve to finance new capital expenditure	4,695
3,139	• Use of the Major Repairs Reserve to finance new capital expenditure	-
*38,340	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	46,142
1,357	• Statutory provision for the repayment of debt	1,489
19,771	• Capital expenditure charged against the General Fund and HRA balances	18,616
***70,731**		**70,942**
435	**Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement**	**1,120**
***417,148**	**Balance at 31 March**	**383,766**

* Restated figures – see note 2

c) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on Council Tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

2013/14 £000		2014/15 £000
(1,208)	**Balance at 1 April**	(1,112)
96	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	97
(1,112)	**Balance at 31 March**	**(1,015)**

d) Pensions Reserve

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

2013/14 £000		2014/15 £000
(385,484)	**Balance at 1 April**	**(382,439)**
5,687	Actuarial gains or (losses) on pensions assets and liabilities	(27,419)
(35,574)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(34,183)
32,932	Employer's pensions contributions and direct payments to pensioners payable in the year	22,832
(382,439)	**Balance at 31 March**	**(421,209)**

e) Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2013/14 £000		2014/15 £000
1,321	**Balance at 1 April**	**1,206**
(115)	Transfer to the Capital Receipts Reserve upon receipt of cash	(744)
1,206	**Balance at 31 March**	**462**

f) Collection Fund Adjustment Account

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

2013/14 £000		2014/15 £000
(358)	**Balance at 1 April**	**(57)**
301	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	3,547
(57)	**Balance at 31 March**	**3,490**

g) Accumulated Absences Account

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

2013/14 £000		2014/15 £000
***(4,696)**	**Balance at 1 April**	**(4,529)**
*4,696	Settlement or cancellation of accrual made at the end of the preceding year	4,529
*(4,529)	Amounts accrued at the end of the current year	(3,816)
*167	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	713
***(4,529)**	**Balance at 31 March**	**(3,816)**

* Restated figures – see note 2

25. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2013/14 £000		2014/15 £000
(2,211)	Interest received	(1,173)
7,570	Interest paid	7,623
5,359	**Balance at 31 March**	**6,450**

2013/14 £000		2014/15 £000
*(132,132)	Depreciation, impairment and downward revaluation	(89,718)
(2,235)	Amortisation	(1,898)
*(12,220)	Increase in creditors	(7,381)
(670)	(Increase)/decrease in long-term creditors	155
*1,316	Increase in debtors	1,027
(23)	Decrease in long-term debtors	(687)
(47)	Decrease in inventories	(29)
(2,642)	Movement in pension liability	(11,351)
(1,420)	(Increase)/decrease in provisions	2,270
*(31,215)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(20,452)
448	Other non-cash items charged to the net surplus or deficit on the provision of services	(464)
***(180,840)**	**Net cash flows from operating activities**	**(128,528)**

* Restated figures – see note 2

Adjustment for items included in the net surplus or deficit on the provisions of services that are investing and financing activities:

2013/14 £000		2014/15 £000
34,820	Capital grants credited to the Consolidated Income and Expenditure Statement	44,095
25,099	Proceeds from sale of fixed assets	23,528
59,919	**Adjustment for items included in the net surplus or deficit on the provisions of services that are investing and financing activities**	**67,623**

26. Cash Flow Statement – Investing Activities

2013/14 £000		2014/15 £000
*67,712	Purchase of property, plant and equipment, investment property and intangible assets	69,453
747,493	Purchase of short-term and long-term investments	826,785
(24,862)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(23,528)
(39,999)	Capital grants received	(39,299)
(745,395)	Proceeds from short-term and long-term investments	(784,786)
(2,932)	Other receipts from investing activities	3,547
***2,017**	**Net cash flows from investing activities**	**52,172**

* Restated figures – see note 2

27. Cash Flow Statement – Financing Activities

2013/14 £000		2014/15 £000
(101)	Cash receipts of short-term and long-term borrowing	(34,827)
13,569	Repayments of short-term and long-term borrowing	33,827
13,468	**Net cash flows from financing activities**	**(1,000)**

28. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice (SeRCOP). However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- transfers to and from reserves are included within the Directorate Income and Expenditure Statement whereas these items are excluded from the Comprehensive Income and Expenditure Statement and are subsequently reported within the Movement in Reserves Statement; and
- levies are included within the Directorate Income and Expenditure Statement but are excluded from the Cost of Services line of the Comprehensive Income and Expenditure Statement. These are reported as Other Operating Expenditure within that statement.

The income and expenditure of the Authority's principal directorates recorded in the budget reports for the year is as follows:

Directorate Income and Expenditure 2014/15	Communities and Resources £000	Public Health £000	Children, Adults and Housing £000	oneSource £000	oneSource non shared £000	Total £000
Fees, charges and other service income	(17,293)	(66)	(84,719)	(5,047)	(9,679)	**(116,804)**
Government grants	(23,071)	(9,717)	(170,109)	-	(91,481)	**(294,378)**
Total income	**(40,364)**	**(9,783)**	**(254,828)**	**(5,047)**	**(101,160)**	**(411,182)**
Employee expenses	27,370	1,516	143,785	18,995	4,570	**196,236**
Other service expenses	44,136	8,290	246,734	(10,018)	96,693	**385,835**
Total expenditure	**71,506**	**9,806**	**390,519**	**8,977**	**101,263**	**582,071**
Net expenditure	**31,142**	**23**	**135,691**	**3,930**	**103**	**170,889**

Directorate Income and Expenditure 2013/14	Culture, Community and Economic Development £000	Public Health £000	Children, Adults and Housing £000	Resources £000	Total £000
Fees, charges and other service income	(10,281)	(34)	*(19,048)	(10,774)	***(40,137)**
Government grants	(17,794)	(8,833)	(205,936)	(91,032)	**(323,595)**
Total income	**(28,075)**	**(8,867)**	***(224,984)**	**(101,806)**	***(363,732)**
Employee expenses	28,739	1,412	*138,357	27,493	***196,001**
Other service expenses	45,504	7,655	*277,601	11,192	***341,952**
Total expenditure	**74,243**	**9,067**	***415,958**	**38,685**	***537,953**
Net expenditure	**46,168**	**200**	***190,974**	**(63,121)**	***174,221**

* Restated figures – see note 2

Reconciliation to Subjective Analysis

Reconciliation of directorate income and expenditure to cost of services in the comprehensive income and expenditure statement.

2014/15	Directorate Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in CI & ES £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(116,804)	4,783	-	**(112,021)**	-	**(112,021)**
Interest and investment income	-	(97)	-	**(97)**	(4,783)	**(4,880)**

2014/15	Directorate Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in CI & ES £000	Cost of Services £000	Corporate Amounts £000	Total £000
Income from council tax	-	-	-	**-**	(99,119)	**(99,119)**
Income from non-domestic rates	-	-	-	**-**	(31,094)	**(31,094)**
Government grants and contributions	(294,378)	(27,730)	-	**(322,108)**	(73,334)	**(395,442)**
Total income	**(411,182)**	**(23,044)**	**-**	**(434,226)**	**(208,330)**	**(642,556)**
Employee expenses	196,236	10,638	-	**206,874**	-	**206,874**
Other service expenses	385,835	(49,721)	(4,187)	**331,927**	-	**331,927**
Depreciation, amortisation and impairment	-	91,616	-	**91,616**	-	**91,616**
Interest payments	-	-	-	**-**	23,121	**23,121**
Levies	-	-	-	**-**	12,746	**12,746**
Payments to Housing Capital Receipts Pool	-	-	-	**-**	1,048	**1,048**
Gain or loss on disposal of fixed assets	-	(744)	-	**(744)**	(3,075)	**(3,819)**
Total expenditure	**582,071**	**51,789**	**(4,187)**	**629,673**	**33,840**	**663,513**
Deficit or (surplus) on the provision of services	**170,889**	**28,745**	**(4,187)**	**195,447**	**(174,490)**	**20,957**

Comparative figures for 2013/14 are as follows:

2013/14	Directorate Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in CI & ES £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	*(40,137)	16,785	-	***(23,352)**	-	***(23,352)**
Interest and investment income	-	(96)	4,435	**4,339**	(4,435)	**(96)**
Income from council tax	-	-	-	**-**	(95,975)	**(95,975)**
Income from non-domestic rates	-	-	-	**-**	(28,522)	**(28,522)**
Government grants and contributions	(323,595)	(35,122)	20,573	**(338,144)**	(81,282)	**(419,426)**
Total income	***(363,732)**	**(18,433)**	**25,008**	***(357,157)**	**(210,214)**	***(567,371)**

2013/14	Directorate Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in CI & ES £000	Cost of Services £000	Corporate Amounts £000	Total £000
Employee expenses	*196,001	2,470	-	***198,471**	-	***198,471**
Other service expenses	*341,952	(60,894)	-	***281,058**	-	***281,058**
Depreciation, amortisation and impairment	-	*134,082	-	***134,082**	-	***134,082**
Interest payments	-	-	-	**-**	25,109	**25,109**
Levies	-	-	-	**-**	12,421	**12,421**
Payments to Housing Capital Receipts Pool	-	-	-	**-**	952	**952**
Gain on disposal of fixed assets	-	236	-	**236**	*6,117	***6,353**
Total expenditure	***537,953**	***75,894**	**-**	***613,847**	***44,599**	***658,446**
Deficit or (surplus) on the provision of services	***174,221**	***57,461**	**25,008**	***256,690**	***(165,615)**	***91,075**

* Restated figures – see note 2

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2013/14 £000		2014/15 £000
*174,221	Net expenditure in the Directorate analysis	170,889
*82,469	Net expenditure of services and support services not included in the analysis (including movement in Housing Revenue Account balance)	24,558
***256,690**	**Cost of services in Comprehensive Income and Expenditure Statement**	**195,447**

* Restated figures – see note 2

29. Trading Operations

2013/14 (Surplus)/ Deficit £000		2014/15 Income £000	2014/15 Expenditure £000	2014/15 (Surplus)/ Deficit £000
	a) Open Air Market			
(316)	The Authority operates an open air market three days a week	(574)	975	401
	b) Other Trading Accounts			
(330)	Highways	(4,054)	3,666	(388)
800	Schools/Welfare Catering	(6,660)	7,141	481

The Market expenditure figure for 2014/15 includes impairment costs of £277k relating to the Market revaluation adjustment. The comparable figure for 2013/14 was £334k credit.

Highways cost recovery rates were reviewed in 2014/15, resulting in the increase in net surplus of £58k.

The Catering Service has a £441k surplus before overheads and a revenue contribution to capital in 2014/15. The deficit once overheads are applied is £481k. The improvement in financial performance is due mostly to the introduction of universal free school meals which has increased the numbers of meals taken and resulted in a reduction of costs to produce each meal. Income has increased by £924k and expenditure by £672k, a net increase in the trading surplus of £252k. A £200k revenue to capital virement was actioned to invest in ICT to improve the service and reduce waste through increased efficiency in ordering and stock control. Overheads reduced by £67k in 2014/15 to £922k.

30. Pooled Budgets

Mental Health

Under the National Health Services Act 2006 and Local Government Acts 1972 and 2000, a partnership arrangement was established with the North East London Foundation Trust (NELFT). The agreement provides for The London Borough of Havering (LBH) to host a pooled budget between the two partners (although NELFT became the host partner from January 2011). This includes integrated services and joint commissioning in relation to the provision of Health and Social Care Services, for Adults with Mental Health issues who qualify for such provision.

2013/14 £000		**2014/15 £000**
	Funding	
1,693	Section 75 Joint Pooled Budget between LBH and NELFT	1,693
332	Recharges (excluded from the Pooled Budget)	257
1,198	Non Pooled Budget codes	1,221
3,223	**Total funding**	**3,171**
3,154	**Final outturn**	**3,256**

31. Members' Allowances

Payments in the year were £994,475 including expenses (£1,103,617 in 2013/14). Additionally, payments to co-opted Members totalled £3,106 (£3,340 in 2013/14).

