Havering
LONDON BOROUGH

Statement of Accounts 2019/20

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Dear residents,

Andrew Blake-Herbert, Chief Executive, London Borough of Havering

Havering as ever has had an eventful year – with many successes to celebrate but also the huge challenge presented by the Covid-19 pandemic.

We saw big progress towards our ambition to provide more affordable homes for local people. The demolition of Napier and New Plymouth Houses in Rainham and Solar, Serena and Sunrise Court in Hornchurch is underway as part of the 12 Estates project with our joint venture partner Wates Residential. Over the next 15 years, the 12 Estates project with Wates Residential and joint venture in Rainham with Notting Hill Genesis, will greatly increase the number of affordable homes for local people. We are committed to creating not only homes but communities, and each of these milestones bring us a step closer to achieving this.

At last year's budget, we agreed significant investment over four years to improve our roads and pavements. So far we have already fixed 26 miles of roads and pavements on a worst first basis. We have also fixed over 1,000 potholes.

Our extra investment of £400,000 for street cleaning has seen the frequency in residential streets increased from once every three weeks to fortnightly. Complaints of dirty streets in February were down 22% from the previous six months. We agreed £18.8 million of capital expenditure for more school places. New school extensions have been or are being built, providing new classrooms and more room for our growing population of young people.

Last year we pledged around £300,000 a year in policing over the next three years, to provide an increased police presence in the community. Through this investment we were able to fund five new police officer posts. They arrived in the Borough earlier this year and are now walking the Havering beat, helping to improve safety for our residents.

To support our commitment on leisure centres, £11.9 million was agreed. A new leisure centre will open in Hornchurch in early 2021 and we are progressing the planning for capital financing of a new leisure facility in Rainham. We are one of the few councils who are actually investing in leisure centres when others are cutting back.

We have again managed to operate within existing budgets, taking a prudent approach in keeping with Havering's reputation during what are increasingly challenging times. The Council has had to find ways to manage the demographic pressures of an ageing population and reduced government funding through developing innovative shared service arrangements and income generation opportunities.

Our work to create a more efficient council continued with an ambitious transformation programme. This included the launch of Smart Working – an investment in remote enabled IT that allows staff to work from anywhere.

What is clear now is the year ahead will be full of unknowns after the unprecedented challenge caused by Covid-19. This means our plans for the year ahead are being completely rewritten. The impact on the Council's budget has also been unprecedented. The Government have gone some way to supporting us and other councils financially, but the pandemic will still leave us with a huge challenge on how we balance the budget this year and in the years ahead.

As part of this, our staff have stepped up and we are proud of how everyone has responded, as have our voluntary sector and wider community. We have had to change the way we work making sure all remain safe with many working from home. At the same time, as leaders in the community, we will work with our partners, businesses and the wider community to support our borough through recovery.

The impact of Covid-19 on the Council has also accelerated our ambitious transformation programme, further embracing technology to run services in a different and more cost-effective way, taking into account different working practices. Covid-19 will have a long lasting impact on the Council, our residents and in how we deliver our services as we look to recovery. The year ahead is not without challenges and only together will we be able to make sure Havering remains one of the best places to live and work in.

Andrew Blake-Herbert,

Chief Executive, London Borough of Havering

2019/20: An Overview

Introduction

Jane West,
Chief Operating Officer,
London Borough of Havering

The Council's Statement of Accounts represent the financial performance of the past year and the overall financial position of the authority but it is not the whole story. It does not explain how we got here, where we want to go and how we plan to get there. It is also important to understand how service performance has driven income and expenditure and led to the end of year financial position. This narrative report will attempt to give you some insights into what it all means through linking financial facts to other data sources and our corporate objectives that are set by councillors.

The Corporate plan explains how we plan to make a difference to the lives of people who live, work and learn in Havering. The plan informs the allocation of resources through our revenue budget and capital investments and creates the basis for the planning of services across the Council. Even now, the budget-setting process for Havering has started for 2021/22.

The Corporate Plan sets out the Council's vision and how the vision will be achieved through delivery of the four corporate priorities of Communities, Places, Opportunities and Connections. Each priority is put into practice by the development of target outcomes and action plans that link to these priorities. Key performance indicators are also created to monitor the progression of those plans and hopefully the eventual demonstration of success. It is important to recognise that not all plans will succeed but that has never stopped the resilience of Havering at re-thinking the old and piloting the new.

COMMUNITIES — A helping hand

Helping young and old fulfil their potential through high-achieving schools and by supporting people to live safe, healthy and independent lives.

PLACE — Great place to live

Making sure that our neighbourhoods are a great place to live by investing in them and keeping them clean, green and safe with access to quality parks and leisure facilities.

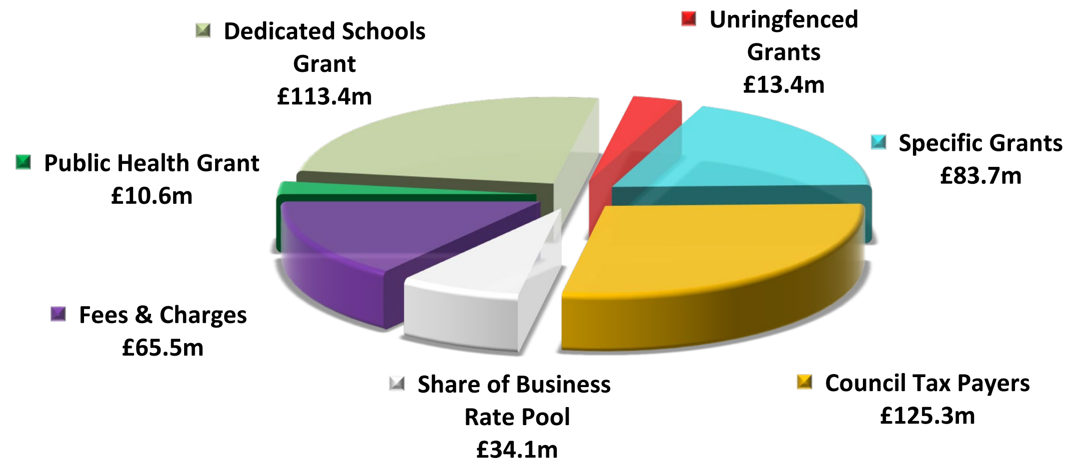
OPPORTUNITIES — Making life better

Helping people get on in life by creating jobs and skills opportunities and building genuinely affordable homes.

CONNECTIONS — Making life easier

Making it easier for people to get around and online by investing in road, transport links, faster internet and free Wi-Fi in town centres.

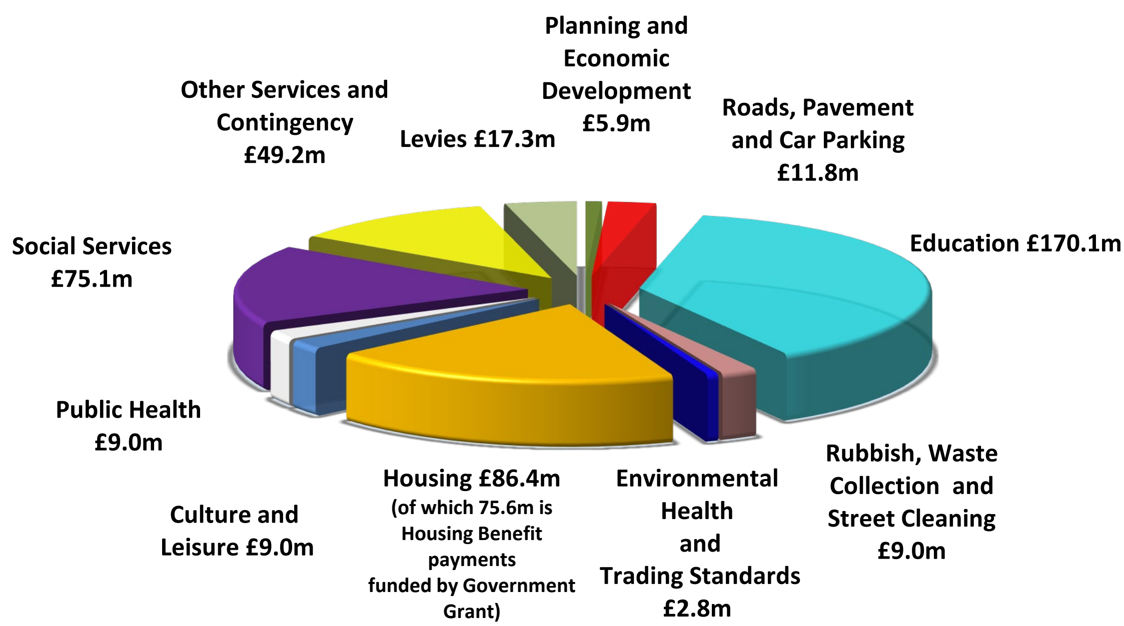
Where the cash comes from ... **2019/20 Budget**



Cash In and Cash Out

Understanding the financial picture requires an understanding of where we receive our income and how we spend it. A historic source of funding that came without restrictions (Revenue Support Grant) had been phased out by 2019/20. Approximately half of the monies, such as Dedicated Schools Grant (£113.4m) are tied to a specific purpose, in this instance education with the vast majority being passported to schools directly. These grants must only be spent on specific activity. The services for which there are no specific grants, such as highways and a lot of social care spends, is funded by the council tax, non-ringfenced grants, fees and charges and business rates income. General Fund income totals over £400m but demand is continually rising, particularly in adult social care and children's services. Living longer is obviously a good thing but social care and health spend is rising inexorably and this is why Havering is always searching for new ways to generate resources to pay for services that residents demand. The chart below shows where Havering's funding is allocated based on the 2019/20 budget.

... and where it goes **2019/20 Budget**



Pooling of Business Rates

Central Government intends to fundamentally reform the system for funding local government with the purpose of all local authorities moving to self-sufficiency, and this has been piloted through the introduction of business rates pooling arrangements. In 2019/20, all councils in London agreed to a 75% retention pooling arrangement with the Ministry of Housing, Communities & Local Government (MHCLG) with the Greater London Authority (GLA) acting as the lead body. The scheme helps to share the benefits of business rates growth locally.

It means if such schemes are successful, the Council will benefit by investing in the local economy and retaining local growth, allowing reinvestment in key services and infrastructure improvements. For 2019/20 a retention scheme of 75% was agreed with the central government (MHCLG), again with the GLA as lead for London Boroughs. Going forward into 2020/21 there has been a change to a 67% share on the London Pool retention scheme.