32. Officers' Remuneration

The number of employees (including teaching staff) whose remuneration, excluding employer pension contributions, was £50,000 or more, in bands of £5,000 was:

			2014/15			**2013/14**		
Lower Band		Upper Band	Schools	Other	**Total**	Schools	Other	**Total**
£50,000	-	£55,000	42	25	**67**	39	27	**66**
£55,000	-	£60,000	18	11	**29**	31	8	**39**
£60,000	-	£65,000	24	17	**41**	15	18	**33**
£65,000	-	£70,000	22	13	**35**	17	18	**35**

			2014/15			2013/14		
Lower Band		Upper Band	Schools	Other	**Total**	Schools	Other	**Total**
£70,000	-	£75,000	6	4	**10**	8	5	**13**
£75,000	-	£80,000	5	6	**11**	2	4	**6**
£80,000	-	£85,000	6	3	**9**	8	2	**10**
£85,000	-	£90,000	3	2	**5**	2	4	**6**
£90,000	-	£95,000	2	6	**8**	1	4	**5**
£95,000	-	£100,000	1	3	**4**	-	1	**1**
£100,000	-	£105,000	1	1	**2**	-	2	**2**
£105,000	-	£110,000	-	3	**3**	-	2	**2**
£110,000	-	£115,000	-	-	**-**	-	1	**1**
£115,000	-	£120,000	-	-	**-**	-	-	**-**
£120,000	-	£125,000	-	1	**1**	-	-	**-**
£125,000	-	£130,000	-	-	**-**	-	3	**3**
£130,000	-	£135,000	-	-	**-**	-	-	**-**
£135,000	-	£140,000	-	-	**-**	-	-	**-**
£140,000	-	£145,000	-	-	**-**	-	-	**-**
£145,000	-	£150,000	-	1	**1**	-	-	**-**
£150,000	-	£155,000	-	-	**-**	-	1	**1**
£155,000	-	£160,000	-	-	**-**	-	-	**-**
£160,000	-	£165,000	-	-	**-**	-	1	**1**
			130	**96**	**226**	**123**	**101**	**224**

The table includes staff who are the subject of additional disclosures as set out below (Senior Officers Remuneration)

Senior Officers Remuneration

The following table sets out the remuneration disclosures for Senior Officers whose salaries are more than £50,000 per annum in accordance with regulation 7 of the Accounts and Audit (England) Regulations 2011. Under the revised regulations, the definitions of Senior Officers which are relevant to the Authority are:

a) the designated head of paid service, a statutory chief officer or non-statutory chief officer of a relevant body as defined under the Local Government Act 1989; or

b) any person having responsibility for the management of the relevant body, to the extent that the person has the power to direct or control the major activities of the body, in particular activities involving the expenditure of money whether solely or collectively with other persons.

This has been determined to mean the Authority’s Chief Executive and Corporate Management Team.

The relevant proportion of the Authority’s contribution to the Local Government Pension Scheme which can be related to the Senior Officer is included in the table as required by the regulations.

Post Holder Information	Notes	Salary £	Other payments £	Total Remuneration excluding pension contributions 2014/15 £	Employer's pension contribution £	Total Remuneration including pension contributions 2014/15 £
Chief Executive - C Coppell	1	138,785	19,955	**158,740**	-	**158,740**
Group Director of Culture, Community and Economic Development	2	120,779	-	**120,779**	7,851	**128,630**
Group Director of Communities and Resources	3	67,292	-	**67,292**	10,498	**77,790**
Group Director of Resources and Joint Managing Director of oneSource	4	65,000	-	**65,000**	10,140	**75,140**
Group Director of Children, Adults and Housing		149,167	-	**149,167**	23,270	**172,437**
Assistant Chief Executive Legal and Democratic Services	5	35,455	-	**35,455**	5,531	**40,986**
Group Director of Public Health	6	80,640	-	**80,640**	-	**80,640**
Total		**657,118**	**19,955**	**677,073**	**57,290**	**734,363**

Note 1 The Chief Executive (Cheryl Coppell) reduced her working days from 5 days to 3 days a week from the beginning of December 2014. At the same date, she also took a voluntary reduction in remuneration, at which point her full time equivalent salary fell from £163k to £147k.

In her role as the Returning Officer, the Chief Executive received a sum of £19kfor the Local Elections and the European Parliamentary Elections in May 2014.

Note 2 The Group Director of Culture, Community and Economic Development (CCED) left the Authority in December 2014. Her full time equivalent salary would have been £130k.

Note 3 Following the departure of Group Director of CCED, the Authority carried out a directorate level restructure. The Group Director of Resources assumed responsibility for the new Directorate of Communities and Resources. The full time equivalent salary for the new role is £137k.

Note 4 The Group Director of Resources was also Joint Managing Director of oneSource until the beginning of October 2014. His full time equivalent salary in this role would have been £130k.

Note 5 The Assistant Chief Executive Legal and Democratic Services left the Authority in June 2014. His full time equivalent salary would have been £114k. The post is being covered on an agency basis until the recruitment process has been completed.

Note 6 The acting Director of Public Health was in this role until mid-February 2015. His full time equivalent salary in this role would have been £92k.

The comparative figures for 2013/14 are as follows:

Post Holder Information	Salary £	Other Payments £	Total Remuneration excluding pension contributions 2013/14 £	Employer's Pension contribution £	Total Remuneration including pension contributions 2013/14 £
Chief Executive – C Coppell	163,920	-	**163,920**	-	**163,920**
Group Director of Culture, Community and Economic Development	130,000	-	**130,000**	20,280	**150,280**
Group Director of Resources	130,000	-	**130,000**	20,280	**150,280**
Group Director of Children, Adults and Housing	150,000	-	**150,000**	23,400	**173,400**
Assistant Chief Executive Legal and Democratic Services	111,390	-	**111,390**	17,377	**128,767**
Group Director of Public Health	129,670	-	**129,670**	-	**129,670**
Total	**814,980**	**-**	**814,980**	**81,337**	**896,317**

33. External Audit Costs

The following fees relating to external audit and inspection were included in the 2014/15 accounts:

2013/14 £000		2014/15 £000
221	Fees payable with regard to external audit services carried out by appointed auditor	202
23	Fees payable for the certification of grant claims and returns carried out by the appointed auditor	22
244	**Total for year**	**224**

An additional charge of £38k for other services provided by external auditors during 2014/15 will be paid in 2015/16.

34. Dedicated Schools Grant

The Authority's expenditure on schools is funded by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring- fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each school. Over and under spends on the two elements are required to be accounted for separately.

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

	Schools Budget Funded by Dedicated School Grant		
	Central Expenditure £000	**Individual Schools Budget £000**	**Totals £000**
Final DSG for 2014/15 before academy recoupment			193,934
Less academy figure recouped for 2014/15			(72,861)
Total DSG after academy recoupment for 2014/15			**121,073**
Plus: brought forward from 2013/14			1,689
Less: carry forward to 2014/15 agreed in advance			-
Agreed initial budgeted distribution for 2014/15	**22,922**	**99,840**	**122,762**
In year adjustments	(1,698)	1,698	-
Final budgeted distribution for 2014/15	**21,224**	**101,538**	**122,762**
Actual central expenditure	(19,560)	-	(19,560)
Actual ISB deployed to schools	-	(101,538)	(101,538)
Carry forward to 2015/16	**1,664**	**-**	**1,664**

£247k has been received in 2015-16 in respect of 2014/15 Early Years Funding; this is therefore not showing on the note and is not part of the carry forward.

Comparative figures for 2013/14 are as follows:

	Schools Budget Funded by Dedicated School Grant		
	Central Expenditure £000	**Individual Schools Budget £000**	**Totals £000**
Final DSG for 2013/14 before academy recoupment			189,313
Less academy figure recouped for 2013/14			(66,628)
Total DSG after academy recoupment for 2013/14			122,685
Plus: brought forward from 2012/13			2,914
Less: carry forward to 2013/14 agreed in advance			-

	Schools Budget Funded by Dedicated School Grant		
	Central Expenditure	**Individual Schools Budget**	**Totals**
Agreed initial budgeted distribution for 2013/14	**22,297**	**103,302**	**125,599**
In year adjustments	(3,013)	3,013	-
Final budgeted distribution for 2013/14	**19,284**	**106,315**	**125,599**
Actual central expenditure	(17,595)	-	(17,595)
Actual ISB deployed to schools	-	(106,315)	(106,315)
Carry forward to 2014/15	**1,689**	**-**	**1,689**

35. Grant Income

a) The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15:

2013/14 **£000**		**2014/15** **£000**
Credited to Taxation and Non Specific Grant Income		
45,378	Revenue Support Grant	38,890
9,032	Redistributed Business Rates	9,208
1,098	Council Tax Freeze Grant	1,083
14,234	Non ring fenced Grant	13,449
20,573	Capital Grants	19,912
90,315	**Total**	**82,542**
Credited to Services		
	Rent Allowances	56,113
35,267	HRA Rent Rebates	34,327
14,248	Decent Homes Grant	24,183
8,833	Public Health Grant	9,717
122,685	Dedicated Schools Grant	121,130
7,341	Learning Skills Authority's / Young People Learning Agency	9,214
-	Universal Free School Meals	1,598
-	Additional Funding For Schools –Primary School Sports Funding	513
1,449	Revenues and Benefits	19
3,403	Other	3,656
248,526	**Total**	**260,470**

Current Liabilities

b) Capital Grants – receipts in advance:

2013/14 £000		2014/15 £000
7,625	Brought forward	11,142
6,215	Amounts received in year	1,895
(2,698)	Amounts applied to meet new capital investment	(3,868)
11,142	**Carried forward**	**9,169**

36. Related Parties

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority 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 Authority.

Organisations	Member	Payments to Organisations by the Authority £000	Balance Outstanding £000	Income £000	Income Outstanding £000
East London Waste Authority	Cllr S Kelly Cllr R Benham	12,738	500	972	59
Age Concern: Havering	Cllr V Persaud Cllr J Alexander Cllr S Kelly	798	1	(1)	-
Havering Theatre Trust	Cllr R Ramsey Cllr G Ford Cllr P Rumble	484	-	-	-
BT Global Services[1]	Cllr M White	255	-	54	-
First Step	Cllr L Van den Hende	161	2	2	-
Havering College of Further Education[2]	Cllr P Rochford	103	-	32	-
Havering Association for People with Disabilities	Cllr L Van den Hende Cllr N Dodin Cllr S Kelly	93	-	-	-
Local Government Association	Cllr G Ford Cllr C Barrett	59	-	-	-
Veolia North Thames Trust	Cllr R Benham	12	-	-	27
Havering Museum Ltd	Cllr F Thompson Cllr W Brice-Thompson	9	-	-	-
Havering Arts Council	Cllr J Chapman Cllr D White Cllr L Hawthorn	4	-	-	-
Essex Wildlife Trust[3]	Cllr G Starns	1	-	49	-

Notes

1. Payments disclosed represent all transactions with British Telecom plc; however Cllr M White is the Partnership Director Local Government at BT Global Services.

2. Related party transactions relate to the period of April and May 2014, as Cllr P Rochford was not re-elected in the May 2014 elections.
3. Related party transactions relate to the period of April and May 2014, as Cllr G Starns was not re-elected in the May 2014 elections.

Central Government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits).

Transactions between the London Borough of Havering and the UK Government; its department, agencies, NHS bodies and other authorities are disclosed elsewhere in the Accounts, most notably:

Note 10 Other operating expenditure: levies ;
Note 12 Taxation and Non-specific Grant Income;
Note 30 Pooled budgets;
Note 34 Dedicated Schools Grant; and
Note 35 Grant Income

Entity controlled or significantly influenced by the Authority

On 1 April 2014, the London Boroughs of Havering and Newham created a new public sector shared back-office support service which is supported by members through a joint committee who receive key reports and make strategic decisions about its operation. oneSource has brought together 22 services and 1350 staff from both authorities. oneSource was created with a view to making savings by eliminating duplication, reducing senior management costs and introducing more efficient processes. oneSource provides almost all the support services for the two authorities including HR, ICT, Finance, Legal services, Exchequer and Transactional, Asset Management and Business services

The oneSource out-turn for 2014/15 is disclosed below indicating the share falling to each of the authorities. The LBH share is charged against the Consolidated Income and Expenditure Statement.

oneSource	**£000**
Net Expenditure	
Exchequer and Transactional Services	17,636
Finance	8,009
Business Services	1,361
Legal and Governance	4,957
ICT	10,092
Asset Management	2,438
Strategic and Operational HR	3,251
Total Net Expenditure	**47,744**
Cost Sharing:	
London Borough of Newham	28,823
London Borough of Havering	18,921

The joint committee council members from Havering Council are Councillors Ower, Wallace and D. White and from Newham Council Councillors Robinson, Hudson and Hussain.

The following oneSource Chief Officers have joint managerial responsibility for services across both authorities and as such have significant influence over operational effectiveness and decision making of the related party. These roles are set out below.

Shared OneSource role	Employing organisation	Period
Managing Director	London Borough of Newham	October 2014 to March 2015
Joint Managing Director	London Borough of Newham	April 2014 to October 2014
Joint Managing Director	London Borough of Havering	April 2014 to October 2014
Director of Asset Management	London Borough of Havering	April 2014 to March 2015
Director of Exchequer and Transactional	London Borough of Havering	April 2014 to March 2015
Acting Director of Legal and Governance	London Borough of Havering	April 2014 to March 2015
Director of Human Resources	London Borough of Havering	April 2014 to March 2015
Director of Business Development	London Borough of Havering	April 2014 to March 2015
Director of Finance	London Borough of Newham	April 2014 to March 2015
Director of ICT	London Borough of Newham	April 2014 to March 2015

37. Capital Expenditure and Capital Financing

The following statement shows how the Authority's capital expenditure was financed and the consequent change in underlying borrowing:

2013/14 £000	Capital Expenditure	2014/15 £000
66,795	Property, plant and equipment	67,835
632	Intangible fixed assets	212
1,695	Revenue expenditure funded from capital under statute	1,406
69,122	**Total capital expenditure**	**69,453**
	Less financed from	
(8,124)	Capital receipts	(4,695)
(3,139)	Major repairs	-
(19,771)	Revenue funds	(18,615)
(38,088)	Grants and contributions	(46,143)
-	**Increase in need to borrow supported by Government**	**-**

The following statement shows the make-up of the Authority's Capital Financing Requirement under the Prudential Code:

31 March 2014 £000	Capital Financing Requirement	31 March 2015 £000
755,350	Tangible fixed assets	811,645
3,219	Intangible assets	1,533
(127,860)	Revaluation Reserve	(192,301)
(391,933)	Capital Adjustment Account	(383,766)
(762)	Finance lease and other long-term liabilities	(586)
238,014	**Net requirement**	**236,525**

38. Leases

Authority as Lessee

Finance Leases

The Authority acquired vehicles and plant under finance leases. Additionally, a number of Schools entered into operating lease arrangements for ICT and other equipment prior to the implementation of IFRS on *1 April 2010 and these were* subsequently re-categorised as finance leases. These leases came to an end in 2014/15.