The recent Covid-19 virus has led to reductions in collectable NNDR income for 2020/21 due to additional allowances to businesses. This reduction in income will be taken in account with the medium term financial strategy as outlined below. Additional Government s31 grants will be received to offset some of the reductions in collectable NNDR and it is being established how much income will be received from the London Pool against the remaining potential income shortfall.

Medium Term Financial Strategy 2020-24

The Council prides itself on its record of creating balanced budgets, delivering challenging savings programmes and carefully managing its finances within each financial year. It is this track record which has helped to build the foundations for setting a robust budget for 2019/20.

In February 2020 full Council agreed a balanced budget for 2020/21. The budget was set before the Covid-19 pandemic took hold in March and therefore was based on an assumption that the Council operations would be as in a normal year. The medium term financial gap was as set out in the table below.

Medium Term Financial Strategy	2020/21	2021/22	2022/23	2023/24	4 Year Plan
	£m	£m	£m	£m	£m
Corporate Pressures	13.752	15.560	5.518	1.094	35.924
Demographic Pressures	7.056	3.131	5.026	4.923	20.136
Inflationary Pressures	2.382	2.187	2.207	2.227	9.003
TOTAL PRESSURES	**23.190**	**20.878**	**12.751**	**8.244**	**65.063**
Funded By					
Updated savings previously agreed	-7.438	-9.853	-7.440	-0.500	-25.531
New Savings Proposals	-7.079	-2.667	-1.535	-2.293	-13.574
New Social Care Grant	-3.732				-3.732
Adult Social Care Precept	-2.528				-2.528
1.95% Council Tax Increase	-2.413				-2.413
REVISED POSITION	**0.000**	**8.358**	**3.776**	**5.451**	**17.585**

The budget included a package of £14.5m of savings which had been developed and reviewed throughout the budget process. This meant that a number of the savings proposals were already in place at the start of the year but the majority were based on assumed actions during the remainder of 2019/20 and during the course of 2020/21.

The budget also included a full appendix setting out the proposed fees and charges for the year and as set based on an assumption that this income would be received throughout 2020/21.

The Council's financial position for 2020/21 has changed in a way nobody could have imagined a few months ago. The Government have provided additional general grant to help authorities but the outlook and financial recovery is likely to be slow with further pressures and risks during this process.

The Council is experiencing pressures currently in three main areas

- Expenditure directly relating to Covid-19
- Loss of income during and following the lockdown
- Delayed or unachievable savings

To date the Government have provided Havering £13.5m of unringfenced grant to mitigate these pressures. This has been supplemented by further grants to support Infection Control, Homelessness, Outbreak Management plus grants to local businesses and support for residents receiving Council Tax Support.

The majority of expenditure relating to the Covid-19 pandemic is in Social Care and will continue as long as vulnerable people require support. The Government is easing the lockdown but there remains a significant risk of a second spike particularly in the autumn for vulnerable clients.

The Council has lost income in first months of the year in Council Tax, Business Rates and more generally across sales fees and charges. Losses in the Council Tax and Business Rates will result in a deficit in the collection fund which will need to be balanced for the 2021/22 budget. This is a national problem and it is hoped the Government will provide support as the figures become clearer.

The Council will need to review likely collection rates for 2021/22 in setting the budget and may have to lower its expected yield from Council Tax thereby creating a further pressure.

The position on sales fees and charges should slowly recover as the lockdown eases. The Council however needs to reflect on the appropriate times to begin charging for services again to ensure the high streets and businesses have an opportunity to recover.

The Medium Term Financial Position will be directly impacted by the following items:

- A decision by Government to defer the Local Government funding reforms to 2022/23 at the earliest
- The delay to the delivery of savings proposals in 2020/21
- The loss of fees and charges in 2020/21 and potential ongoing impact
- Additional demand pressures across Social Care particularly Children's as case levels are predicted to rise during 2020 once lockdown ends
- Delays to the Joint Ventures will result in short term reduced financing pressures but also delays in the medium term to income yields
- The need to replenish balances and reserves and bad debt provisions which potentially will take a big hit in 2020/21
- Lower collection rates for Council Tax and NNDR
- New savings opportunities from different ways of working following a review of services during the lockdown period

In setting the 2020/21 budget, the Council recognised the need to increase general balances to mitigate potential future risk. The Council set a target to reach £20m for general balances over the next few years. General Balances currently stand at £12.7m with a further £900k planned to be added in 2020/21 taking the total to £13.6 million. Earmarked reserves, as detailed in Note 10 of the accounts, have been established to meet planned projects. These Earmarked Reserves are being reviewed to ascertain what can be made available to mitigate any potential 2020/21 overspend.

The Council will only use general balances and earmarked reserves as a last resort to cover an overspend in 2020/21. The Council will continue to review all expenditure and income streams to improve the position and will engage with central government at every available opportunity to demonstrate the need for further funding, particularly as a result of Covid-19.

Earmarked Reserves Position

	Balance as at 31 3 2018	Movement In-Year	Balance as at 31 3 2019	Movement In-Year	Balance as at 31 3 2020
	£000	£000	£000	£000	£000
General Fund Earmarked Reserves	63,069	(2,546)	60,523	(6,355)	54,168
Schools Balances	8,950	(362)	8,587	(5,298)	3,289
Total Earmarked Reserves	**72,018**	**(2,908)**	**69,110**	**(11,653)**	**57,457**

In line with the Council's financial strategy, a considerable degree of professional judgement has gone into determining the level of reserves required to be held by the Council and how the fund in reserves is utilised. Amongst the earmarked reserves are specific ones put aside to manage known major contractual and legal liabilities in the medium term. In 2019/20 the use of reserves increased mainly due to schools' spending pressures during the year and the delivery of planned projects in the Council. Against the Council's challenging financial background, it will be crucial that reserves, both general and earmarked, continue to be managed in the medium term in a way that gives due regard to the need to set a legally balanced budget.

Havering's Balance Sheet

As can be seen below, Havering has a strong balance sheet with a debt to equity ratio consistently below 50%. Nonetheless, only by careful management is it able to undertake carefully considered capital investments across the borough by increasing the level of borrowing and it still needs to take into account the cost of that borrowing and the payback period.

	31/03/2018	31/03/2019	31/03/2020
	£'000s	£'000s	£'000s
Long-term assets	1,326,280	1,287,416	1,375,218
Current assets	260,818	218,779	225,817
Current liabilities	(108,989)	(79,898)	(142,179)
Long-term liabilities	(698,164)	(773,064)	(676,705)
Net Assets	**779,945**	**653,233**	**782,151**
funded by:			
Usable reserves	218,993	219,246	201,450
Unusable reserves	560,952	435,932	580,701
Total Reserves	**779,945**	**653,233**	**782,151**
Borrowing	241,776	211,512	274,164
Debt to Equity Ratio	31.0%	32.4%	35.1%

Before, we get into the detail of the financial performance, here is just a brief look back at past year achievements and highlights, linked to our core priorities as a borough:

Communities

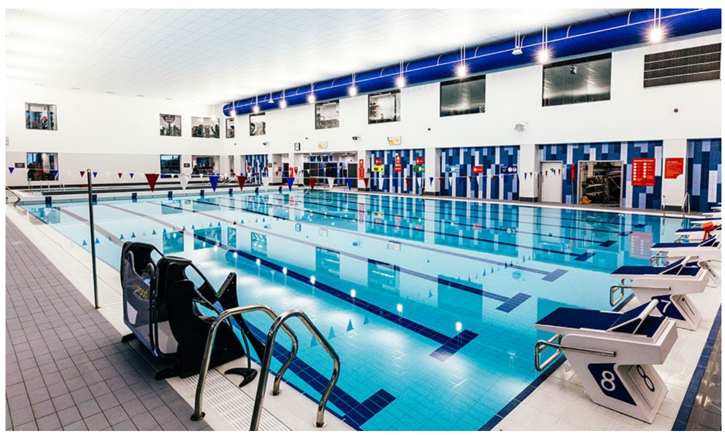
The capital programme is delivering new builds and rebuilds of schools:

- A new primary school is under construction in central Romford and
- Another at Drapers Academy in Gooshays Ward has been established,
- In addition, Mawneys Primary School in Brooklands Ward has been re-built with modern up to date accommodation for the children.

Children's Services has demonstrated substantial improvement since their last Ofsted inspection in 2016 through its innovation programme, coproduction with young people and vision to deliver the best outcomes for children and families.

Places

We secured a record number of green flags for 14 parks in the borough. Langtons Garden is the latest to be awarded a Green Flag by environmental charity Keep Britain Tidy, with the other 13 retaining their Green Flag status. The Council continued to keep its parks open during the Covid-19 pandemic.



Work has begun in the creation of a new sports centre in Hornchurch to replace the existing Harrow Lodge site. This follows the creation of the Sapphire Ice and Leisure complex last year as well as substantial refurbishment of the Council's Central Park Leisure Centre. The new centre in Hornchurch will boast a 25m eight lane swimming pool, a 20m wide learning and diving pool with movable floor to change the depth, a 100+ station health and fitness suite, exercise studios and top-class changing facilities.

Havering once again marked its support by celebrating national armed forces day. Among those who marched were current serving troops, veterans and cadets as well as the service families.

The Havering Show saw record numbers with around 55,000 people attending over the bank holiday weekend in August 2019.

Opportunities

The Council is committed to building more affordable homes and increasing social housing in the borough. £150m has been set aside as part of the Council's regeneration plans. This includes:

- 12 Estates: Havering Council and joint venture partner Wates Residential have begun work on a project to build around 3,000 high quality homes for local people across 12 of Havering Council's estates. As part of the project, the Council is investing in education, training and skills in support of their commitment to deliver a borough-wide legacy.

- Rainham and Beam Park: Joint venture project with Notting Hill Genesis will deliver over 1,000 homes, transform the A1306 into a new green space and improve transport links in the south of the borough.

- Bridge Close: Along with the Council's joint venture partners First Base and Savills, the Council plans to regenerate an industrial area in Romford with affordable homes, a new school and health centre. The project also includes a new pedestrian bridge with direct access to Romford station and the regeneration of a stretch of the River Rom.

Connections

The Council as part of the Local London partnership has secured £800k through the London Authority Strategic Investment Pot, to be used to improve digital connectivity in the Rainham area. The new fibre connection will provide world class infrastructure and stimulate additional investment by the private sector.

Businesses and organisations in Romford Town centre have voted in favour of taking more control over their future by setting up a business improvement district (BID). The BID will generate additional income of £3m from local businesses to be spent in the area.

The completion of the Crossrail project and the opening of the new Elizabeth line will provide high-speed access to central London from three of the Borough's railway stations. This complements the strategy to provide more affordable homes and jobs in the borough.

Revenue Outturn

The final net revised budget of £161.105m shown below includes levies, contingency and unringfenced grants. The service budget element of this was £131.566m. The final outturn for service directorates and oneSource was £135.086m, resulting in an overspend of £3.520m (2.68%). There are however corporate underspends of £0.610m to reduce the overspend to £2.910m. This remaining overspend has been negated by underspends in the Section 151 directorate and treasury management leaving a balanced position.

The current pandemic has fundamentally affected all aspects of Council business. The Government has announced a series of support packages that are designed to enable councils to both deliver key frontline services and provide additional physical and financial support to the community. The Council has provided grants to help support businesses during the pandemic. The additional costs in March from the pandemic have been met by Government grant and therefore do not cause a variance to the outturn position shown below. The Council however did lose income as a direct result of Covid-19 in March causing a variance in the outturn.

The £2.91m overspend within services is analysed in the table below.

Directorate	Revised Budget	Final Outturn	Final Outturn Variance	
	£m	£m	£m	%
Public Health	0.014	0.011	(0.003)	(19.99)
Children's Services	42.386	43.657	1.271	3.00
Adult Services	60.668	61.133	0.465	0.77
Neighbourhoods	10.378	13.486	3.108	29.95
Housing	4.146	3.957	(0.189)	(4.56)
Regeneration Programme Delivery	1.683	1.654	(0.029)	(1.75)
oneSource Non-Shared	(0.218)	(1.201)	(0.983)	450.25
Chief Operating Officer	9.394	9.378	(0.016)	(0.17)
SLT	0.614	0.526	(0.088)	(14.31)
oneSource shared	2.500	2.485	(0.015)	(0.61)
Net Service Total	**131.566**	**135.086**	**3.520**	**2.68**
Corporate Budget	28.539	27.929	(0.610)	(2.14)
Contingency	1.000	1.000	0.000	0.00
Net Controllable Budget	**161.105**	**164.015**	**2.910**	**1.81**

This table has rounding differences

Neighbourhoods

The **Neighbourhoods** portfolio outturn position is an overspend of £3.108m. The main reasons for this variance relates to overspends in environment due to the recalculation of bad debt provisions and reduced parking income

Service	Forecast Variance P11 £m	BAU Movement £m	Covid-19 Loss of Income £m	Outturn Position £m
Environment	2.522	0.256	0.255	3.033
Registration	(0.098)	0.220	0.015	0.137
Planning	0.219	(0.090)	0	0.129
Business Support	(0.188)	(0.003)	0	(0.191)
Neighbourhoods	**2.454**	**0.384**	**0.270**	**3.108**

Parking: Although Monday to Saturday Pay and Display income increased, a shortfall occurred overall due to Sunday charging and parks charging not being enforced. The reduction in traffic in March, both pre and post lockdown, has meant a further loss of income from enforcement. The Council has also offered free parking in its car parks and on street pay and display bays since March and resident and business permits are currently not being sold. It is difficult to project how much income will be lost in 2020/21 as this will depend on the speed and nature of the recovery and associated policy decisions.

Housing Services (General Fund)

The outturn position was an underspend of £189,000. Demand remained stable in 2019/20 with good homelessness prevention outcomes resulting in less temporary accommodation being used. This coincided with reductions in the Private Sector Landlord (PSL) stock, as landlords requested their properties back. The Flexible Homelessness Support Grant has given councils the freedom to provide extra support to the full range of homelessness services.

Housing Services (Housing Revenue Account)

The outturn on the HRA was a balanced position at outturn following a transfer of £4.925m to reserves. This underspend was the result of staff costs being capitalised and salary savings from unfilled posts, following a restructure. There was additional income from community hall hire and the Telecare Service and underspends on the responsive repairs contract. This was offset, by an increase in the hostels void loss, following the closure of Queen Street hostel.

Adult Social Care (ASC)

Havering has the largest population of residents aged over 65 in London. This contributes towards social care pressures. The Adult Social Care (ASC) directorate outturn position for 2019/20 was an overspend of £0.465m. Although the outturn position is an overspend of £0.465m, there is an underlying pressure of approximately £3.599m and one-off reserves of £3.135m were used to achieve the outturn position. These reserves will not be available in 2020/21, however significant growth for the directorate was agreed by Cabinet in February to stabilise the ASC position:

The pressure for 2019/20, which contributed to the outturn, has arisen from:

- £1.6m underlying pressure from 2018/19 which was funded by one-off funding last year;

- An increase in demand (primarily nursing home care) last year which is now being projecting as full year costs in this financial year;
- Increase in complexity of cases and an increase in one-to-one support cases which are high cost;
- High cost transition of special education needs and disabilities (SEND) cases from Children's Services;
- Increases for Residential/Nursing, Learning Disabilities and Homecare rates which amounted to £1.7m, which were paid to stabilise the market to ensure sufficiency of capacity, particularly considering the impact of the National Living Wage and inflationary pressures rises. These uplifts were in excess of the £1m funded corporately, leaving circa £0.700m additional pressure in 2019/20.
- An income target of £300,000 was agreed for Adult Social Care from April 2019 but was not achievable as income charges for almost all ASC services are prescribed through Care Act 2014 regulations.

The Council continued to provide care packages and safe accommodation for residents leaving hospital care during the Covid-19 pandemic. The Council has worked with the voluntary sector to provide support to care and residential homes. This includes the provision of emergency supplies including personal protective equipment (PPE) and food.

Support and advice to residents and the wider community has been provided through on-line means such as the Council's Facebook pages.

Public Health spend is funded directly by the Public Health Grant and Havering always spends in accordance with the Grant requirements and operates within budget.

Children's Services

The outturn position for the Children's Directorate is an overspend of £1.271m. This variance is primarily related to unachieved MTFS savings due to significant delays with progressing changes to the Children's Centre programme and changes at the My Place Centre, which had been scheduled to deliver a combination of £0.570m in savings and additional income during 2019/20.

The additional variance in outturn expenditure in 2019/20 is largely due to a continuation in placement demand for children with complex needs (including remands to custody) and young people who have lost their housing tenancies and require supported placements. There are currently six very complex cases of young people requiring placements at high costs. Work to recover income from housing benefit continues, despite uncontrollable challenges with partner organisations.

Regeneration Programme Delivery

The regeneration programmes have been delivered broadly within budget.

Capital Outturn

Capital expenditure forms a large part of the Council's spending on the provision of services. The Council's capital programme is designed to maintain and enhance its assets and support the future growth and development of the Borough.

The investment in the Capital Programme in 2019/20 has delivered the following major outcomes:
- £14.9m on Improving the Roads across the Authority
- £18.4m on the Schools Expansion Programme providing Additional School Places
- £4.1m on further improvements to schools
- £13.3m on the new Hornchurch Leisure Centre
- £2.5m on Improving the Councils IT infrastructure
- £1.3m on Assisting the Elderly and Infirm to remain in their homes
- £0.9m Improving the Quality of our Parks and Green Spaces
- £16.2m on Major Regeneration Projects across the Borough
- £14.6m on Improving the Authorities Housing Stock
- £47.2m on the innovative 12 Estates Housing Project

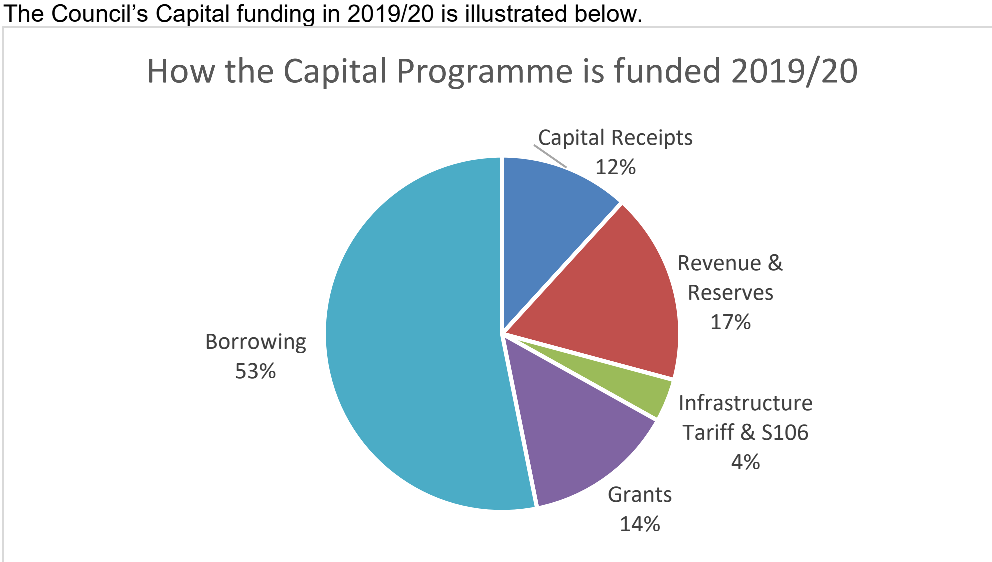
Actual capital spend at the end of the financial year 2019/20 was £154.793m financed from a variety of sources as set out below.

		Financing				
Services	**2019/20 Capital Expenditure £m**	**Capital Receipts £m**	**Revenue and reserves £m**	**Infrastructure Tariff and S106 £m**	**Grants £m**	**Borrowing £m**
Adults Services	1.466	0.003	0.000	0.000	1.463	0.000
OneSource	24.671	0.858	0.911	5.585	14.573	2.744
Neighbourhoods	17.850	1.616	0.445	0.444	2.671	12.674
Regeneration Programme	32.953	0.135	0.155	0.023	1.691	30.949
Customer & Communications Service	13.506	0.133	0.000	0.011	0.000	13.362
Housing Services	61.831	14.898	24.332	0.000	0.053	22.548
Children's Service	2.516	0.590	1.093	0.000	0.833	0.000
Grand Total	**154.793**	**18.233**	**26.936**	**6.063**	**21.284**	**82.277**

Sources of Funding

The use of resources to finance capital spend is changing over time as less and less capital receipts are being generated from the sale of assets and greater reliance, particularly for the large regeneration schemes, is being placed on the use of borrowing.

The Council's Capital funding in 2019/20 is illustrated below.