The assets acquired under these leases were carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31 March 2014 £000	Vehicles, Plant, Furniture and Equipment	31 March 2015 £000
22	Schools	-
22	**Net asset values**	**-**

The Authority was committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remained outstanding. There were no payments in 2014/15.

31 March 2014 £000	Finance lease liabilities (net present value of minimum lease payments)	31 March 2015 £000
46	Current	-
17	Finance costs payable in future years	-
63	**Minimum lease payments**	**-**

The minimum lease payments payable over the following periods are as follows:

	Finance Lease Liabilities		Minimum Lease Payments	
	31 March 2014 £000	**31 March 2015 £000**	**31 March 2014 £000**	**31 March 2015 £000**
Not later than one year	46	-	63	-
Later than one year	-	-	-	-
	46	**-**	**63**	**-**

Operating Leases

The Authority has acquired vehicles, plant and equipment by entering into operating leases.

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

31 March 2014 £000		**31 March 2015 £000**
305	Not later than one year	890
314	Later than one year and not later than five years	1,594
-	Later than five years	382
619	**Minimum Lease Payments**	**2,866**

The minimum lease payments charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases were as follows:

2013/14 £000		**2014/15 £000**
323	Children's and Education Services	969
63	Highways, Roads and Transport Services	43
386	**Minimum lease payments**	**1,012**

The Authority has acquired a number of properties by entering into operating leases.

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

31 March 2014 £000		**31 March 2015 £000**
179	Not later than one year	202
609	Later than one year and not later than five years	508
-	Later than five years	134
788	**Minimum lease payments**	**844**

The minimum lease payments charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £0.219m (£0.356m in 2013/14). In most cases these rents are charged to Central Support Services and subsequently recharged to the appropriate Service in accordance with the *SeRCOP*.

39. Long-term Creditors

On the 16th May 2003 the Authority entered into a Public Private Partnership (PPP) with Johnson Controls Limited (the provider) for the provision of an essential energy project at three secondary schools (Bower Park, Brittons and Hall Mead). The provider is responsible for upgrading, managing and the maintenance of energy services and controls. The duration of the contract is 15 years.

The initial capital investment was £3.2m from the Authority and £1.6m from the provider. Completion of the capital investment was on 18th November 2005 for Hall Mead and 26h April 2005 for the other two schools.

The schools involved in the PPP contract have now converted to academies and are therefore not included in the Authority's Balance Sheet. The Authority has therefore had to dispose of the assets under the PPP contract in line with other academy conversions but the PPP liabilities remain with the Authority.

The assets had a net book value of £640k prior to disposal at zero consideration, therefore the full amount was charged to the Comprehensive Income and Expenditure Statement in 2013/14 as loss on disposal.

Contract payments in 2014/15 total £164,000, of which £34,000 was allocated to financing costs and £130,000 to reduce the liability in accordance with requirements of the IFRS Code of Practice.

The PPP liabilities have been reclassified as a long-term creditor on the Balance Sheet and amounts repayable are detailed in the table below.

Total Liability Payable Under the PPP Contract:

31 March 2014 £000		31 March 2015 £000
130	Not later than one year	136
585	Later than one year and not later than five years	449
715	**Total**	**585**

Long-term creditors also include the Mayoral Community Infrastructure Levy (CIL). The Mayor of London has exercised his power to charge CIL across the whole of London, specifically to assist in the funding of the Crossrail project.

31 March 2014 £000		31 March 2015 £000
585	PPP Lease liability	449
85	Mayoral CIL	66
670	**Long-term creditors**	**515**

40. Impairment Losses

During 2014/15, the Authority has recognised an impairment loss of £23.9m in the Comprehensive Income and Expenditure Statement in relation to its revaluation of assets. A breakdown of this impairment by asset class can be found in the table below:

Asset Class	Impairment Loss Charged to the CI&ES £ 000
Council dwellings	-
Other land and buildings	23,944
Community assets	-

The majority of the impairment charge of £23.9m is due to the revaluation of schools, and this is included as expenditure in the Children's and Education line of the Comprehensive Income and Expenditure Statement.

41. Termination Benefits

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit Package cost band (including special payments	Number of Compulsory Redundancies		Number of Departures Agreed		Total Number of exit packages by Cost Band		Total Cost of exit packages in each band	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
£0 - £20,000	66	31	7	5	73	36	525,393	316,743
£20,001 - £40,000	9	4	3	3	12	7	310,115	178,192
£40,001 - £60,000	1	1	-	-	1	1	41,356	41,356
Total	**76**	**36**	**10**	**8**	**86**	**44**	**876,864**	**536,291**

Note:

The Authority terminated the contracts of a number of employees in 2014/15, incurring costs of £536,291 (£876,864 in 2013/14). The majority of the redundancies that occurred in 2014/15 are as a result of the Havering transformation programme.

42. Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers Pensions

Teachers employed by the Authority are members of the Teachers Pension scheme administered by the Department for Education (DfE). It provides teachers with defined benefits upon their retirement and the Authority contributes towards these costs by making contributions based upon a percentage of member’s personal salaries.

The Teachers Pension scheme is a defined benefit scheme, administered by the Teachers Pension Agency (TPA). Although the scheme is unfunded, the TPA uses a notional fund as the basis for calculating the employer's contribution rates paid by Local Education Authorities (LEAs). However, it is not possible for the Authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of the Statement of Accounts it is therefore accounted for on the same basis as a defined contribution scheme.

In 2014/15 the Authority paid £6.15m (£4.65m 2013/14) to Teachers Pensions in respect of teachers pension contributions. This represented 14.1% of teachers' pensionable pay (14.1% in 2013/14). There were no contributions remaining payable at the end of the period.

The Authority is responsible for the costs of any additional benefits awarded upon early retirements outside the terms of the Teachers' scheme.

NHS Pension Scheme

The Health and Social Care Act 2012, makes provision for the transfer of public health services and staff from primary care trusts (PCTs) to local authorities.

In a letter dated 17 May 2012 the Local Government Association and the Department of Health outlined the treatment of pensions as part of the Public Health Transfer.

It was confirmed that all staff performing public health functions transferring to local authorities (LAs), who have access to the NHS Pension Scheme on 31 March 2013 will retain access to the NHSPS on transfer from PCTs to local authorities at 1 April 2013.

In 2014/15 the Authority paid £52,415 (£66,255 2013/14) to NHS Pensions in respect of public health pension contributions. This represented 14% of pensionable pay (14% in 2014/15). There were no contributions remaining payable at the end of the period.

43. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Authority participates in two post-employment schemes:

- the Local Government Pension Scheme, administered locally by London Borough of Havering. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

- arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The London Borough of Havering pension scheme 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 Authority. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the committee and consist of the Group Director of Communities and Resources for Havering and the below listed Investment Fund Managers.

1. State Street (SSgA)
2. Baillie Gifford
3. Royal London Asset Management
4. UBS
5. Ruffer
6. GMO

The principal risks to the Authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and the Housing Revenue Account the amounts required by statute as described in the accounting policies note.

Discretionary Post-retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

Transactions Relating to Post-employment Benefits

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

2013/14 £000		**2014/15 £000**
	Comprehensive Income and Expenditure Statement	
	Cost of services:	
	Service Cost Comprising:	
18,853	• Current service cost	19,294
573	• Past service costs	496
(1,115)	• Gain from settlements	(1,191)
	Financing and Investment Income and Expenditure	
17,263	Net interest expense	15,584
35,574	**Total post-employment benefits charged to the surplus or deficit on the provision of services**	**34,183**

2013/14 £000		2014/15 £000
	Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	
	Re-measurement of the net defined benefit liability comprising:	
(12,909)	• Return on plan assets (excluding the amount included in the net interest expense)	(43,911)
(193)	• Actuarial gains and losses arising on changes in financial assumptions	78,168
7,415	• Other	(6,838)
(5,687)	**Total post-employment Benefits charges to the Comprehensive Income and Expenditure Statement**	**27,419**
	Movements in Reserves Statement	
(35,574)	• Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the Code	(34,183)
	Actual amount charged against the General Fund Balance for pensions in the year:	
32,932	• Employers' contributions payable to scheme	22,832
(2,642)	**Net movement in Pensions Reserve**	**(11,351)**

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plans is as follows:

2013/14 £000		2014/15 £000
	Local Government Pension Scheme	
(816,810)	Present value of the defined benefit obligation	(911,242)
434,371	Fair value of plan assets	490,033
(382,439)	**Net liability arising from defined benefit obligation**	**(421,209)**

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

2013/14 £000		2014/15 £000
	Local Government Pension Scheme	
397,054	Opening fair value of scheme assets	434,371
17,745	Interest income	17,676

2013/14 £000		2014/15 £000
	Re-measurement gain (loss):	
12,909	• The return on plan assets, excluding the amount included in the net interest expense	43,911
-	• Other	-
32,932	Contributions from employer	22,832
5,157	Contributions from employees into the scheme	5,457
(30,396)	Benefits paid	(32,982)
(1,030)	Other – effect of settlements	(1,232)
434,371	**Closing fair values of scheme assets**	**490,033**

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation):

2013/14 £000		2014/15 £000
	Funded liabilities: Local Government Pension Scheme	
782,538	Opening balance at 1 April	816,810
18,853	Current service cost	19,294
35,008	Interest cost	33,260
5,157	Contributions from scheme participants	5,457
	Re-measurement (gains) and losses:	
(193)	• Actuarial gains/ losses arising from changes in financial assumptions	78,168
7,415	• Other	(6,838)
573	Past service cost (Including curtailments)	496
-	Liabilities assumed on entity combinations	-
(30,396)	Benefits paid	(32,982)
(2,145)	Liabilities extinguished on settlements	(2,423)
816,810	**Closing balance at 31 March**	**911,242**

Local Government Pension Scheme assets comprised:

2013/14					2014/15			
Quoted Prices in Active Markets £000	Quoted Prices not in Active Markets £000	Total £000	Percentage of Total assets %	Asset Category	Quoted Prices in Active Markets £000	Quoted Prices not in Active Markets £000	Total £000	Percentage of Total assets %
				Equity Securities				
4,441.6	-	**4,441.6**	1	Consumer	3,896.0	-	**3,896.0**	1
3,807.2	-	**3,807.2**	1	Manufacturing	2,877.3	-	**2,877.3**	1
2,132.6	-	**2,132.6**	1	Energy and utilities	651.4	-	**651.4**	-
6,372.4	-	**6,372.4**	1	Financial institutions	10,360.1	-	**10,360.1**	2
589.9	-	**589.9**	-	Health and Care	403.5	-	**403.5**	-
6,087.1	-	**6,087.1**	1	Information technology	3,896.8	-	**3,896.8**	1
-	15.5	**15.5**	-	Other	-	17.0	**17.0**	-
				Debt Securities				
49,794.0	-	**49,794.0**	11	Corporate bonds (investment grade)	58,575.0	-	**58,575.0**	12
9,986.5	-	**9,986.5**	2	UK Government	14,784.8	-	**14,784.8**	3
46,015.6	-	**46,015.6**	11	Other	49,561.6	-	**49,561.6**	10
				Real Estate				
20,119.2	-	**20,119.2**	5	UK Property	22,441.5	-	**22,441.5**	5
				Investment Funds and Unit Trusts				
276,042.3	-	**276,042.3**	64	Equities	299,942.3	-	**299,942.3**	60
				Cash and Cash Equivalents				
8,967.4	-	**8,967.4**	2	All	22,625.7	-	**22,625.7**	5
434,355.8	**15.5**	**434,371.3**	**100**	**Totals**	**490,016.0**	**17.0**	**490,033.0**	**100**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Authority Fund being based on the latest full valuation of the scheme as at 31 March 2013.

2013/14 £000		2014/15 £000
	Local Government Pension Scheme	
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.1 years	Men	22.1 years
24.1 years	Women	24.1 years
	Longevity at 65 for future pensioners:	
24.2 years	Men	24.2 years
26.7 years	Women	26.7 years
2.6%	Rate of inflation	3.0%
3.4%	Rate of increase in salaries	3.0%
2.6%	Rate of increase in pensions	2.1%
4.1%	Rate for discounting scheme liabilities	3.1%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Change in assumptions at 31 March 2015	Approximate % increase to Employer Liability	Approximate Monetary amount £000
0.5% decrease in Real Discount Rate	9%	83,579
1 year increase in Member Life Expectancy	3%	27,337
0.5% Increase in the Salary Increase Rate	3%	22,838
0.5% Increase in the Pension Increase Rate	7%	59,552

Impact on the Authority’s Cash Flows

The objectives of the scheme are to keep employers’ contributions at as constant a rate as possible. The Authority has agreed a strategy with the scheme’s actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2017.