Capital Programme

The Council is required by statute (The Prudential code for Capital Finance in Local Authorities) to agree and set the capital programme and associated capital strategy. The capital programme agreed by Members over the next 5 years amounts to £1,175m and is set out in the table below:

Summary of Capital Programme	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	Total £m
Adults Services	4.463	0.000	0.000	0.000	0.000	**4.463**
Asset Management	45.502	0.824	0.000	0.000	0.000	**46.326**
Bereavement Services	6.417	0.000	0.000	0.000	0.000	**6.417**
Children Services	3.615	0.000	0.000	0.000	0.000	**3.615**
Customer & Communications	14.956	3.916	0.985	0.500	0.000	**20.357**
Environment	15.134	2.000	2.000	0.000	0.000	**19.134**
ICT Services	4.020	1.120	1.080	2.200	0.000	**8.420**
Regeneration	24.872	7.188	5.323	0.000	0.000	**37.383**
Sub Total	**118.979**	**15.048**	**9.388**	**2.700**	**0.000**	**146.115**
Regeneration Programme	223.468	98.212	57.303	65.979	19.360	**464.321**
Total GF Capital Programme	**342.447**	**113.260**	**66.691**	**68.679**	**19.360**	**610.436**
HRA	97.224	113.596	116.223	119.581	118.734	**565.358**
Total Capital Programme	**439.671**	**226.856**	**182.914**	**188.260**	**138.094**	**1,175.794**

Historically, the Council managed the cash flow of its capital expenditure programme largely via the use of capital receipts. However with receipts reducing the Council plans to use prudential borrowing within the Treasury Management Strategy for prioritised schemes.

Treasury Management

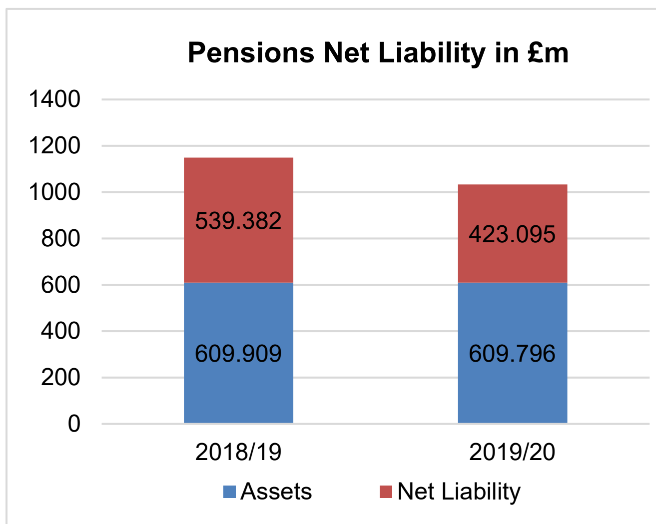
The Council held approximately £185m in cash and investments on average during the course of the financial year. This represents the value of the Council's revenue reserves, net current assets, unapplied grants and unapplied capital reserves. Other than reserves, this is money that is committed and is being held pending such expenditure. Given the Council's gross expenditure is approximately £568.3m (was 625m), this represents around four months of expenditure.

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 while deposits are restricted to a limited number of institutions meeting the Authority's lending criteria. Total cash, cash equivalents and investments held by the Authority at 31 March 2020 amounted to £183m (£202m at 31 March 2019). The average yield from the Authority's cash investments for 2019/20 was 1.07% (0.92 % for 2018/19). This reflects the conservative nature of the Authority's investment strategy and historically low interest rates. The impact of Brexit continues with uncertainty around its impact on borrowing and investment rates as well as general inflation. The Council will however continue to take steps within its Treasury Management Strategy to mitigate associated risks.

Historically, the Council managed the cash flow of its capital expenditure programme largely via the use of capital receipts. However, as can be seen by the capital programme above with its £1.175billion budget, the capital ambition of the Council will exceed the potential capital receipts available. The Council plans to use prudential borrowing within the Treasury Management Strategy for prioritised schemes. Over the next couple of years, the Treasury return will dwindle and the cash and cash equivalents will be reduced to working capital.

Pension Fund

The Council participates in the Local Government Pension Scheme (LGPS) for the majority of its staff. The net estimated pension liability for Havering using "IAS19" is £423.1m as at 31st March 2020 compared with £539.4m as at 31st March 2019. Estimation of liability is based on a number of judgements relating to the discount rate used, salary increases, changes in retirement age, longevity, interest rates, inflation and expected returns on assets. Also, it has taken into account the impact of the recent McCloud ruling and GMP equalisation.



The Pension Fund's net assets remained almost unchanged in 2019/20, from £609.91m to £609.8m due to subdued market conditions in 2019/20, while the liability reduced from £1,149.3m to £1,032.9m due to a higher net discount rate. It remains to be seen what long term impact on the fund Covid-19 will have.

The net liability is the additional amount that the Council will have to set aside or generate through investment returns to fund the pension entitlements that have been built up to date by members of the Pension Fund. The most important thing to note is that the actuaries reviewed our position as at March 31st 2019 and came to the conclusion that the Council had a viable long-term solution to reducing the Pension Fund deficit to zero. The next Triennial Review will take place in 2022. Nonetheless, it is important to note that interest rates remain at historically low levels and represent a significant influence of the valuation of pension fund liabilities. Further information on the basis of the IAS19 disclosure is included at Note 42.

Jane West

Jane West

Chief Operating (Section 151) Officer

London Borough of Havering

Date: 6 July 2020

Explanation of Accounting Statements

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 154 to 157 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 the net worth of the Authority as a result of the surplus/deficit in year and from movements in the fair value of the assets. It also analyses the movement between reserves, in accordance with statutory regulations.

- **Comprehensive Income and Expenditure Statement (CIES) –** This statement brings summarises the expenditure and income for the year.

- **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 and liabilities, and summarises information on the long-term 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.

- **Expenditure Funding Analysis (EFA) –** This is a note to the accounts and shows how annual expenditure is used and funded from resources and accounted under local government statute as opposed to how it would accounted by private sector bodies under generally accepted accounting practices.

- **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 to keep a separate account to detail the amounts owing to and from the Council, the GLA and the MHCLG.

- **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.

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 Chief Executive.

- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

- Approve the statement of accounts.

The Chief Operating (Section 151) Officer's Responsibilities

The Chief Operating (Section 151) Officer 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 Chief Operating (Section 151) Officer has:

- Selected suitable accounting policies and then applied them consistently.

- Made judgements and estimates that were reasonable and prudent.

- Complied with the Code.

The Chief Operating (Section 151) Officer 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 2020 and its income and expenditure for the year ended 31 March 2020.

Jane West

Jane West
Chief Operating (Section 151) Officer
06 July 2020

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

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Group Movement in Reserves Statement 2019/20

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority and the group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the group reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Authority's Share of Reserves of Subsidiaries	Total inc Group Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2018	**11,766**	**72,018**	**4,612**	**55,973**	**30,663**	**43,961**	**218,993**	**560,952**	**(599)**	**779,346**
<u>Movement in reserves during 2018/19</u>										
(Deficit)/surplus on provision of services	(72,949)		24,559				(48,390)		(377)	(48,767)
Other comprehensive expenditure and income								(78,322)		(78,322)
Total comprehensive expenditure and income	**(72,949)**	**0**	**24,559**	**0**	**0**	**0**	**(48,390)**	**(78,322)**	**(377)**	**(127,089)**
Adjustments between accounting basis and funding basis under regulations	72,007		(25,709)	(1,092)	252	3,185	48,643	(48,643)		0
Net (decrease)/increase before transfers to earmarked reserves	**(942)**	**0**	**(1,150)**	**(1,092)**	**252**	**3,185**	**253**	**(126,965)**	**(377)**	**(127,089)**
Transfers to/(from) Earmarked Reserves	1,463	(2,908)	1,445				**0**	**0**		0
Decrease/increase in Year	**521**	**(2,908)**	**295**	**(1,092)**	**252**	**3,185**	**253**	**(126,965)**	**(377)**	**(127,089)**
Balance at 31 March 2019	**12,287**	**69,110**	**4,907**	**54,881**	**30,915**	**47,146**	**219,246**	**433,987**	**(976)**	**652,257**
<u>Movement in reserves during 2019/20</u>										
(Deficit)/surplus on provision of services	(14,543)		24,187				9,644		(630)	9,014
Other comprehensive expenditure and income							-	119,276		119,276
Total comprehensive expenditure and income	**(14,543)**	**0**	**24,187**	**0**	**0**	**0**	**9,644**	**119,276**	**(630)**	**128,290**
Adjustments between accounting basis and funding basis under regulations	2,901		(18,872)	(5,662)	(9,182)	3,377	(27,438)	27,438		0
Net (decrease)/increase before transfers to earmarked reserves	**(11,642)**	**0**	**5,315**	**(5,662)**	**(9,182)**	**3,377**	**(17,794)**	**146,714**	**(630)**	**128,290**
Transfers to/(from) Earmarked Reserves	12,042	(11,652)	(390)				0			0
(Decrease)/Increase in Year	**400**	**(11,652)**	**4,925**	**(5,662)**	**(9,182)**	**3,377**	**(17,794)**	**146,714**	**(630)**	**128,290**
Balance at 31 March 2020	**12,687**	**57,457**	**9,832**	**49,219**	**21,732**	**50,523**	**201,450**	**580,701**	**(1,606)**	**780,545**

Authority Movement in Reserves Statement 2019/20

The Movement in Reserves Statement shows the movement from the start of the year to the end 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 'unusable reserves'. The Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2018	**11,766**	**72,018**	**4,612**	**55,973**	**30,663**	**43,961**	**218,993**	**560,952**	**779,945**
Movement in reserves during 2018/19									
Deficit/surplus on provision of services	(72,949)		24,559				(48,390)		(48,390)
Other comprehensive expenditure and income							0	(78,322)	(78,322)
Total comprehensive expenditure and income	**(72,949)**	**0**	**24,559**	**0**	**0**	**0**	**(48,390)**	**(78,322)**	**(126,712)**
Adjustments between accounting basis and funding basis under regulations (Note 9)	72,007		(25,709)	(1,092)	252	3,185	48,643	(48,643)	0
Net decrease/increase before transfers to earmarked reserves	**(942)**	**0**	**(1,150)**	**(1,092)**	**252**	**3,185**	253	**(126,965)**	**(126,712)**
Transfers to/from Earmarked Reserves (Note 10)	1,463	(2,908)	1,445				0		0
Decrease/increase in Year	**521**	**(2,908)**	**295**	**(1,092)**	**252**	**3,185**	**253**	**(126,965)**	**(126,712)**
Balance at 31 March 2019	**12,287**	**69,110**	**4,907**	**54,881**	**30,915**	**47,146**	**219,246**	**433,987**	**653,233**
Movement in reserves during 2019/20									
(Deficit)/surplus on provision of services	(14,543)		24,187				9,644		9,644
Other comprehensive expenditure and income							0	119,276	119,276
Total comprehensive expenditure and income	**(14,543)**	**0**	**24,187**	**0**	**0**	**0**	**9,644**	**119,276**	**128,920**
Adjustments between accounting basis and funding basis under regulations (Note 9)	2,901		(18,872)	(5,662)	(9,182)	3,377	(27,438)	27,438	0
Net (decrease)/increase before transfers to earmarked reserves	**(11,642)**	**0**	**5,315**	**(5,662)**	**(9,182)**	**3,377**	**(17,794)**	**146,714**	**128,920**
Transfers to/from Earmarked Reserves (Note 10)	12,042	(11,652)	(390)				0		0
(Decrease)/Increase in Year	**400**	**(11,652)**	**4,925**	**(5,662)**	**(9,182)**	**3,377**	**(17,794)**	**146,714**	**128,920**
Balance at 31 March 2020	**12,687**	**57,457**	**9,832**	**49,219**	**21,732**	**50,523**	**201,450**	**580,701**	**782,151**

Group Comprehensive Income and Expenditure Statement 2019/20

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

1 April 2018 – 31 March 2019				1 April 2019 – 31 March 2020		
£000	£000	£000		£000	£000	£000
Gross Expenditure	Gross Income	Net		Gross Expenditure	Gross Income	Net
* Restated	* Restated	* Restated	**Gross expenditure, gross income and net expenditure of continuing operations**			
32,545	(3,323)	29,222	Corporate Budgets	35,930	(4,166)	31,764
45,176	(28,061)	17,115	Neighbourhoods	43,629	(26,741)	16,888
45,810	(67,040)	(21,230)	Housing	42,609	(65,153)	(22,544)
3,439	(1,102)	2,337	Regeneration Programme Delivery	4,021	(2,600)	1,421
76,672	(18,352)	58,320	Adult Services	81,451	(19,197)	62,254
202,943	(141,770)	61,173	Children’s Services	212,404	(147,390)	65,014
10,776	(10,937)	(161)	Public Health	10,257	(10,654)	(397)
99,342	(90,444)	8,898	oneSource Non-Shared	82,095	(74,444)	7,651
20,524	(3,389)	17,135	oneSource Shared	24,012	(4,012)	20,000
537,227	**(364,418)**	**172,809**	**Cost of services**	**536,408**	**(354,357)**	**182,051**
		68,817	Other operating expenditure			12,703
		8,378	Financing and investment income and expenditure			12,348
		(201,237)	Taxation and non-specific grant income			(216,116)
		48,767	**(Surplus)/Deficit on provision of services**			**(9,014)**
		23,484	(Surplus)/Deficit on revaluation of property, plant and equipment assets			8,555
		54,838	Actuarial losses/(gains) on pension assets / liabilities			(127,831)
		78,322	**Other comprehensive income and expenditure**			**(119,276)**
		127,089	**Total comprehensive income and expenditure**			**(128,290)**

* The Comprehensive Income and Expenditure Statement has been restated to show the Housing Directorate separate.

Authority Comprehensive Income and Expenditure Statement 2019/20

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

1 April 2018 – 31 March 2019					1 April 2019 – 31 March 2020		
£000 Gross Expenditure	£000 Gross Income	£000 Net		Notes	£000 Gross Expenditure	£000 Gross Income	£000 Net
* Restated	* Restated	* Restated	**Gross expenditure, gross income and net expenditure of continuing operations**				
32,545	(3,323)	29,222	Corporate Budgets		35,930	(4,166)	31,764
44,799	(27,191)	17,608	Neighbourhoods		43,629	(26,801)	16,828
45,810	(67,040)	(21,230)	Housing		42,609	(65,153)	(22,544)
3,439	(1,102)	2,337	Regeneration Programme Delivery		3,565	(1,510)	2,055
76,672	(18,352)	58,320	Adult Services		81,451	(19,197)	62,254
202,943	(141,770)	61,173	Children's Services		212,404	(147,390)	65,014
10,776	(10,937)	(161)	Public Health		10,257	(10,654)	(397)
99,342	(90,444)	8,898	oneSource Non-Shared		82,095	(74,444)	7,651
20,524	(3,389)	17,135	oneSource Shared		24,012	(4,012)	20,000
536,850	**(363,548)**	**173,302**	**Cost of services**		**535,952**	**(353,327)**	**182,625**
		68,817	Other operating expenditure	11			12,688
		7,508	Financing and investment income and expenditure	12			11,159
		(201,237)	Taxation and non-specific grant income	13			(216,116)
		48,390	**(Surplus)/Deficit on provision of services**				**(9,644)**
		23,484	(Surplus)/Deficit on revaluation of property, plant and equipment assets	25a			8,555
		54,838	Actuarial losses/(gains) on pension assets / liabilities	25e			(127,831)
		78,322	**Other comprehensive income and expenditure**				**(119,276)**
		126,712	**Total comprehensive income and expenditure**				**(128,920)**

* The Comprehensive Income and Expenditure Statement has been restated to show the Housing Directorate separate.

Havering
LONDON BOROUGH

Balance Sheet as at 31 March 2020

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority and the group. 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.

31 March 2019 Authority £000	31 March 2019 Group £000		Notes	31 March 2020 Authority £000	31 March 2020 Group £000
1,165,631	1,165,652	**Property, plant and equipment**	14	1,245,262	1,256,770
133	133	**Heritage assets**	15	132	132
50,990	76,352	**Investment property**	16b	67,242	109,907
1,568	1,568	**Intangible assets**	17	1,085	1,085
38,000	38,000	**Long term investments**	18	13,000	13,000
12,024	3,289	**Long term investments in subsidiaries and joint ventures**	16c	21,992	178
19,070	2,428	**Long term debtors**	19	26,505	232
1,287,416	**1,287,422**	**Long-term assets**		**1,375,218**	**1,381,304**
134,099	134,099	**Short-term investments**	18	142,800	142,800
385	385	**Inventories**		389	389
55,805	55,477	**Short-term debtors**	19	55,878	53,579
26,664	26,930	**Cash and cash equivalents**	20	26,750	27,860
1,826	1,826	**Assets held for sale**	21	-	-
218,779	**218,717**	**Current assets**		**225,817**	**224,628**
(928)	(928)	**Short-term borrowing**	18	(38,907)	(38,086)
(78,970)	(80,021)	**Short-term creditors**	22	(103,272)	(110,050)
(79,898)	**(80,949)**	**Current liabilities**		**(142,179)**	**(148,136)**
		Long-term creditors			
(9,705)	(9,705)	**Provisions**	23	(9,089)	(9,089)
(210,584)	(210,453)	**Long-term borrowing**	18	(235,234)	(235,780)
(539,382)	(539,382)	**Other long-term liabilities**	42	(423,095)	(423,095)
(13,393)	(13,393)	**Capital grants receipts in advance**	35b	(9,287)	(9,287)
(773,064)	**(772,933)**	**Long-term liabilities**		**(676,705)**	**(677,251)**
653,233	**652,257**	**Net assets**		**782,151**	**780,545**
219,246	218,270	**Usable reserves**	24	201,450	199,844
433,987	433,987	**Unusable reserves**	25	580,701	580,701
653,233	**652,257**	**Total Reserves**		**782,151**	**780,545**

I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2020 and its income and expenditure for the year ended 31 March 2020.

Authorised for Issue
Jane West

Jane West

Chief Operating (Section 151) Officer
London Borough of Havering
Date: 06 July 2020

Cash Flow Statement as at 31 March 2020

The Cash Flow statement shows the changes in cash and cash equivalents of the Authority and the Group during the reporting period. The statement shows how the Authority / Group 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 / Group 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.

2018/19 Authority £000	2018/19 Group £000		Note	2019/20 Authority £000	2019/20 Group £000
(48,390)	(48,767)	Net surplus on the provision of services		9,644	9,014
104,132	107,365	Adjust net surplus or deficit on the provision of services for non-cash movements	26	62,264	77,306
(40,025)	(40,025)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	(44,360)	(44,360)
15,717	**18,573**	**Net cash flows from Operating Activities**		**27,548**	**41,960**
(12,208)	(19,663)	Investing activities	27	(90,090)	(103,658)
(30,265)	(30,265)	Financing activities	28	62,628	62,628
(26,756)	**(31,355)**	**Net increase /(decrease) in cash and cash equivalents**		**86**	**930**
53,420	58,285	Cash and cash equivalents at the beginning of the reporting period	20	26,664	26,930
		Adjustment to cash balance from group consolidation			
26,664	**26,930**	**Cash and cash equivalents at the end of the reporting period**	**20**	**26,750**	**27,860**

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 2019/20 financial year and its position at the year end of 31 March 2020. The Authority is required to prepare an annual Statement of Accounts by 31 May 2020 (delayed until 31 August 2020 due to Covid-19), which the Accounts and Audit (England) Regulations 2015 require 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 2019/20*, 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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made. Outstanding creditors are written out of the accounts if they have not been billed for by the supplier after a period of one year, however a sample of outstanding balances will be sampled and adjusted for if required;

- 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. The de minimis for 2019/20 remains at £50,000.

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 highly liquid investments that mature in one month or less from the date of acquisition or notice accounts of no more than 3 months 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.

Within the accounts the Comprehensive Income and Expenditure Statement has been restated to comply with the CIPFA code; 'Telling the story'. This is to improve the presentation and transparency of the Council's financial statements.

v. Charges to Revenue for Non-Current Assets

Services 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 non-current 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. Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including Central Government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and Central Government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

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

The Balance Sheet includes the Authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals. Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

vii. 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. They are charged on an accruals basis to the relevant service line or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund and Housing Revenue Account balances 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. Those schemes are therefore accounted for as if they were 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' and National Health Service 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 pension liability is analysed into the following components:

- Service cost comprising:

- 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 as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Re-measurements comprising:
    - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as other comprehensive income and expenditure;
    - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as other comprehensive income and expenditure;
    - 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.

viii. 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.

ix. 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.

Financial Assets

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

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

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

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

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost [or where relevant FVOCI], either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

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

Financial Assets Measured at Fair Value through Profit of Loss (FVPL)

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

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

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

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset. Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

x. 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.

xi. 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 has 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 and Housing Revenue Account balances 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) on the balance sheet. The Authority has similar arrangements for the Romford Town Centre BID, which went live during 2018/19.

xii. 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.

xiii. 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.

xiv. 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.

xv. 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.

xvi. Interests in Companies and Other Entities

The code requires local authorities with, in aggregate, material interest in subsidiaries and associated companies and joint ventures to prepare group financial statements.