The Authority anticipated to pay £18.4m expected contributions to the scheme in 2015/16.

The weighted average duration of the defined benefit obligation for scheme members is 16.2 years, 2014/15 (16.2 years 2013/14).

44. Contingent Liabilities

Contractual

There are on-going discussions with a former contractor over a number of issues arising out of the housing repairs contract which terminated in 2013. The Contractor claims approx. £3m and the Council has a potential counterclaim for in excess of £2m. Adjudication has been threatened by the contractor but not yet issued.

There is a potential risk of another contractor claiming for construction work on a building, but in this event the Authority would counterclaim on a second site. The company has since been taken over and no legal procedures have been initiated.

A High Court claim for in excess of £1 million for misrepresentation in that a building was not demolished within the timescales notified was rejected. However, in an associated case an employee of the same company has brought two sets of proceedings, one in the Employment Tribunal and the other in the High Court, claiming damages for breach of TUPE rights. The High Court claim exceeds £1m. The Employment Appeal Tribunal has ordered that the Employment Tribunal case be reconsidered following an initial decision in the Council's favour. The Employment Tribunal proceedings are likely to take precedence on the issue of liability. The Authority is continuing to contest the claims although negotiations have been undertaken

MMI Scheme of Arrangement

Municipal Mutual Insurance Limited (MMI), a company limited by guarantee formed by Local Authorities is subject to a contingent scheme of arrangement which became effective on 21 January 1994. The company has been the subject of an orderly run off since that time. However, the schemes administrators, Ernst and Young triggered the scheme of arrangement during 2012/13. A 15% levy has been imposed based upon the result of an actuarial valuation of claims as at 31 December 2012. In accordance with the Scheme of Arrangement the Levy Notice was received dated 1 January 2014 and a payment made of £338k in respect of the 15% levy due. Outstanding claims continue to be paid with a 15% contribution from the Authority in respect of the continuing levy under the terms of the scheme of arrangement. The total paid to 31 March 2015 is £427k and additional demands for further levy contributions above the 15% may be made. The Authority has made provision for the levy within the Insurance Earmarked Reserve.

Adult Social Care Services

The Authority has received the Secretary of State determination in respect of the challenge around ordinary residence of an Adult Social Services client. The outcome was not in favour of this local authority, and therefore the liability has been realised. The liability is higher than initially projected, as the other local authority is claiming backdated fees to the date the client moved to the borough rather than when this local authority was notified. The matter is currently being reviewed by Legal Services.

NNDR Appeals

The Authority has made a provision for NNDR appeals based upon its best estimates of the actual liability as at the year end in known appeals. It is not possible to quantify appeals that have not yet been lodged with the Valuation Office so there is a risk to the Authority that national and local appeals may have a future impact on the Accounts.

45. Nature and Extent of Risks Arising from Financial Instruments

Key Risks

The Authority's activities expose it to a variety of financial risks, the key risks are:

- credit risk – the possibility that other parties might fail to pay amounts due to the Authority;
- liquidity risk – the possibility that the Authority might not have funds available to meet its commitment to make payments;
- re-financing and maturity risk – the possibility that the Authority might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms; and
- market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rate movements.

Overall Procedures for Managing Risk

The Authority's overall risk management procedures focus on the unpredictability of financial markets and implementing controls to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and the associated regulations. These require the Authority to comply with the CIPFA Prudential Code, the Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Authority to manage risk in the following ways:

1. By formally adopting the requirements of The Code of Practice;
2. By approving annually in advance, prudential indicators for the following three years limiting:
    - the Authority 's overall borrowing;
    - its maximum and minimum exposure to fixed and variable rates;
    - its maximum and minimum exposure to the maturity structure of its debt; and
    - its maximum annual exposure to investments beyond a year.
3. By approving an Investment Strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government guidance.

These are required to be reported and approved at or before the Authority's annual Council Tax Setting meeting. These items are reported with the Annual Treasury Management Strategy which outlines the approach to managing risk in relation to the Authority's financial instrument exposure. Actual performance is also reported annually to Members.

These policies are implemented by the Group Director of Communities and Resources. The Authority maintains written principles for risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash through Treasury Management Practices. The Treasury Management Practices are a requirement of the Code of Practice and are regularly reviewed.

Credit Risk

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

This risk is addressed within the Treasury Management Strategy Statement (TMSS) approved annually at Full Council. The version relating to these accounts was approved in February 2014. This requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria (i.e. as identified by credit rating agencies such as Fitch and Moody's). The TMSS also imposes a maximum sum to be invested with a financial institution located within each category. Whilst a great deal of reliance is placed on credit rating agencies the Authority recognises that this must not form the sole basis for assessing counterparty eligibility. Market intelligence is gathered from a variety of sources and is reviewed by officers. More details on the Authority's strategy can be found in the TMSS which is available on the Authority's website.

Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Authority.

The analysis shown on the following page summarises the Authority's potential maximum exposure to credit risk, based on experience of default assessed by the ratings agencies and the Authority's experience over the last five financial years, adjusted to reflect current market conditions:

	Amount at 31 March 2015	**Historical experience of default**	**Estimated maximum exposure to default and un-collectability**	**Estimated maximum exposure at 31 March 2015**
	£000	**%**	**%**	**£000**
Deposits with banks and financial institutions:				
Banks with a long-term rating of AA- or higher	16,000	0.03%	0.03%	4
Banks with a long-term rating of A- to A+	82,500	0.07%	0.07%	57
Local government	46,000	0.03%	0.03%	13
Customers (debtors)	70,928	34%	34%	23,945

The Authority does not normally allow credit for its customers; however, £24.8m of the £73.9m shown in the table below is past its due date and is in excess of one year in arrears. The Authority actively pursues all debtors in accordance with its debt management policy and does not write debt off until it has exhausted all options for recovery. The Authority regularly reviews its levels of debt, which includes considering the adequacy of its provision for bad debts. Amounts due from customers can be analysed by age as follows:

2013/14 £000		2014/15 £000
32,578	Less than three months	27,527
2,650	Three to six months	3,308
2,770	Six months to one year	4,313
26,824	More than one year	38,149
1,294	Long-term debtors	607
66,116		**73,904**

Debts to the value of £1.5m are secured by way of a legal charge.

Liquidity Risk

The Authority has ready access to borrowings from the Money Markets to cover any day to day cash flow needs. If unexpected movements happen the Authority also has ready access to borrowings from the Public Works Loans Board. The Authority is also required by the Local Government Finance Act 1992 to provide a balanced budget which ensures that sufficient monies are raised to cover annual expenditure. There is therefore, no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Authority manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the Treasury and Investment Strategy reports), as well as through cash flow management procedures required by the Code of Practice.

Re-financing and Maturity Risk

The Authority maintains a debt and investment portfolio. Whilst the cash flow procedures above are considered against the re-financing risk procedures, longer term risk to the Authority relates to managing exposure to replacing financial instruments as they mature. This risk relates to the maturing of longer term financial liabilities.

The approved prudential indicator limits for the maturity structure of debt and the limits on investments placed for greater than one year are key parameters used to address this risk. The Authority approved Treasury and Investment Strategies address the main risks and the Corporate Finance Team addresses the operational risks within the approved parameters.

The maturity analysis of loans is as follows:

2013/14 £000		2014/15 £000
401	Less than one year	430
-	Between one and two years	-
-	Between two and five years	592
210,234	More than five years	210,234
210,635		**211,256**

All trade and other payables are due to be paid in less than one year.

Market Risk

Interest rate risk

The Authority is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance a rise in variable and fixed interest rates would have the following effects:

- borrowing at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- borrowing at fixed rates – the fair value of the borrowing liability will fall;
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise;
- investments at fixed rates – the fair value of assets will fall.

Borrowings are not carried at fair value on the Balance Sheet, so normal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other 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 will affect the General Fund Balance.

The Annual Treasury Management Strategy brings together the Authority's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposures. The Corporate Finance Team will monitor market and forecast interest rates within the year to adjust exposure appropriately.

If all interest rates had been 1% higher with all other variables held constant, the financial effect would be:

2013/14 £000		**2014/15 £000**
(32)	Increase in interest payable on variable borrowings	(3)
1,614	Increase in interest receivable on investments	875
1,582	**Impact upon Comprehensive Income and Expenditure Statement**	**872**

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

46. Heritage Assets: Five-year Summary of Transactions

There were no acquisitions or disposals of heritage assets within the last five years.

47. Trust Funds

The Authority acts as sole trustee for the following trust funds, which are not included in the Comprehensive Income and Expenditure Statement or Balance Sheet and are not subject to separate audit.

	Richard Ballard Charity £	Lucas Children's Play site Charity £
Balance 31 March 2014	6,500	147,369
Receipts	25	557
Payments	(25)	(557)
Balance 31 March 2015	**6,500**	**147,369**

The Richard Ballard Charity

Interest on the capital from the sale of two properties sold for a street widening scheme is used for highway repairs.

The Lucas Children's Play Charity

The income from this charity may be applied towards the provision, maintenance and improvements of children's playgrounds and equipment in the borough.

Housing Revenue Account
Income and Expenditure Statement 2014/15

The Housing Revenue Account (HRA) includes all transactions relating to the provision, management and maintenance of the Authority's housing stock. The increase or decrease in the year on the basis of which rents are raised is shown in the movement on the HRA Statement. The Account is "ring-fenced" in accordance with the Local Government and Housing Act 1989. Transfers to and from the General Fund are only permitted in certain specified circumstances.

2013/14 £000		**Notes**	**2014/15 £000**
	Income		
(43,500)	Dwelling rents		(45,569)
(449)	Non-dwelling rents		(421)
(6,240)	Charges for services and facilities		(6,368)
(1,599)	Contributions towards expenditure		(1,526)
(14,248)	Decent Home Grant	6	(24,183)
(66,036)	**Total Income**		**(78,067)**
	Expenditure		
8,042	Repairs and maintenance		7,190
19,630	Supervision and management		19,647
440	Rents, rates, taxes and other charges		417
275	Increased provision for bad/doubtful debts		363
41,754	Depreciation and Impairment of tangible fixed assets	4	43,804
51	Debt management		53
70,192	**Total Expenditure**		**71,474**
4,156	**Net expenditure or income of HRA services as included in the whole authority Comprehensive Income and Expenditure Statement**		**(6,593)**
250	**HRA Services' share of Corporate and Democratic Core**		**250**
4,406	**Net Expenditure of HRA Services**		**(6,343)**
	HRA Share of the Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement		
(3,283)	Net gain on HRA assets		(10,481)
5,755	Interest payable and similar charges		5,771
(142)	Interest and investment income		(189)
6,736	**Surplus/(Deficit) for the year on HRA Services**		**(11,242)**

Movement on the Housing Revenue Account Balance during 2014/15

2013/14 £000		2014/15 £000
(10,225)	**Housing Revenue Account balance brought forward**	**(6,953)**
6,736	Surplus/(deficit) for the year on the HRA Income and Expenditure Account	(11,242)
*(3,467)	Adjustments between accounting basis and funding basis under regulations	9,358
***(6,956)**	**HRA balance before transfer to earmarked reserves**	**(8,837)**
*3	Transfers to earmarked reserves	167
(6,953)	**Housing Revenue Account balance carried forward**	**(8,670)**

Note to the Statement of Movement on the Housing Revenue Account Balance 2014/15

2013/14 £000	Notes	2014/15 £000
	Items included in the HRA Income and Expenditure Account but excluded from the movement in the HRA balance	
(41,754)	Depreciation and impairment of fixed assets	(43,804)
14,248	Amortisation of deferred grant	24,183
8	Accumulated compensated absences	3
3,283	Gain on fixed assets	10,481
*14,180	Capital expenditure charged against the HRA balance	11,085
(107)	Net charge made for retirement benefits	(115)
6,675	Net contribution to the major repairs reserve	7,525
***(3,467)**	**Adjustments between accounting basis and funding basis under regulations**	**9,358**
	Items not included in the HRA Income and Expenditure Account but included in the movement in the HRA balance	
***3**	**Transfers to earmarked reserves**	**167**
(3,464)	**Net additional amount required by statute to be debited or credited to the HRA balance**	**9,525**

* Prior year figures restated to show “Capital expenditure funded by the HRA” against “Adjustments between accounting basis and funding basis under regulations” instead of “Items not included in the HRA Income and Expenditure Account but included in the HRA balance”.

1. Information on Housing Fixed Assets

a) Number of Dwellings

31 March 2014 Number		31 March 2015 Number
	Flats	
2,945	1 bedroom	2,927
2,366	2 bedrooms	2,342
388	3 bedrooms	381
21	4 or more bedrooms	20
	Houses	
335	1 bedroom	328
1,144	2 bedrooms	1,132
2,436	3 bedrooms	2,412
156	4 or more bedrooms	156
9,791	**Total Number of Dwellings**	**9,698**

b) Balance Sheet Value of HRA Tangible Fixed Assets

31 March 2014 £000		31 March 2015 £000
	Operational	
337,607	Dwellings	380,625
17,706	Other land and buildings	20,130
390	Vehicles, plant and equipment	303
2,862	Infrastructure	2,527
358,565		403,585
	Non-operational	
1,451	Investment properties	1,139
680	Held for sale	680
2,131		1,819
360,696	**Total Tangible Fixed Assets**	**405,404**

c) Valuation of Council Dwellings at Year End

31 March 2014 £m		31 March 2015 £m
1,350	Vacant possession value	1,522
1,013	Excess of vacant possession value over Balance Sheet value	1,142

The difference between the vacant possession value of HRA dwellings shown here and the balance sheet value of the dwellings shown in note 1(b) is a measure of the cost to Government of providing council housing at less than market rents.

2. Movement on Major Repairs Reserve

2013/14 £000		2014/15 £000
6,206	**Balance brought forward at start of**	**9,742**
6,675	Total depreciation from Capital Adjustment Account	7,525
(3,139)	Less MRR used to fund Capital Expenditure on HRA dwellings	-
9,742	**Balance carried forward at end of year**	**17,267**

3. a) Total Capital Expenditure and Funding

2013/14 £000		2014/15 £000
	Capital expenditure on HRA property and other assets:	
32,120	Dwellings	36,325
-	Other land and buildings	(18)
134	Equipment	-
126	Infrastructure	-
32,380	**Total expenditure**	**36,307**
	Financed from:	
3,139	Major Repairs Reserve	-
15,061	Grants and contributions	25,222
14,180	Revenue contributions	11,085
-	Capital receipts	-
32,380	**Total funding**	**36,307**

b) HRA Capital Receipts

2013/14 £000		2014/15 £000
6,543	Right to Buy sales	6,509
4,066	Other property sales	7,973
10,609	Total cash receipts	14,482
(952)	Transferred for Pooling	(1,048)
9,657	**Total new usable Capital Receipts**	**13,434**

4. Depreciation and Impairment Charge

The depreciation charged to the HRA breaks down as follows:

2013/14 £000		2014/15 £000
5,849	Dwellings	6,572
393	Other buildings	531
89	Equipment	87
344	Infrastructure	335
6,675	**Total HRA depreciation**	**7,525**
35,079	Impairment charge	**36,279**
41,754	**Total HRA depreciation and impairment charge**	**43,804**

An impairment charge of £36,189k in respect of council dwellings and £90k for other land and buildings was determined by the Council's external valuer, Wilks Head and Eve, as a part of the rolling revaluation programme.

5. Rent Income, Arrears and Bad Debts

2013/14		2014/15
£89.91	Average weekly rent (including service charges unpooled)	£95.93

The increase in average weekly rents was 6.7%.

31 March 2014 £000		31 March 2015 £000
2,662	Rent arrears at 31 March	2,710
(2,085)	Bad debts provision at 31 March	(2,105)
577	**Total**	**605**

6. Decent Homes Grant

Central Government introduced a new bidding regime for decent homes in 2010, where councils could bid for funding to clear the backlog of homes needing decent homes improvements. Havering Council were allocated two tranches of £14.2m for Decent Home Grant Funding in 2012/13 and 2013/14, and a final tranche of £24.2m in 2014/15.

Collection Fund 2014/2015

These Accounts represent the transactions of the Collection Fund and have been consolidated with the Authority's main Accounts. The Accounts have been prepared on an accruals basis except in respect of sums due to or from the General Fund and the Greater London Authority (GLA) for their share of the Collection Fund surplus and deficit.

Income and Expenditure Statement 2014/15

2013/14			2014/15	
Business Rates	**Council Tax**		**Business Rates**	**Council Tax**
£000	**£000**		**£000**	**£000**
		Income		
-	(121,499)	Income from Council Tax	-	(123,771)
(72,754)	-	Income from Business Rates	(71,015)	-
-	(41)	Prompt payment discounts	-	(49)
441	2	Transitional relief	(400)	1
(2,179)	-	Income collectable from Business Rate Supplement	(1,971)	-
(74,492)	**(121,538)**	**Total Income**	**(73,386)**	**(123,819)**
		Expenditure		
		Previous Year Surplus / (Deficits)		
-	(477)	London Borough of Havering	(920)	913
-	-	Central Government	(1,534)	-
-	(123)	Greater London Authority	(613)	232
		Precepts		
20,742	94,898	London Borough of Havering	21,632	95,833
34,569	-	Central Government	36,054	-
13,828	24,059	Greater London Authority	14,421	23,975
		Charges to Collection Fund		
1,279	1,226	Write-offs	1,223	810
(92)	7	Increase/(decrease) in bad debt provision	(8)	(910)
5,885	-	Increase in provision for appeals	(2,902)	-
-	-	Deferrals	(123)	-
274	-	Cost of collection	272	-
		Business Rate supplement		
2,169	-	Payment to Greater London Authority	1,962	-
10	-	Cost of Collection	9	-
78,664	**119,590**	**Total Expenditure**	**69,473**	**120,853**
4,172	(1,948)	Movement in fund balance	(3,913)	(2,966)
-	455	Net deficit/(surplus) at start of year	4,172	(1,493)
4,172	**(1,493)**	**Net deficit/(surplus) carried forward (notes 3a and 3b)**	**259**	**(4,459)**

Notes to the Collection Fund Accounts

1. Income from Council Tax

Council Tax is based partly on the valuation of domestic properties and is partly a Personal Tax with discounts for single occupiers. The Authority set the level of council tax in 2014/15 at £1,494.18 for band D properties. The number of band D equivalent properties in each band making up the council tax base was as follows:

Band	Number of Band D Equivalent Properties
A1	2
A	1,780
B	4,462
C	16,702
D	29,003
E	16,065
F	8,347
G	4,712
H	538
Allowance for losses in collection 1.75%	(1,428)
Tax Base	**80,183**

2. Income from Business Rates

Under the arrangements for uniform business rates, the Authority collects Non-Domestic Rates (NNDR) for its area. These are based on local rateable values of £182.0m at 31 March 2015 (£185m at 31 March 2014) multiplied by uniform rates for large and small businesses. In 2014/15 the rate was 48.2p for large businesses (47.1p in 2013/14) and 47.1p for small (46.2p in 2013/14). The total amount, less certain reliefs and other deductions, are shared between Central Government, Havering and The Greater London Authority (GLA). In addition to the multiplier used to calculate business rates, all London local authorities are required to collect from businesses with a rateable value in excess of £55,000 an additional 2p supplement, which is payable to the GLA. Under these arrangements the amounts included in these Accounts can be analysed as follows:

2a) Income collectable from Non Domestic Rates

2013/14 £000		**2014/15 £000**
79,195	Gross NNDR due in year	82,857
(6,441)	Less: allowances and other adjustments	(11,842)
72,754		**71,015**

2b) Income collectable from Business Rate Supplement

2013/14 £000		2014/15 £000
2,334	Gross Supplement due in year	2,213
(155)	Less: allowances and other adjustments	(242)
2,179		**1,971**

In 2013 The London Borough of Havering agreed to enter into a pooling arrangement with the London Borough of Barking and Dagenham, Thurrock Council and Basildon Council. As part of the agreement, a memorandum of understanding was produce to determine how the pools resources would be allocated. For the 2014/15 financial year, no benefits were realised.

3. Collection Fund Surplus / Deficit

The deficit on the Collection Fund will be met by the precepting authority and the billing authority in the following proportions and will be recovered by adjusting the level of precepts and demands during 2014/15 and 2015/16.

3a) Council Tax

2013/14 £000		2014/15 £000
(1,194)	London Borough of Havering	(3,567)
(299)	Greater London Authority	(892)
(1,493)	**(Surplus) / Deficit**	**(4,459)**

3b) Business Rates

2013/14 £000		2014/15 £000
1,252	London Borough of Havering	78
2,086	Central Government	129
834	Greater London Authority	52
4,172	**Deficit**	**259**

PENSION FUND

Pension Fund Account for the year ended 31March 2015

Restated 2013/14 £000		Note	2014/15 £000
	Contributions and benefits		
45,007	Contributions	7	35,704
2,258	Transfers in from other pension funds	8	1,573
47,265			**37,277**
(32,387)	Benefits	9	(33,499)
(1,129)	Payments to and on account of leavers	10	(1,506)
(2,985)	Management expenses*	11	(3,334)
(36,501)			**(38,339)**
10,764	**Net (withdrawals) / additions from dealings with members**		**(1,062)**
	Returns on investments		
9,279	Investment income	13	6,651
25,401	Profit and losses on disposal of investments and changes in the market value of investments*	15	63,061
34,680	**Net returns on investments**		**69,712**
45,444	**Net Increase in the net assets available for benefits during the year**		**68,650**
460,575	Net assets of the Fund at start of year		506,019
506,019	**Net assets of the Fund at end of year**		**574,669**

Net Asset Statement as at 31 March

2014 £000		Note	2015 £000
501,812	Investment Assets	15	567,992
(1,036)	Investment Liabilities	15	(903)
7,854	Current Assets	21	8,339
(2,611)	Current Liabilities	22	(759)
506,019	**Net assets of the Fund available to fund benefits at end of the year**		**574,669**

*2013/14 figures have been restated to reflect the treatment of management & investment expenses as per CIPFA LGPS management costs guidance

The financial statements summarise the transactions of the Fund and the net assets of the Fund. They do not take account of obligations to pay pensions and other benefits which fall due after the financial year end. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard IAS19 basis is disclosed at Note 20 of these accounts.

Notes to the Pension Fund

1 Description of the Fund

The Havering Pension Fund is part of the Local Government Pension Scheme and is administered by the London Borough of Havering. Responsibility for management of the Pension Fund has been delegated to the Pensions Committee and the day to day operations of the Fund have been delegated to the Group Director Communities and Resources.

The following description of the scheme is a summary only. For more details on the operation of the Pension Fund, reference should be made to the Havering Pension Fund Annual Report 2014/15 and the underlying statutory powers underpinning the scheme, namely the Superannuation Act 1972 and the Local Government Pension Scheme (LGPS) Regulations.

The Pension Fund is a contributory defined benefits scheme which provides benefits for employees (excluding teachers) which include retirement pensions, spouse, civil partners and children's pensions, death grants and other lump sum payments.

A new LGPS came into force from 1 April 2014 which will see retirement benefits based on a Career Average Revalued Earnings (CARE) scheme. Members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with Consumer Price Index.

The Fund is financed by contributions from employees, employers and from profits, interest and dividends on its investments. Contributions are made by active members of the Fund in accordance with LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the year ended 31 March 2015. Employer contributions are set based on triennial actuarial funding valuations. The last valuation was 31 March 2013. Employer contribution rates range from 17.3% to 28.7% of pensionable pay.

Employers in the Fund

Organisations participating in the Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.
- Designated bodies, which are non-community schools, whose employer has changed from the Authority to a Board of Governors. Designated body status allows continued membership in the LGPS for non-teaching staff at non community schools.

There are 35 employer organisations within the Havering Pension Fund including the Authority. During 2014/15 four primary schools converted to Academies and a new College became new employers to the Fund.

In addition to the London Borough of Havering, the other employers in the Pension Fund are as follows:

Scheduled Bodies:

Havering College of Further Education
Havering Sixth Form College
NEW: ELUTECH College of Design and Engineering (joined 1 September 2014)

Secondary Schools:

Drapers' Academy (Academy from 1 September 2010)
Abbs Cross academy and Arts College (Academy from 1 April 2011)
The Brittons Academy Trust (Academy from1 April 2011)
Coopers' Company & Coborn School (Academy from1 April 11)
The Albany School (Academy from 1 August 2011)
The Campion School (Academy from 1 August 2011)
Hall Mead School (Academy from 1 August 2011)
Sacred Heart of Mary Girl's School (Academy from 1 August 2011)
St Edwards Church of England School & Sixth Form (Academy from 1 August 2011)
Emerson Park Academy (Academy from 1 September 2011)
Redden Court School (Academy from 1 September 2011)
The Frances Bardsley Academy for Girls (Academy from 1 July 2012)
Bower Park Academy (Academy from 1 February 2013)
The Chafford School (Academy from 1 November 2013)

Primary School:

Upminster Junior Academy (Academy from 1 November 2012)
Upminster Infant School (Academy from 1 November 2012)
Langtons Junior Academy (Academy from 1 April 2013)
Oasis Academy Pinewood (Academy from 1 October 2013)
NEW – Drapers' Brookside Junior School (Academy from 1 June 2014)
NEW - Rise Park Infant School (Academy from 1 September 2014
NEW – Rise Park Junior School (Academy from 1 September 2014)
NEW – Pyrgo Priory Primary School (Academy from 1 February 2015)

Admitted Bodies:

Havering Citizens' Advice Bureau
Mears (ceased 1 Sept 2014)
Sports and Leisure Management Ltd – Fitness and Health
Sports and Leisure Management Ltd – Charitable Trust
Sports and Leisure Management Ltd – Food & Beverage
KGB Cleaners
Volker (ceased 31 March 2014)
Family Mosaic (joined 1 November 2012)
Sodexo Catering (joined 1 January 2014 – pending legal agreement)
Breyer Group Repairs (joined 1 March 2014 - pending legal agreement)
Breyer Group Voids (joined 1 June 2014 – pending legal agreement)

The Havering Pension Fund also has the following bodies:

Designated Bodies:

Trust Schools

Corbets Tey Special School

Foundation Schools:

Marshall Park School (Foundation from 1 September 2011)
The Royal Liberty School
Sanders School
The Mawney School

Voluntary Aided Schools:

St Alban's Catholic Primary
St Edwards Church of England Voluntary Aided Primary School

St Joseph's Catholic Primary School
St Mary's Catholic Primary School
St Patrick's Catholic Primary School
St Peter's Catholic Primary School
St Ursula's Catholic Junior School
St Ursula's Catholic Infant School
La Salette Catholic Primary School

Membership

The membership of the Pension Fund is as follows:

31 March 2014		31 March 2015
	Number of employees in scheme	
4,756	Havering	4,897
1,301	Scheduled bodies	1,468
149	Admitted bodies	119
6,206	**Total**	**6,484**
	Number of pensioners and dependants	
5,347	Havering	5,432
237	Scheduled bodies	280
57	Admitted bodies	67
5,641	**Total**	**5,779**
	Deferred pensioners	
4272	Havering	4,465
557	Scheduled bodies	700
45	Admitted bodies	59
4,874	**Total**	**5,224**
16,721		**17,487**

2 Basis of Preparation

The Financial Statements have been prepared in accordance with the *Code of Practice on Local Authority Accounting* in *the United Kingdom* 2014/15 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

3 Summary of Significant Accounting Policies

Fund Account - Income

(a) Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary in the payroll period to which they relate. This is then broken down to show the amount allocated for the deficit funding (past service costs).