The Group's financial statement incorporate the financial statements of the London borough of Havering and its subsidiaries prepared as at the year end date. As part of the consolidation process, Havering has aligned the accounting policies of the subsidiaries with those of the Council and made consolidation adjustments where necessary. It has consolidated the financial statements of the subsidiaries with those of the Council on a line by line basis; eliminated in full balances, transactions, income and expenses between the Council and the partnerships.

xvii. Interest in Joint Committee

oneSource is a participative arrangement created by the Authority, the London Borough of Newham and the London Borough of Bexley 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 and savings are shared between the three authorities on the basis of an agreed formula and are allocated on an annual basis.

xviii. Leases

All current leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease, but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

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

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained on 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.

xix. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service. 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

xx. 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 all assets.

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 – current value, determined using the basis of existing use value for social housing (EUVSH);
- council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV);
- school buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value;
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective;
- all other assets – current 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 re-valued as a minimum every five years, with high value assets being re-valued annually, to ensure their carrying amount is not materially different from their fair value at the year end. In addition, an independent review is carried out annually. 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.

Development Costs

General Feasibility studies are automatically treated as revenue, unless in very rare circumstances when they lead to the creation of an asset. This is because they are typically an options review of what schemes may or may not be considered for the capital programme. They do not in and of themselves produce an asset. There would need to be an accompanying business case justification as to why this expenditure could be capitalised and as such, this would normally only occur in relation to large-scale regeneration schemes.

The watershed moment between the feasibility and the development stage, when concrete designs are reviewed is normally the point at which expenditure may be considered for capitalisation. The Council's policy at this stage is to treat the expenditure as capital and then if the scheme did not go ahead or was stopped at an early stage without producing any assets, would treat the expenditure as an abortive revenue cost. This policy could be broadly described as *capitalising at risk* and all schemes that were cancelled without producing an asset would need to be reviewed for the potential for these abortive costs.

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 on-going 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 noncurrent 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. Where an Asset is fully depreciated and therefore has a zero net book value, it is deemed as being abandoned or scrapped and treated as such (This will not have an effect on the Comprehensive Income and Expenditure Statement as the gross book value and the accumulated depreciation are equal). 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.

Annual Minimum Revenue Provision Statement

Where the Council finances capital expenditure by borrowing, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum provision since 2008. The Local Government Act 2003 requires the Authority to have regard to the Department for Communities and Local Government's (DCLG) Guidance on Minimum Revenue Provision issued in 2012.

The broad aim of the DCLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant assets in equal instalments, starting in the year after the asset becomes operational.

For assets acquired by finance leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

Third party loans – Under statutory requirements the payment of the loan will normally be treated as capital expenditure. The subsequent loan repayments, (which are treated as capital receipts under statutory requirements); will be used to reduce the long term liability and consequently the CFR. As a result MRP will not generally be charged on the loan as it is not appropriate to do so.

xxi. 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.

xxii. 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.

xxiii 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.

xxiv. Schools

The *Code of Practice on Local Authority Accounting in the United Kingdom* confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Schools' transactions, cash flows and balances are therefore recognised in each of the financial statements of the Authority as if they were the transactions, cash flows and balances of the Authority.

xxv. 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.

xxvi Fair Value Measurement

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

a) in the principal market for the asset or liability, or

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

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

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability.

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

The Authority is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The following accounting standards changes have been identified:

(a) Clarification to IAS28 Investments in Associates and Joint Ventures

This clarifies that the net investment in joint ventures is to be accounted under IAS28 as well as any loans to the joint venture under IFRS9.

(b) Amendments to IFRS 16 – Leases

The new standard requires lessees to recognise nearly all leases on the balance sheet which will reflect their right to use an asset for a period of time and the associated liability for payments. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. CIPFA/LASAAC have deferred implementation of IFRS16 for local government for a further year to 1 April 2021, so the changes will be implemented for the 2021/22 accounts.

(c) IAS 19 Pension Fund

If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the re-measurement are determined using the assumptions used for the re-measurement. This will have no impact on the Authority as it already complies.

(d) Other accounting standards for awareness::

The annual improvements to IFRS Standards 2015-2017 cycle updates standards is not expected to materially changes the way the Council accounts for business combinations under IFRS3, income tax under IAS12 or borrowing costs under IAS23. CIPFA/LASAAC guidance will be issued to outline relevance for local authorities.

3. Critical Judgements in Applying Accounting Policies, Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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 minimis 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 pensions liabilities, fixed assets, leases and accruals.

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 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
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. Assets have been valued by the Authority's external valuers on the basis of a five year rolling valuation programme. In the current economic climate, the Balance Sheet valuation of £1,245m may be subject to fluctuations.	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 £2.147m for every year that useful lives had to be reduced. If the asset valuation of all property plant and equipment were to fall by 1% a reduction in value of £12.45m 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 Statement and subsequently written off to the Capital Adjustment Account.

Fair value measurements	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for *similar* assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities. Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the authority's chief valuation officer and external valuer). Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in notes 14 and 16 below.	The authority uses the discounted cash flow (DCF) model to measure the fair value of some of its investment properties and financial assets. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (for both investment properties and some financial assets). Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial asset
Provisions	The Authority has made a provision of £2.9m 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 £0.29m 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 pension's liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in a decrease in the pension liability of £89.9m. However, the assumptions interact in complex ways. During 2019/20, the Authority's actuary advised that changes in actuarial assumptions gave rise to a gain of £143.9m (compared to a loss of £59.4m in 2018/19) to the Consolidated Income and Expenditure Statement.
Arrears	At 31 March 2020, the Authority had a gross debtor's balance of £87.2m. A review of significant balances suggested that an impairment of doubtful debts of 36% (£31.3m) 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 25% increase in the amount of the impairment of doubtful debts would require an additional £7.8m to be set aside as an allowance.
NNDR Appeals	At 31 March 2020, the Authority made a provision for £6.1m in respect of appeals which are still outstanding, based on the previous success rate on appeals.	In the event that the outcome of appeals increases by 25% than the anticipated percentages this would result in additional cost of £1.5m.

4. Material Items of Income and Expense

A net revaluation gain of £9.7m has been credited to the Consolidated Income and Expenditure Account (CI&ES) in 2019/20. With the exception of movements in Investment properties revaluation gains are normally credited to the Revaluation Reserve except where, as in this case, the revaluation gain reverses a previous loss charged to the CI&ES. By way of comparison, the revaluation gain credited to the CI&ES in 2018/19 was £6.3m. Further information is provided at note 39.

A net disposals gain of £6.2m has been debited to the CI&ES in 2019/20. This is a result of gains from the sale of GF and HRA assets. This is compared to corresponding loss of £54.0m in 2018/19 which was as a result of schools transferring to Academies.

From 2016/17, the Authority included Mercury Land Holdings, a wholly owned subsidiary within the accounts. Mercury Land Holdings have subsequently set up a separate subsidiary called Mercury Land Holdings Design and Build and this has been consolidated within the Mercury Land Holdings company accounts. Mercury Land Holdings consolidated accounts has been consolidated into the Authority’s group accounts. During the year, the Council increased its investment in Mercury Land Holdings by £3.571m to a total of £12.3m and increased its loans by £8.4m to £26.6m.

From 2019/20, the Authority included the 50% of its joint ventures within the group accounts. These joint ventures are to provide housing in the Borough.

5. Authorisation of the Statement of Accounts

The Statement of Accounts was authorised for issue on the date the Chief Operating Officer certified that the accounts give a true and fair view of the financial position of the Authority at the year end; and its income and expenditure, see the “Statement of Responsibilities for the Statement of Accounts”. This is the date up to which events after the balance sheet date have been considered.

6. Events after the Balance Sheet Date

No material post balance sheet events requiring adjustment to the 31st March 2020 balance sheet has been identified. However the effect of the COVID19 virus has had a major impact on the day to day running of the Council. Debt collection rates are likely to be reduced, but at the date of the balance sheet signing, it is still too early to see what long-term impact there will be on the Council. Officers have been liaising with its external valuers to ascertain how COVID19 has affected valuations, however by the time these draft accounts were published there is no evidence available to suggest that the valuations need to be reduced.

Since the 31st March 2020 Council Tax collection rates are around 1.1% lower at May 2020 end than expected. Collectable NNDR is reduced by additional statutory reliefs provided however this shortfall is offset by additional s31 grant receivable from the MHCLG. Any shortfalls will be fed into the monitoring of the medium term financial strategy and the drawing up of the 2021/22 budget to ensure the Council remains financially stable.

7. Expenditure and Funding Analysis 2019/20

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

1st April 2018 - 31st March 2019					1st April 2019 - 31st March 2020			
Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between Funding and Accounting Bases £000	Other Adjustments £000	Net Expenditure in the CI&ES £000	Service	Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between Funding and Accounting Bases £000	Other Adjustments £000	Net Expenditure in the CI&ES £000
35,315	45,741	(51,834)	**29,222**	Corporate Budgets	47,636	(34,773)	18,901	**31,764**
13,955	8,692	(5,040)	**17,607**	Neighbourhoods	13,486	8,248	(4,906)	**16,828**
3,948	(25,710)	533	**(21,229)**	Housing	(968)	(19,718)	(1,858)	**(22,544)**
1,230	909	198	**2,337**	Regeneration	1,654	56	345	**2,055**
60,194	880	(2,754)	**58,320**	Adult Services	61,133	698	423	**62,254**
44,461	19,796	(3,084)	**61,173**	Children's Service	39,482	25,135	396	**65,013**
(1)	43	(203)	**(161)**	Public Health	11	42	(450)	**(397)**
(1,199)	(2,270)	12,367	**8,898**	oneSource Non-Shared	(1,201)	1,824	7,028	**7,651**
2,932	1,087	13,116	**17,135**	oneSource Shared	2,485	1,093	16,422	**20,000**
160,835	**49,168**	**(36,701)**	**173,302**	**Net Cost of Services**	**163,718**	**(17,395)**	**36,301**	**182,624**
(161,652)	(2,869)	39,609	(124,912)	Other Income and Expenditure	(169,043)	1,424	(24,649)	(192,268)
(817)	**46,299**	***2,908**	**48,390**	**(Surplus) or Deficit**	**(5,325)**	**(15,971)**	**11,652**	**(9,644)**
16,378				Opening General Fund and HRA Balance	**17,196**			
817				Less/Plus Surplus or Deficit on General Fund and HRA Balance in Year**	5,325			
17,195				**Closing General Fund and HRA Balance at 31 March 2020**	**22,521**			

2018/19 restated to reflect Housing as a separate Directorate.

*This represents the movement in Earmarked Reserves. See Note 10.