Pension strain contributions (augmentation) are accounted for in the period in which the liability arises.

(b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations (see notes 8 and 10)

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

(c) Investment Income

i) Interest Income

Interest income is recognised in the Fund as it accrues.

ii) Dividend Income

Dividend income is recognised on the date the shares are quoted as ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as an Investment asset.

iii) Distribution from Pooled Funds

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

iv) Property- Related Income

Property related income consists primarily of rental income and is recognised at the date of issue.

v) Movement in the Net Market Value of Investments

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

Fund Account – Expense Items

(d) Benefits payable

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

(e) Taxation

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

(f) Management Expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the Authority discloses its pension fund management expenses in accordance with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Costs.*

Administrative Expenses

All administrative expenses are accounted for on an accruals basis. The majority of staff costs of the Pensions Administration team have been charged to the scheme. Management, accommodation and other overheads are apportioned to the Fund in accordance with Council policy.

Oversight and Governance Costs

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight is charged to the Fund. Associated management, accommodation and other overheads are apportioned to the Fund in accordance with Council policy.

For officers' time spent on investment management functions a proportion of the relevant officers' salary costs have also been charged to the Fund.

Investment Management Expenses

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

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

The cost of obtaining investment advice from external consultants is included in investment management charges.

Net Assets Statement

(g) Financial Assets

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

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

(i) Market-Quoted Investments

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

(ii) Fixed Interest Securities

Fixed interest securities are recorded at net market value based on their current yields.

(iii) Unquoted Investments

The fair value of investments for which market quotations are not readily available is determined as follows:

Investments in private equity funds are valued on the Fund's share of the net assets in the private equity fund.

(iv) Pooled Investment Vehicles

Pooled investment vehicles are valued at the closing bid price if both the bid and offer prices are published; or if single priced, at the closing single price.

(h) Foreign Currency Transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

(i) Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities.

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

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

(j) Cash and Cash Equivalents

Cash comprises cash in hand.

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

(k) Financial Liabilities

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

(l) Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS19 and relevant actuarial standards.

(m) Additional Voluntary Contributions

AVC's are not included in the accounts in accordance with section 492 (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (Note 23)

4. Critical Judgements in Applying Accounting Policies

Pension Fund Liability

The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates provided to the majority of admitted and scheduled bodies in the Fund in the intervening years. The methodology used in the annual updates is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 19. This estimate is subject to significant variances based on changes to the underlying assumptions.

5. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the administrative body 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 net asset statement at 31 March 2015 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	**Uncertainties**	**Effect if Actual Results differ from Assumptions**
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied	The effects on the present value of promised retirement benefits of changes in actuarial assumptions can be significant. Changes in assumptions could have the approximate following impacts on the Fund's employer liability as follows: • 0.5% decrease in the real discount rate could result in an increase of 9% • 1 year increase in member life expectancy could result in an increase of 3% • 0.5% increase in salary increase rate could result in an increase of 3% • 0.5% increase in the pension increase rate could result in an increase of 7%

6. Events after the Reporting Date

None

7. Contributions Receivable

2013/14 £000		2014/15 £000
	Employers	
	Normal:	
11,941	Havering	12,470
3,672	Scheduled Bodies	5,127
681	Admitted Bodies	576
	Deficit funding:	
21,590	Havering	*10,056
	Augmentation:	
493	Havering	288
77	Scheduled Bodies	248
20	Admitted Bodies	-
38,474	**Employer Total**	**28,765**
	Members	
	Normal:	
5,154	Havering	5,401
1,113	Scheduled bodies	1,323
190	Admitted bodies	152
	Additional contributions:	
66	Havering	53
9	Scheduled bodies	9
1	Admitted bodies	1
6,533	**Members Total**	**6,939**
45,007		**35,704**

*The £10.06m deficit funding reflects additional contributions made by the Authority to the Pension Fund. It consists of £5.9m past service contribution as a cash amount and £4.16m planned contributions.

8. Transfers in from Other Pension Funds

2013/14 £000		2014/15 £000
2,258	Individual transfers in from other schemes	**1,573**

9. Benefits Payable

2013/14 £000		2014/15 £000
	Pensions	
24,975	Havering	26,137
664	Scheduled Bodies	782
431	Admitted Bodies	482
26,070	**Pension Total**	**27,401**
	Commutation and Lump Sum Retirements	
5,060	Havering	4,997
472	Scheduled Bodies	471
343	Admitted Bodies	208
5,875	**Commutation Total**	**5,676**
	Lump Sum Death Benefits	
380	Havering	410
42	Scheduled Bodies	85
20	Admitted Bodies	(73)
442	**Death Benefits Total**	**422**
32,387		**33,499**

10. Payments To and On Account of Leavers

2013/14 £000		2014/15 £000
2	Refunds to members leaving service	68
1,127	Individual transfers to other schemes	1,438
1,129		**1,506**

At the year end there are potential liabilities of a further £0.7m in respect of individuals transferring out of the Pension Fund upon whom the Fund is awaiting final decisions.

11. Management Expenses

*2013/14 £000		2014/15 £000
710	Administrative Costs	450
1,976	Investment Management Expenses**	2,618
299	Oversight and Governance Costs	253
-	Local Pension Board	13
2,985		**3,334**

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

The Investment Management Expenses (see note 12) also includes £797k in respect of transaction costs (2013/14 £719k)

In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments (see Note15).

**2013/14 figures for Management and Investment Expenses have also been restated to reflect the CIPFA guidance.

12. Investment Management Expenses

****2013/14 £000**		**2014/15 £000**
1,918	Management Fees	2,571
45	Custody Fees	34
13	Performance Monitoring Service	13
1,976		**2,618**

**2013/14 figures for Management and Investment Expenses have been restated to reflect the CIPFA LGPS Management Costs guidance.

The management fees disclosed above include all investment management fees incurred by the Fund including those charged on pooled fund investments.

13. Investment Income

2013/14 £000		**2014/15 £000**
2,994	Equity Dividend	754
**3,844	Fixed Interest Securities	*3,918
1,291	Pooled Property Income	1,196
950	Foreign Exchange Gains	404
86	Interest on Cash and Deposits	47
114	Other Income	332
9,279		**6,651**

***** Income includes Index linked Interest of £432k (2013/14 £464k)

14. Taxes on Income

None

15. Analysis of Investments

2013/14 £000		2014/15 £000
	Investment Assets	
	Equities	
6,707	UK Quoted	3,906
18,013	Overseas Quoted	20,485
24,720		**24,391**
	Fixed Interest Securities	
12,535	UK Public Sector	13,913
55,547	UK Private (Corporate)	68,003
-	Overseas Public Sector	-
68,082		**81,916**
	Index-Linked Securities	
41,558	UK Public Sector	49,766
642	UK Private (Corporate)	731
11,444	Overseas PublicSector	13,094
53,644		**63,591**
	Derivative Contracts	
183	Forward Currency Contracts	21
183		**21**
	Pooled Investment Vehicles	
	UK Managed Funds	
322,366	UK Quoted	360,314
16	UK Unquoted	19
696	Overseas	318
1,554	Property	550
	UK Unit Trust	
22,888	UK Property	26,341
347,520		**387,542**
	Cash Instruments	
-	UK	-
-		**-**
	Cash Deposits	
5,951	Managers	9,044
5,951		**9,044**
344	Outstanding Sales	-
1,178	Investment Income	1,236
190	Outstanding Dividend and Recoverable Withholding Tax	258
-	Investment Income due	-
1,712		**1,494**
501,812	**Total Investment Assets**	**567,999**

2013/14 £000		2014/15 £000
	Investment Liabilities	
	Derivative Contracts	
(74)	Forward FX Contracts	(550)
(960)	Outstanding Purchases	(355)
(2)	Investment Income Due	(5)
(1,036)	**Total Investment Liabilities**	**(910)**
500,776	**Total Net Investments**	**567,089**

	Market Value at 31 March 2014	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Cash & Other Movements	Market Value at 31 March 2015
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Equities	24,720	8,136	(11,533)	3,068	-	24,391
Fixed Interest Securities	68,082	30,756	(26,439)	9,517	-	81,916
Index-linked Securities	53,644	185,632	(186,914)	11,229	-	63,591
Pooled Investment Vehicles	347,520	204,674	(204,540)	39,888	-	387,542
Derivatives	109	260,038	(260,038)	(638)	-	(529)
Cash Deposits (fund managers)	5,951	-	-	(1)	3,094	9,044
	500,026	**689,236**	**(689,464)**	**63,063**	**3,094**	**565,955**
Other Investment Balances	750	-	-	(2)	386	1,134
	500,776	**689,236**	**(689,464)**	**63,061**	**3,480**	**567,089**

	Market Value at 31 March 2013	Purchases during the year and derivative payments	*Sales during the year and derivative receipts	*Change in Market Value during the year	Cash & Other Movements	Market Value at 31 March 2014
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Equities	107,401	29,913	(122,847)	10,253	-	24,720
Fixed Interest Securities	65,506	58,535	(54,397)	(1,562)	-	68,082
Index-linked Securities	53,541	160,203	(157,261)	(2,839)	-	53,644
Pooled Investment Vehicles	222,996	169,946	(5,979)	19,057	(58,500)	347,520
Derivatives	(387)	238,342	(238,342)	496	-	109
Cash instruments	1,055	10,052	(11,107)	-	-	-
Cash Deposits (fund managers)	5,719	-	-	-	232	5,951
	455,831	**666,991**	**(589,933)**	**25,405**	**(58,268)**	**500,026**
Other Investment Balances	1,502	-	-	(4)	(748)	750
	457,333	**666,991**	**(589,933)**	**25,401**	**(59,016)**	**500,776**

* Sales and Change in Market Values during the year ending 31 March 2014 has been restated to reflect treatment of management fees as per the CIPFA Guidance.

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

The cash and other movements include assets that were transferred between fund managers as part of the investment restructuring.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £797k, including transition costs (2013/14 £719k restated). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the scheme.

Analysis of derivatives

Objectives and policies for holding derivatives

Most of the holdings in derivatives are to hedge liabilities or hedge exposure to reduce risk in the Fund. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and various investment managers.

Forward foreign currency

The Fund currently has exposure to forward currency contracts and the purpose of this is to reduce the Fund's exposure to fluctuations in exchange rates. The Fund managers who use forward currency contracts are Royal London and Ruffer. A breakdown of forward contracts held by the Fund as at 31 March 2015 is given below.

Open forward currency contracts

Settlement	Currency Bought	Local Value 000	Currency Sold	Local Value 000	Asset Value (Unrealised Gain) £000	Liability Value (Unrealised Loss) £000
Up to one month	JPY	344,552	GBP	1,933	3	-
Up to one month	JPY	454,717	GBP	2,564	-	(9)
Up to one month	JPY	555,241	GBP	3,144	-	(24)
Up to one month	GBP	8,471	JPY	1,518,696	-	(62)
Up to one month	GBP	1,581	JPY	287,835	-	(37)
Up to two months	GBP	14,816	USD	22,578	-	(398)
Up to two months	GBP	327	USD	504	-	(12)
Up to three months	GBP	1,763	EUR	2,441	-	(5)
Up to three months	GBP	1,038	EUR	1,408	18	-
Up to three months	GBP	640	USD	952	-	(1)
Up to three months	GBP	485	USD	722	-	(2)
Gross open forward currency contracts at 31 March 2015					**21**	**(550)**
Net forward currency contracts at 31 March 2015					**-**	**(529)**
Prior year comparative						
Gross open forward currency contracts at 31 March 2014					**183**	**(74)**
Net forward currency contracts at 31 March 2014					**109**	**-**

The investments analysed by fund managers and the market value of assets under their management as at 31 March 2015 were as follows:

Value 31 March 2014		Manager	Mandate	Value 31 March 2015	
£000	%			£000	%
99,454	19.86	Royal London	Investment Grade Bonds	119,855	21.13
23,166	4.63	UBS	Property	26,671	4.70
64,853	12.95	Ruffer	Absolute Return	72,851	12.85
46,634	9.31	State Street Global Assets	Passive UK/Global Equities	55,502	9.79
11,547	2.31	State Street Global Assets	Sterling Liquidity Fund	11,682	2.06
85,594	17.09	Baillie Gifford	Pooled Global Equities	101,846	17.96
97,978	19.57	Barings DAAF	Multi Asset	17	-
71,029	14.18	Baillie Gifford DGF	Multi Asset	76,732	13.53
-	-	GMO	Multi Asset	101,882	17.97
521	0.10	Other		51	0.01
500,776	**100.00**	**Total Fund**		**567,089**	**100.00**

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

Market Value 31 March 2014	% of total fund	Security	Market Value 31 March 2015	% of total fund
£000			£000	
97,978	19.36	Barings Dynamic Asset Allocation Fund	-	-
-	-	GMO	101,882	17.73
85,594	16.92	Baillie Gifford Global Alpha Pension Fund	101,846	17.72
71,029	14.04	Baillie Gifford Diversified Growth Fund	76,732	13.35
46,634	9.22	SSGA MPF All World Equity Index	55,502	9.66

16. Stock Lending

We do not carry out stock lending directly. We are investors of a pooled fund with the passive equity manager, State Street Global Assets, who carry out stock lending as part of the Fund's activities. It is not possible to allocate a share of the stock lending activity to individual fund members. The lending programme is managed by State Street Securities Finance (SSSF), a division of State Street's Global Markets area. At present, lending is collateralised by non-cash collateral and marked to market on a daily basis. Revenue generated from securities is allocated 60% to the pooled fund in respect of investors and 40% to State Street, which pays all costs associated with the lending programme.

17. Financial Instruments

(a) Classification of financial instruments

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

31 March 2014				31 March 2015		
Designated as fair value through fund account	**Loans and receivables**	**Financial liabilities at amortised cost**		**Designated as fair value through fund account**	**Loans and receivables**	**Financial liabilities at amortised cost**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
			Financial Assets			
24,720	-	-	Equities	24,391	-	-
68,082	-	-	Fixed Interest Securities	81,916	-	-
53,644	-	-	Index linked securities	63,591	-	-
183	-	-	Derivative contracts	14	-	-
324,632	-	-	Pooled investment Vehicles	361,201	-	-
22,888	-	-	Property	26,341	-	-
-	5,951	-	Cash	-	9,044	-
-	9,566	-	Debtors	-	9,525	-
494,149	**15,517**	**-**	**Financial Assets Total**	**557,454**	**18,569**	**-**
			Financial Liabilities			
(74)	-	-	Derivative contracts	(543)	-	-
-	-	(3,573)	Creditors	-	-	(811)
(74)	-	(3,573)	**Financial Liabilities Total**	(543)	-	(811)
494,075	**15,517**	**(3,573)**	**Grand total**	**556,911**	**18,569**	**(811)**

(b) Net gains and losses on financial instruments

2013/14 £000		**2014/15 £000**
	Financial assets	
24,427	Fair value through fund account	63,061
-	Loans and receivables	-
-	Financial liabilities measured at amortised cost	**-**
	Financial liabilities	
-	Fair value through fund account	-
-	Loans and receivables	**-**
-	Financial liabilities measured at amortised cost	**-**
24,427	**Total**	**63,061**

(c) Fair Value of financial instruments carried out at fair value

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

2013/14			2014/15	
Carrying Value	**Fair Value**		**Carrying Value**	**Fair Value**
£000	**£000**		**£000**	**£000**
		Financial assets		
494,149	494,149	Fair value through fund account	557,454	557,472
15,517	15,517	Loans and receivables	18,569	18,551
509,666	**509,666**	**Total financial assets**	**576,023**	**576,023**
		Financial liabilities		
(74)	(74)	Fair value through fund account	(543)	(543)
(3,573)	(3,573)	Financial liabilities at amortised cost	(811)	(811)
(3,647)	**(3,647)**	**Total financial liabilities**	**(1,354)**	**(1,354)**

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

(d) Valuations of financial instruments carried out at fair value

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

Level 1

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

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

Level 2

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

Level 3

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

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

The following tables 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 fair value is observable.

	Quoted Market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2015	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial Assets				
Financial assets at fair value through profit and loss	531,112	19	26,341	557,472
Loans and receivables	18,551	-	-	18,551
Total Financial Assets	**549,663**	**19**	**26,341**	**576,023**
Financial Liabilities				
Financial liabilities at fair value through profit and loss	(543)	-	-	(543)
Financial liabilities at amortised cost	(811)	-	-	(811)
Total Financial Liabilities	**(1,354)**	**-**	**-**	**(1,354)**
Net Financial Assets	**548,309**	**19**	**26,341**	**574,669**

	Quoted Market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2014	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial Assets				
Financial assets at fair value through profit and loss	471,245	16	22,888	494,149
Loans and receivables	15,517	-	-	15,517
Total financial Assets	**486,762**	**16**	**22,888**	**509,666**
Financial Liabilities				
Financial liabilities at fair value through profit and loss	(74)	-	-	(74)
Financial liabilities at amortised cost	(3,573)	-	-	(3,573)
Total Financial Liabilities	**(3,647)**	**-**	**-**	**(3,647)**
Net Financial Assets	**483,115**	**16**	**22,888**	**506,019**

18. Nature and Extent of Risks Arising from Financial Instruments

Risk and Risk Management

The Fund’s primary long-term risk is that the Fund’s assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole

Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Authority manages these investment risks as part of its overall pension fund risk management programme.

(a) Market Risk

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

The objective is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

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

Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held for 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. Possible 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 administrating authority to ensure it is within limits specified in the investment strategy.

Other Price Risk – Sensitivity Analysis

Following analysis of historical data and expected investment return movements during the financial year, in consultation with the Fund's performance monitoring service, it has been determined that the following movements in market price risk are reasonably possible for the 2014/15 reporting period:

Asset Type	31 March 2015 Potential market movements (+/-)	31 March 2014 Potential market movements (+/-)
UK Equities	-	8.91%
Global Pooled inc. UK	9.04%	11.31%
Fixed Interest Bonds	7.74%	6.74%
Index Linked Bonds	11.26%	10.49%
Property	4.86%	4.17%
Cash	0.01%	0.02%

The potential price changes disclosed above 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 on the Funds asset allocations. The potential volatilities are consistent with a one-standard deviation movement in the value of assets over the last three years. This can be applied to the period end asset mix.

If the market price of the Fund's investments had increased/decreased in line with the above, the change in the net assets available to pay benefits would have been as follows (the prior year comparator is shown below):

Asset Type	Value as at 31 March 2015 £000	Change %	Value on Increase £000	Value on Decrease £000
UK Equities	-	-	-	-
Global Pooled inc.UK	385,592	9.04	420,450	350,734
Fixed Interest Bonds	81,916	7.74	88,256	75,576
Index linked Bonds	63,591	11.26	70,751	56,431
Property	26,341	4.86	27,621	25,061
Cash	9,044	0.01	9,045	9,043
Total	**566,484**		**616,123**	**516,845**

Asset Type	Value as at 31 March 2014 £000	Change %	Value on Increase £000	Value on Decrease £000
UK Equities	6,707	8.91	7,305	6,109
Global Pooled inc.UK	342,645	11.31	381,398	303,892
Fixed Interest Bonds	68,082	6.74	72,671	63,493
Index linked Bonds	53,644	10.49	59,271	48,017
Property	22,888	4.17	23,842	21,934
Cash	5,951	0.02	5,952	5,950
Total	**499,917**		**550,439**	**449,395**

Interest Rate Risk

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

The Fund's direct exposure to interest rate movements as at 31 March 2015 and 31 March 2014 is set out in the following table. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset Type	As at 31 March 2015 £000	As at 31 March 2014 £000
Bond Securities	145,507	121,726
Cash and Cash Equivalents	9,044	5,951
Cash Balances	-	-
Total	**154,551**	**127,677**

Interest Rate Risk Sensitivity Analysis

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

The analysis that follows assumes 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 +/- 100 BPS (1%) change in interest rates

Asset Type	Value as at 31 March 2015	Change in year in the net assets available to pay benefits	
		+100BPS	-100BPS
	£000	£000	£000
Bond Securities	145,507	1,465	(1,465)
Cash and Cash Equivalents	9,044	90	(90)
Total Change in Asset Value	**154,551**	**1,555**	**(1,555)**

Currency Risk

Currency risk represents the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund, i.e. pounds sterling.

The table below summarises the Fund's currency exposure by asset type

Currency Exposure by Asset Type	Value as at 31 March 2015 £000	Value as at 31 March 2014 £000
Overseas Equities	20,485	18,013
Overseas Pooled	2,249	2,971
Overseas Index Linked Bonds	13,094	11,444
Overseas Cash	140	113
Total Overseas Assets	**35,968**	**32,541**

Currency Risk – Sensitivity Analysis

Following analysis of historical data in consultation with the Fund's performance measurement service it has been determined that a likely volatility associated with foreign exchange rate movements is 7.37% over a rolling 36 month period.

This analysis assumes that all other variables, in particular interest rates, remain constant.

A 7.37% strengthening and weakening of the pound against the various currencies in which the Fund holds investments would increase or decrease the net assets available to pay benefits as follows:

Currency Exposure by Asset Type	Value as at 31 March 2015	Change to net assets available to pay benefits	
		+7.37%	-7.37%
	£000	£000	£000
Overseas Equities	20,485	21,995	18,975
Overseas Pooled	2,249	2,415	2,083
Overseas Index Linked Bonds	13,094	14,059	12,129
Overseas Cash	140	150	130
Total	**35,968**	**38,619**	**33,317**

Currency Exposure by Asset Type	Value as at 31 March 2014	Change to net assets available to pay benefits	
		+7.36%	-7.36%
	£000	£000	£000
Overseas Equities	18,013	19,339	16,687
Overseas Pooled	2,971	3,190	2,752
Overseas Index Linked Bonds	11,444	12,286	10,602
Overseas Cash	113	121	105
Total	**32,541**	**34,936**	**30,146**

(b) 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 generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund’s assets and liabilities.

In essence the Fund’s entire investment portfolio is exposed to some form of credit risk. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Cash not needed to settle immediate financial obligations are invested by the Authority in accordance with the Treasury Investment Strategy. The Treasury Investment Strategy sets out the criteria for investing and selecting investment counterparties and details the approach to managing risk.

(c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Administrating Authority therefore takes steps to ensure that the Pension Fund has adequate cash resources to meet its commitments. The Pension Fund has immediate access to its cash holdings that are invested by the Authority and periodic cash flow forecasts are prepared to manage the timing of the Fund’s cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund’s cash management policy and in line with the Fund’s investment strategy holds assets that are considered readily realised.

19. Funding Arrangements

London Borough of Havering ("the Fund")

Actuarial Statement for 2014/15

This statement has been prepared in accordance with Regulation 57(1) (d) of the Local Government Pension Scheme Regulations 2013, and Chapter 6 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK 2014/15. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

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

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

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised below the theoretical rate required to return their portion of the Fund to full funding over 20 years if the valuation assumptions are borne out. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is still a better than 60% chance that the Fund will return to full funding over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 was as at 31 March 2013. This valuation revealed that the Fund's assets, which at 31 March 2013 were valued at £461 million, were sufficient to meet 61% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2013 valuation was £292 million.

Individual employers' contributions for the period 1 April 2014 to 31 March 2017 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2013 valuation report published 31 March 2014.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2013 valuation were as follows:

	31 March 2013	
Assumptions	**Nominal**	**Real**
Discount Rate for Period	4.8%	2.3%
Pay increases *	3.3%	0.8%
Price inflation/Pension increases	2.5%	-

The key demographic assumption was the allowance made for longevity. The life expectancy assumption is based on the Fund's VitaCurves with improvements in line with the CMI 2010 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.1 years	24.1 years
Future Pensioners	24.2 years	26.7 years

** Currently aged 45*

Copies of the 2013 valuation report and Funding Strategy Statement are available on request from the London Borough of Havering, Administrating Authority to the Fund.

Experience over the period since April 2013

Experience has been mixed over the two years to 31 March 2015 (excluding the effect of any membership movements). Real bond yields have fallen dramatically and the effect of this has been offset by the effect of strong asset returns, meaning that funding levels are likely to have increased marginally over this period.

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

Employers' contribution rates for the Authority, in line with the actuary's recommendation are as shown below:

	Future Service %	Past Service %	Total Pensionable Pay %
April 14 to March 15	15.6	6.4	22.0
April 15 to March 16	15.6	6.4	22.0
April 16 to March 17	15.6	6.4	22.0

The employer contributions for the other employers in the Fund range from 17.3% to 28.7% of pensionable pay.