** For a split of this balance between the General Fund and the HRA – see the Movement in Reserves Statement.

7a. Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2019/20

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £000	Net change for the Pensions Adjustments (Note 2) £000	Other Differences (Note 3) £000	Total Adjustments £000
Corporate Budgets	(35,626)	3,681	1,349	(30,596)
Neighbourhoods	6,796	1,455	(3)	8,248
Housing	(19,148)	(590)	21	(19,717)
Regeneration Programme Delivery	0	55	0	55
Adult Services	83	610	5	698
Children's Services	16,512	4,566	(117)	20,961
Public Health	0	40	0	40
oneSource Non-Shared	1,165	647	12	1,824
oneSource Shared	0	1,080	12	1,092
Net Cost of Services	**(30,218)**	**11,544**	**1,279**	**(17,395)**
Other income and expenditure from the Expenditure and Funding Analysis		1,424		1,424
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(30,218)**	**12,968**	**1,279**	**(15,971)**

Adjustments between Funding and Accounting Basis 2018/19
(This has been restated to be aligned to the authority's internal financial reporting structure)

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £000	Net change for the Pensions Adjustments (Note 2) £000	Other Differences (Note 3) £000	Total Adjustments £000
Corporate Budgets	42,373	4,274	(906)	45,741
Neighbourhoods	6,973	1,694	23	8,690
Housing	(26,417)	715	(6)	(25,708)
Regeneration Programme Delivery	848	54	7	909
Adult Services	233	640	7	880
Children's Services	13,815	6,095	(114)	19,796
Public Health	0	43	0	43
oneSource Non-Shared	(2,914)	632	12	(2,270)
oneSource Shared	0	1,101	(14)	1,087
Net Cost of Services	**34,911**	**15,248**	**(991)**	**49,168**
Other income and expenditure from the Expenditure and Funding Analysis	(2,951)	38	44	(2,869)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**31,960**	**15,286**	**(947)**	**46,299**

Note 1 Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

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

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

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

Note 2 Net Change for the Pensions Adjustments

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

• **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

• For **Financing and investment income and expenditure** –- the net interest on the defined benefit liability is charged to the CIES.

Note 3 Other Differences

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

For **Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

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

7b. Segmental Income

Income received on a segmental basis is analysed below:

2018/19 £000	Income from Services	2019/20 £000
3,323	Corporate Budgets	4,166
27,191	Neighbourhoods	26,801
67,040	Housing	65,153
1,102	Regeneration Programme Delivery	1,510
18,352	Adult Services	19,197
141,770	Children's Services	147,390
10,937	Public Health	10,654
90,444	oneSource Non -Shared	74,444
3,389	oneSource Shared	4,012
363,548	**Total income analysed on a segmental basis Net Cost of Services**	**353,327**

8. Expenditure and Income Analysed by Nature

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

2018/19 £000	Expenditure/Income	2019/20 £000
	Expenditure	
197,695	Employee benefits expenses	199,861
314,031	Other services expenses	323,716
25,359	Depreciation, amortisation, impairment	11,340
20,027	Interest payments	20,745
16,609	Precepts and levies	17,773
1,126	Payments to Housing Capital Receipts Pool	1,106
51,082	(Gain)/Loss on the disposal of assets	(6,191)
625,929	**Total expenditure**	**568,350**
	Income	
(122,540)	Fees, charges and other service income	(121,499)
(9,485)	Interest and investment income	(3,873)
(164,080)	Income from council tax, non-domestic rates,	(163,915)
(281,434)	Government grants and contributions	(288,707)
(577,539)	**Total income**	**(577,994)**
48,390	**Surplus or Deficit on the Provision of Services**	**(9,644)**

9. 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 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 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.

2019/20	Usable Reserves: General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments to the Revenue Resources:						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions costs (transferred from the Pensions Reserve)	(12,134)	590				11,544
Financial instruments (transferred to the Financial Instruments Adjustments Account)	97					(97)
Available for sale financial instruments (transferred to the Available for Sale Financial Instruments Account)						0
Council tax and NNDR (transfers to or from Collection Fund)	(1,424)					1,424
Holiday pay (transferred to the Accumulated Absences Reserve)	70	(21)				(49)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account	(2,549)	(7,201)			(24,660)	34,410
Total Adjustments to Revenue Resources	**(15,940)**	**(6,632)**	**0**	**0**	**(24,660)**	**47,232**
Adjustments between Revenue and Capital Resources:						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	3,284	10,548	(13,832)			0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)		(157)	157			0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(1,106)		1,106			0
Posting of HRA resources from revenue to the Major Repairs Reserve		8,815		(8,815)		0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	2,194					(2,194)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	2,604	6,336				(8,940)
Total Adjustments between Revenue and Capital Resources	**6,976**	**25,542**	**(12,569)**	**(8,815)**	**0**	**(11,134)**
Adjustments to Capital Resources:						
Use of the Capital Receipts Reserve to finance capital expenditure			18,231			(18,231)
Use of the Major Repairs Reserve to finance capital expenditure				17,997		(17,997)
Application of capital grants to finance capital expenditure	6,063				21,283	(27,346)
Cash payments in relation to deferred capital receipts		(38)				38
Total Adjustments to Capital Resources	**6,063**	**(38)**	**18,231**	**17,997**	**21,283**	**(63,536)**
Total Adjustments	**(2,901)**	**18,872**	**5,662**	**9,182**	**(3,377)**	**(27,438)**

Comparative figures for 2018/19 are as follows:	Usable Reserves					
2018/19	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments to the Revenue Resources:						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions costs (transferred from the Pensions Reserve)	(14,571)	(715)				15,286
Financial instruments (transferred to the Financial Instruments Adjustments Account)	152					(152)
Available for sale financial instruments (transferred to the Available for Sale Financial Instruments Account)						0
Council tax and NNDR (transfers to or from Collection Fund)	(44)					44
Holiday pay (transferred to the Accumulated Absences Reserve)	120	7				(127)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account	(65,509)	(13,177)			(17,580)	96,266
Total Adjustments to Revenue Resources	**(79,852)**	**(13,885)**	**0**	**0**	**(17,580)**	**111,317**
Adjustments between Revenue and Capital Resources:						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	3,069	17,748	(20,817)			0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)		(236)	236			0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(1,126)		1,126			0
Posting of HRA resources from revenue to the Major Repairs Reserve		9,235		(9,235)		0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	1,875					(1,875)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	2,126	12,886				(15,012)
Total Adjustments between Revenue and Capital Resources	**5,944**	**39,633**	**(19,455)**	**(9,235)**	**0**	**(16,887)**
Adjustments to Capital Resources:						
Use of the Capital Receipts Reserve to finance capital expenditure			20,547			(20,547)
Use of the Major Repairs Reserve to finance capital expenditure				8,983		(8,983)
Application of capital grants to finance capital expenditure	1,901				14,395	(16,296)
Cash payments in relation to deferred capital receipts		(39)				39
Total Adjustments to Capital Resources	**1,901**	**(39)**	**20,547**	**8,983**	**14,395**	**(45,787)**
Total Adjustments	**(72,007)**	**25,709**	**1,092**	**(252)**	**(3,185)**	**48,643**

10. Movements in 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 2019/20.

	Balance as at 31 3 2018	Transfers from/to Revenue	Transfers between reserves	Balance as at 31 3 2019	Transfers from/to Revenue	Transfers between reserves	Balance as at 31 3 2020
	£000	£000	£000	£000	£000	£000	£000
General Fund Earmarked Reserves							
Corporate Transformation reserve	**4,431**	(4,173)	6,406	**6,664**	(4,548)	0	**2,116**
Business Risk reserve	**26,853**	1,192	(11,123)	**16,922**	(6,148)	0	**10,774**
Business Rates reserve	0	2,463	1,537	**4,000**	283	0	**4,283**
Regeneration	0	0	1,500	**1,500**	(914)	0	**586**
ICT Refresh	0	0	1,000	**1,000**	0	0	**1,000**
oneSource reserve	**634**	234	0	**868**	(413)	0	**455**
Insurance reserve	**6,389**	800	0	**7,189**	220	0	**7,409**
Reserves for future capital schemes	**11,628**	(722)	0	**10,906**	(3,602)	0	**7,304**
Legal reserve	**222**	(44)	0	**178**	0	0	**178**
Crematorium and Cemetery reserves	**726**	135	0	**861**	(34)	(49)	**778**
Social Care reserve	**22**	0	0	**22**	63	0	**85**
Troubled Families reserve	**1,175**	(467)	13	**721**	(196)	0	**525**
Public Health reserve	**1,178**	37	0	**1,215**	270	0	**1,485**
Whole life costing Transport Fleet reserve	**562**	(47)	0	**515**	0	0	**515**
Emergency assistance scheme	**741**	(50)	0	**691**	1,401	0	**2,092**
SLM Funding 2017/18-2022/23	**1,898**	(618)	0	**1,280**	106	0	**1,386**
Other reserves	**3,065**	(762)	667	**2,970**	7,207	0	**10,177**
HRA Major works	**3,545**	(524)	0	**3,021**	0	0	**3,021**
Total General Fund Earmarked Reserves	**63,069**	**(2,546)**	**0**	**60,523**	**(6,305)**	**(49)**	**54,169**
Schools Balances							
General Balances	**2,380**	(821)	0	**1,559**	(452)	0	**1,107**
Schools Balances	**4,004**	559	0	**4,563**	(1,346)	0	**3,217**
Centrally held schools balances (Note 34)	**2,565**	(100)	0	**2,465**	(3,500)	0	**(1,035)**
Total Schools Balances	**8,949**	**(362)**	**0**	**8,587**	**(5,298)**	**0**	**3,289**
Total Earmarked Reserves	**72,018**	**(2,908)**	**0**	**69,110**	**(11,603)**	**(49)**	**57,458**

General Fund Earmarked Reserves

Corporate Transformation and oneSource Reserves – These reserves will continue to be used to fund strategic projects and the transformation agenda.

Business Risk Reserve – After a strategic review of the earmarked reserves, the Senior Leadership Team de-committed various other earmarked reserves and reprioritised the funds to the Business Risk Reserve.

Business Rates Reserve – This reserve has been created to manage the risks and uncertainties around London wide business rate pooling. The risk of non-collection and successful business rate appeals can have fundamental impact on the Council's budget.

Regeneration Reserve – This is earmarked for the Council's masterplan regeneration projects across the borough, including the Romford masterplan.

ICT Refresh – This has been earmarked for the Council's Transitional Shift in operating models.

oneSource Reserve – This is earmarked to contribute to future projects and service improvement across all oneSource services.

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.

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. They consist of a fund created by fees, and a Cemetery Memorial Fund.

Social Care Funding – This is support for Social Care funding which local authorities receive from the NHS; 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.

Troubled Families – This is to contribute towards the funding of the current Troubled Families programme until 2020.

Public Health Reserve – This reserve arose out of a transfer of Primary Care Trust funding for Drugs and Alcohol Action Team services and underspends against the Public Health grant. The intention is to use the reserve for Public Health initiatives.