20. Actuarial Present Value of Promised Retirements

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund liabilities, on an IAS19 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.

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 19).

Balance Sheet

Year Ended	31 March 2015	31 March 2014
	£m	£m
Present Value of Promised Retirement Benefits	1,019	898

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2013. It is estimated that this liability at 31 March 2015 comprises £460m in respect of employee members, £164m in respect of deferred pensioners and £395m in respect of pensioners. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, the actuary is satisfied the aggregate liability is a reasonable estimate of the actuarial present value of benefit promises. No allowance has been made for unfunded benefits.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the accounts of the Pension Fund. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report as required by the Code of Practice. These are given below. It is estimated that the impact of the change of assumptions to 31 March 2015 is to increase the actuarial present value by £92m.

Financial assumptions

The actuaries recommended financial assumptions are summarised below:

Year Ended	31 March 2015	31 March 2014
	% p.a.	% p.a.
Inflation/Pensions Increase Rate	2.10	2.60
Salary Increase Rate	3.00	3.40
Discount Rate	3.10	4.10

Longevity assumption

As discussed in Note 19, the life expectancy assumption is based on the Fund's VitaCurves with improvements in line with the CMI 2010 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.1 years	24.1 years
Future Pensioners	24.2 years	26.7 years

*Future pensioners are assumed to be currently aged 45

Please note the longevity assumptions are identical to those used for the previous IAS26 disclosure for the Fund.

Commutation assumption

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Professional notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2015 for IAS19 purposes' dated 24 April 2015. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

21. Current Assets

2013/14 £000		2014/15 £000
	Debtors:	
8	Pension Grants	8
-	Other Local Authorities	7
184	Contributions due from employers	345
71	Contributions due from members	71
-	Pension Fund Bank Account Balances	2,608
-	Debtors Refund	2
7,591	Cash deposit with LB Havering	5,298
7,854	**Current Assets**	**8,339**

2013/14 £000	Analysis of Debtors	2014/15 £000
8	NHS Bodies	8
-	Other local authorities	7
184	Public corporation and trading funds	345
71	Other entities and individuals	73
263	**Total Debtors**	**433**

22. Current Liabilities

2013/14 £000		2014/15 £000
	Creditors:	
(439)	Unpaid Benefits	(188)
(241)	Accrued Expenses	(263)
(1,931)	Pension Fund Bank Account Balance	-
-	Income Tax Recoveries	(305)
-	Holding Accounts	(3)
(2,611)		**(759)**

2013/14 £000	Analysis of Creditors	2014/15 £000
(680)	Other entities and individuals	(759)
(680)	**Total**	**(759)**

23. Additional Voluntary Contributions

Market Value 2013/14	AVC Provider	Market Value 2014/15
£000		£000
717	Prudential	803
145	Standard Life	160

Some employees made additional voluntary contributions (AVC's) of £62,496 (2013/14 £62,167) excluded from these statements. These are deducted from the employees' salaries and forwarded to the stakeholder pension schemes provided by the Prudential and Standard Life. The amounts forwarded during 2014/15 were £47,380 (2013/14 £48,592) to the Prudential and £15,116 (2013/14 £13,575) to Standard Life.

24. Related Party Transactions

The Fund is required to disclose material transactions with bodies or individuals that have the potential to control or influence the Fund, or to be controlled or influenced by the Fund.

The Havering Pension Fund is administered by Havering Council and consequently there is a strong relationship between the Authority and the Pension Fund. In 2014/15, £0.411m was paid to the Authority for the cost of administrating the Fund (£0.693m in 2013/14).

The Authority is also the largest employer in the Fund and in 2014/15 contributed £22.526m (£33.500m in 2013/14) to the Pension Fund in respect of employer's contributions.

Several employees of Havering Council hold key positions in the financial management of the Fund. As at 31 March 2015 these included the Group Director of Communities and Resources, Head of Finance and Procurement, Corporate Finance Manager and the Pension Fund Accountant. All of these managers are members of the Pension Fund. In 2014/15 the Pension Fund contributed £0.143m for the cost of the financial management of the Fund (£0.143m 2013/14).

Part of the Pension Fund internal cash holdings are invested on the money markets by the treasury management operations of Havering Council, through a service level agreement. As at 31 March 2015 cash holdings totalled £7.6m (2013/14 £5.7m), earning interest over the year of £47k (2013/14 £41k).

Governance

Responsibility for management of the Pension Fund has been delegated to the Pensions Committee and the day to day operations of the Fund have been delegated to the Group Director of Communities and Resources.

No members of the Pension Fund Committee are in receipt of pension benefits from the Havering Pension Fund.

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

During the year no Member or Council officer with direct responsibility for Pension Fund issues has undertaken any declarable material transactions with the Pension Fund.

The members of the Pensions Committee do not receive fees in relation to their specific responsibilities as members of the Pensions Committee.

25. Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) as at 31 March 2015 totalled £186k (2013/14 £186k). This relates to an outstanding commitment due on an unquoted private equity fund.

26. Contingent Assets

Five admitted bodies in the Havering Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds total £4.2m and are drawn down in favour of the Pension Fund. Payment will only be triggered in the event of employer default.

Two new admitted bodies, which are subject to pending legal agreements, will hold bonds or guarantees totalling £1.5m.

27. Impairment Losses

There were no material impairment losses for bad and doubtful debts as at 31 March 2015.

Glossary

Accounting Policies Those principles, bases, conventions, rules and practices applied by an entity that specify how the effect of transactions and other events are to be reflected in its financial statements through:

(i) recognising

(ii) selecting measurement bases for, and

(iii) presenting assets, liabilities, gains, losses and charges to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or balance sheet it is to be presented.

Accruals The amounts by which receipts or payments are increased (or reduced) in order to record the full income and expenditure incurred in an accounting period.

Actuary An independent consultant who advises on the financial position of the Pension Fund.

Actuarial Valuation Every three years the Actuary reviews the assets and liabilities of the Pension Fund and reports to the Authority on the Fund’s financial position and recommended employers’ contribution rates.

Agency Arrangement An arrangement whereby an authority (the agent) acts on behalf of another (the principal) to collect income or incur expenditure on the behalf of the principal. Such income or expenditure is not included in the agent’s accounts other than any commission paid by the principal.

Amortisation The writing off of an intangible asset or loan balance over a period of time.

Appropriation The transfer of ownership of an asset from one service to another at an agreed (usually market) value.

Balance Sheet A statement of all the assets, liabilities and other balances of the Authority at the end of an accounting period.

Bid Price The purchase price that a buyer is willing to pay for an asset**.**

Budget A forecast of future expenditure plans for the Authority. Detailed revenue budgets are prepared for each year and it is on the basis of these figures that the council tax is set. Budgets are revised towards the year end to take account of inflation, changes in patterns of services, and other factors.

Capital Expenditure Expenditure on the acquisition of fixed assets or expenditure which adds to the value of an existing fixed asset.

Capital Financing Requirement The measure of an authority’s capital borrowing need under the Prudential Code and the Local Government Act 2003. It is made up of the total value of the Authority's fixed assets and intangible assets less the sums accumulated in the revaluation account, deferred grant and capital financing accounts.

Capital Receipt Income received from the sale of a capital asset such as land or buildings.

Code of Practice on Local Authority Accounting in the United Kingdom (The Code) Local authorities in the United Kingdom are required to keep their accounts in accordance with ‘proper practices’. This includes, for the purposes of local government legislation, compliance with the terms of the *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code), prepared by the CIPFA/LASAAC Local Authority Accounting Code Board. The Code is reviewed continuously and is issued annually.

Collection Fund A Statutory Account which receives council tax and non-domestic rates to cover the costs of services provided by Havering and its precepting authorities.

Community Assets Assets that the Authority 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.

Comprehensive Income and Expenditure Account A statement showing the income and expenditure for the year of all the functions for which the Authority is responsible and complies with accounting practices as required under International Financial Reporting Standards (IFRS).

Contingent Assets A contingent asset arises where an event has taken place that gives the Authority 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 Authority.

Contingent Liability A possible liability to future expenditure at the balance sheet date dependent upon the outcome of uncertain events.

Defined Benefit Scheme A pension scheme which defines benefits independently of the contributions payable. Benefits are not directly related to the investments of the Pension Fund.

Depreciation The measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset, whether arising from use, passing of time or obsolescence through technological or other changes.

Earmarked Reserves Amounts earmarked to fund known items of anticipated expenditure for which the liability is not chargeable to the current year's Accounts.

Effective Interest Rate The rate of interest needed to discount the estimated stream of principal and interest cash flows through the expected life of the financial instrument to equal the amount at the initial recognition.

Finance Lease A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

Financial Asset A right to future economic benefits controlled by the Authority that is represented by:

- Cash
- An equity instrument of another entity
- A contractual right to receive cash (or other financial asset) from another entity.
- A contractual right to exchange financial assets/liabilities with another entity under conditions that are potentially favourable to the Authority.

Financial Instrument A contract which gives rise to a financial asset of one entity and a financial liability or equity instrument of another

Financial Liability An obligation to transfer economic benefits controlled by the Authority that is represented by:

- A contractual obligation to deliver cash (or other financial asset) to another entity
- A contractual right to exchange financial assets/liabilities with another entity under conditions that are potentially unfavourable to the Authority.

Fixed Assets Assets that yield benefit to the Authority and the services it provides for a period of more than one year. Fixed Assets are sub-divided into **Tangible** and **Intangible**: the former are physical assets such as land, buildings and equipment; the latter are assets such as computer software or marketable research and development.

General Fund (GF) Havering's main Revenue Account from which is met the cost of providing most of the Authority's services.

General Fund Working Balance Revenue Funds which are uncommitted and available to support general funding pressures not otherwise specifically covered by planned budget or earmarked reserves.

Historic Cost The actual cost of an asset in terms of past consideration as opposed to its current value.

Housing Revenue Account (HRA) A Statutory Account maintained separately from the General Fund for the recording of income and expenditure relating to the provision of council housing.

Impairment The reduction in value of a tangible or intangible fixed asset reflecting either (i) the consumption of economic benefits such as obsolescence or physical damage or (ii) a general fall in prices. In the former case, the impairment is a charge to the revenue account; in the latter, the impairment is a charge to the Revaluation Reserve or Capital Adjustment Account.

Infrastructure Assets Assets which have an indeterminate life and although valuable do not have a realisable value e.g. roads.

Minimum Revenue Provision (MRP) The Authority is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance.

Net Book Value The amount at which fixed assets are included in the balance sheet after depreciation has been provided for.

Net Current Replacement Cost The current cost of replacing or recreating an asset in its existing use, adjusted for the notional depreciation required to reflect the asset's existing condition and remaining useful life.

Net Realisable Value The open market value of the asset less the expenses to be incurred in realising the asset.

Non-Operational Assets Fixed assets held by the Authority but not directly occupied, used or consumed in the delivery of its services. Examples include investment and surplus properties.

Non Distributed Costs Costs which are not chargeable to services and comprise of:

- Retirement benefit costs (past service costs, settlements and curtailments)
- Unused share of IT facilities

The costs of shares of long term unused but unrealisable assets.

oneSource A partnership between the London Boroughs of Havering and Newham through a joint-committee arrangement to deliver support services. This will release resources to be applied to the protection of front-line services.

Operational Assets Fixed assets held, occupied, used or consumed by the Authority in the direct delivery of its services.

Operating Lease A lease other than a finance lease, i.e. a lease which permits the use of the asset without substantially transferring the risks and rewards of ownership.

Outturn The actual level of expenditure and income for the year.

Post Balance Sheet Events Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts are approved for issue by the Group Director, Communities and Resources.

Precept The charge made by one authority (e.g. Greater London Authority) on another authority (e.g. Havering) to finance its net expenditure.

Private Finance Initiative A Government initiative that enables authorities to carry out capital projects, through partnership with the private sector.

Provisions Amounts set aside to fund known liabilities chargeable to the current year's Accounts where the exact amount or timing of the payment are not yet certain.

Prudential Code Since April 2004 local authorities have been subject to a self-regulatory "prudential system" of capital controls. This gives authorities freedom to determine how much capital investment they can afford to fund through borrowing. The objectives of the code are to ensure that authorities' capital spending plans are affordable, prudent and sustainable, with authorities being required to set specific prudential indicators.

Public Works Loans Board (PWLB) Central Government Agency which funds much of Local Government borrowing.

Revenue Expenditure The day to day expenditure of the Authority, e.g. salaries, goods and services and depreciation.

Revenue Expenditure Funded from Capital Under Statute Expenditure which would otherwise be classified as revenue, but which is classified as capital expenditure for control purposes. Examples include items such as improvement grants and loan redemption expenses.

Revenue Support Grant The main grant paid by the Government to local authorities.

Service Reporting Code of Practice (SeRCOP) SeRCOP establishes proper practices with regard to consistent financial reporting for services. It is an official CIPFA statement – all local authorities in the United Kingdom are expected to adopt its mandatory requirements and detailed recommendations.

Statement of Movements in Reserves This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services.

Supported Borrowing Borrowing supported by central government grant towards the financing costs, mainly through HRA subsidy or Revenue Support Grant.