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

Emergency Assistance Scheme - The EAS is for assistance for extreme hardship in emergency situations. They are for vulnerable residents and customers experiencing hardship or In need of support.

SLM Funding 2017/18-2022/23 - This reserve will be required until 2022/23 and aims to smooth out the overall impact of the leisure management contract on the revenue account as the five leisure centres reach business maturity at different stages.

Other Reserves – This encompasses a range of several smaller reserves including Covid 19 funding, Library Book Fund, Health and Safety reserve, and provision to fund potential claims arising from building works.

Schools Balances

General Balances – This 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.

Schools Balances – These are balances that have been allocated to schools and are carried forward to the following financial year.

Centrally Held Schools Balances – The Authority's expenditure on schools is funded by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). Details of the deployment of DSG receivable for 2019/20 are shown at Note 34.

11. Other Operating Expenditure

2018/19 £000		2019/20 £000
16,609	Levies	17,773
1,126	Payments to the Government Housing Capital Receipts Pool	1,106
51,082	(Gain) / Loss on the disposal of non-current assets	(6,191)
68,817	**Total**	**12,688**

12. Financing And Investment Income And Expenditure

2018/19 £000		2019/20 £000
7,802	Interest payable and similar charges	7,790
12,224	Pensions net interest on the net defined benefit liability	12,955
(3,184)	Interest receivable and similar income	(3,873)
(3,034)	Income and expenditure in relation to investment properties (note 16)	(4,360)
(6,300)	Changes in the fair value of investment properties	(1,353)
7,508	**Total**	**11,159**

13.Taxation And Non-Specific Grant Income

2018/19 £000		2019/20 £000
(119,750)	Council tax income	(123,847)
(44,329)	National non-domestic rates income	(40,068)
(17,675)	Non ring-fenced government grants	(21,477)
(19,483)	Capital grants and contributions	(30,724)
(201,237)	**Total**	**(216,116)**

14. Property, Plant and Equipment

Movements in Balances 2018/19

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
Gross Book Value	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
At 31 March 2019	**555,066**	**473,184**	**15,881**	**177,626**	**4,609**	**615**	**29,491**	**1,256,323**
Additions	31,037	5,298	3,763	19,153	15	-	46,797	**106,063**
Revaluation increases/(decreases) to :								
Revaluation Reserve	(25,830)	4,951	-	-	772	145		**(19,962)**
Revaluation gains to the CI&ES	2,766	3,080	-	-	-	14		**5,860**
Derecognition - Disposals	(5,661)	(6)	-	-	-	-		**(5,667)**
Derecognition - other	-	-	-	-	-	-		**0**
Reclassifications & Transfers	7,404	6,915	-	-	-	-	(14,320)	**(1)**
At 31 March 2020	**564,782**	**493,422**	**19,644**	**196,779**	**5,396**	**774**	**61,968**	**1,342,765**
Accumulated Depreciation and Impairment								
At 31 March 2019	**-**	**1,272**	**7,901**	**81,156**	**510**	**2**	**-**	**90,692**
Depreciation Charge	8,290	4,974	1,341	5,933	112	1	**-**	**20,651**
Depreciation written out upon Revaluation:								
Revaluation Reserve	(6,023)	(5,038)	-		(343)	(3)	**-**	**(11,407)**
CI &ES	(2,267)	(315)	-		-	-	**-**	**(2,582)**
De-recognition - disposals	-	-			-	-	**-**	**0**
Reclassifications	-	-	-		-	-	**-**	**0**
At 31 March 2020	**0**	**893**	**9,242**	**87,089**	**279**	**0**	**0**	**97,503**
Net book value at 31 March 2020	**564,782**	**492,529**	**10,402**	**109,690**	**5,117**	**774**	**61,968**	**1,245,262**
Net book value at 31 March 2019	**555,066**	**471,912**	**7,980**	**96,470**	**4,099**	**613**	**29,491**	**1,165,631**

14. Property, Plant and Equipment

Movements in Balances 2018/19

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
Gross Book Value	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
At 31 March 2018	**569,103**	**543,528**	**17,346**	**170,976**	**4,142**	**742**	**5,335**	**1,311,172**
Additions	18,608	5,371	2,454	6,650	77	-	23,034	**56,194**
Revaluation increases/(decreases) to :								
Revaluation Reserve	(25,919)	(9,729)	-	-	318	121	-	**(35,209)**
Revaluation gains to the CI&ES	4,913	(6,915)	-	-	2	(248)	-	**(2,248)**
Derecognition - Disposals	(10,879)	(61,739)	(3,919)	-	-	-		**(76,537)**
Derecognition - other	-	2,951	-	-	-	-		**2,951**
Reclassifications & Transfers	(760)	(432)	-	-	70	-	1,122	**0**
At 31 March 2019	**555,066**	**473,035**	**15,881**	**177,626**	**4,609**	**615**	**29,491**	**1,256,323**
Accumulated Depreciation and Impairment								
At 31 March 2018	**0**	**1,748**	**9,816**	**74,798**	**482**	**54**	**0**	**86,898**
Depreciation Charge	8,577	6,467	2,004	6,358	85	15	**-**	**23,506**
Depreciation written out upon Revaluation:	-							
Revaluation Reserve	(6,565)	(5,228)	-		-	(67)	**-**	**(11,860)**
CI &ES	(2,025)	(1,265)	-		-	-	**-**	**(3,290)**
De-recognition - disposals	-	(642)	(3,919)		-	-	**-**	**(4,561)**
Reclassifications	13	43	-		(57)	-	**-**	**(1)**
At 31 March 2019	**0**	**1,123**	**7,901**	**81,156**	**510**	**2**	**0**	**90,692**
Net book value at 31 March 2019	**555,066**	**471,912**	**7,980**	**96,470**	**4,099**	**613**	**29,491**	**1,165,631**
Net book value at 31 March 2018	**569,103**	**541,780**	**7,530**	**96,178**	**3,660**	**688**	**5,335**	**1,224,274**

Capital Commitments

Estimated future capital commitments are shown below. Payment for these schemes will be incurred in 2020/21.

31 March 2019 £000		31 March 2020 £000
	Fund	
14,505	Arts, culture, sport and leisure	5,668
3,223	Roads, footways and bridges	12,000
15,803	Education capital schemes	26,118
10,201	Town centre and environmental Improvements	39,559
4,081	Office accommodation, equipment, ICT and vehicles	3,836
2,893	Other smaller General Fund schemes	2,650
50,706	**Total General Fund commitments**	**89,831**
40,313	Housing Revenue Account	76,363
91,019	**Total commitments**	**166,194**

Revaluations

The following statement shows the progress of the Authority's rolling programme for the revaluation of fixed assets. The valuations are reviewed 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 31 March 2020.

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Carried at historical cost	-	-	10,402	109,690	5,117	-	61,968	**187,177**
Valued at fair value as at:								
31 March 2020	564,782	461,047	-	-	-	774	-	**1,026,603**
31 March 2019		10,690	-	-	-	-	-	**10,690**
31 March 2018	-	9,906	-	-	-	-	-	**9,906**
31 March 2017	-	3,212	-	-	-	-	-	**3,212**
31 March 2016	-	7,674	-	-		-	-	**7,674**
Total cost or valuation	**564,782**	**492,529**	**10,402**	**109,690**	**5,117**	**774**	**61,968**	**1,245,262**

15. Heritage Assets

Carrying value of heritage assets held by the Authority

Cost or Valuation	**Civic Regalia £'000**	**Heritage Buildings £'000**	**Total Assets £'000**
31 March 2016	**80**	**25**	**104**
Depreciation	0	(1)	(1)
Revaluation	0	0	0
31 March 2017	**80**	**24**	**103**
Depreciation	0	(1)	(1)
Revaluation	30	0	30
31 March 2018	**110**	**23**	**133**
Depreciation	0	0	0
Revaluation	0	0	0
31 March 2019	**110**	**23**	**133**
Depreciation	0	(1)	(1)
Revaluation	0	0	0
31 March 2020	**110**	**22**	**132**

16. Investment Properties

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.

2018/19 £000		**2019/20 £000**
3,321	Rental income from investment property	4,677
(288)	Direct operating expenses arising from investment property	(317)
3,034	**Net gain**	**4,360**

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.

2018/19 £000		**2019/20 £000**
44,680	**Opening Balance**	**50,990**
6,300	Revaluation gains from fair value adjustment	1,353
10	Additions	14,899
0	Assets reclassified	0
0	Disposal of investment properties	0
50,990	**Balance at the end of the year**	**67,242**

The valuation of the Authority's investment property portfolio in 2019/20 was undertaken by Wilks Head & Eve who provide specialist valuations advice and who have extensive experience in the property sector.

c) Investments within the group balances

Mercury Land Holding hold £42.373m in investment properties that on an open market value for existing use basis.

The Council has three property joint ventures of which the Council holds a 50% stake hold property under development. At 31 March 2020, the Council share of the developments under construction were: Bridge Close (£5.25m), Rainham & Beam Park (£1.2m) and Havering & Wates (12 Estates) (£5.1m). These are shown under property, plant & equipment until complete.

Fair Value Hierarchy

Details of the authority's investment properties and information about the fair value hierarchy as at 31 March 2020 and 2019 are as follows:

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2020 £000
Office units	0	3,651	0	3,651
Commercial units	0	63,591	0	63,591
Total	**0**	**67,242**	**0**	**67,242**

2019 Comparative Figures

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2019 £000
Office units	0	4,254	0	4,254
Commercial units	0	46,736	0	46,736
Total	**0**	**50,990**	**0**	**50,990**

Transfers between Levels of the Fair Value Hierarchy
There were no transfers between Levels during the year.

Highest and Best Use of Investment Properties
In estimating the fair value of the authority's investment properties, the highest and best use of the asset has been used.

Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

Valuation Process for Investment Properties

The fair value of the authority's investment property is measured annually at each reporting date. All valuations are carried out externally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The authority's valuation experts work closely with property services and the capital finance manager reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

d) Investment in Subsidiaries and Joint Ventures

2018/19 £000	Investments in subsidiary companies and Joint Ventures:	2019/20 £000
8,735	Opening Balance	12,024
3,289	Additions	9,968
12,024	Closing Balance	21,992

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Corporation of incorporation	Class of shares	Holding	Principal activity
Mercury Land Holding	England	Ordinary	100%	Development of the building project

Joint Ventures

The following were 50% joint ventures of the Council:

Name	Corporation of incorporation	Class of shares	Holding	Principal activity
Bridge Close	England	Ordinary	50%	Development of the building project
Havering & Wates	England	Ordinary	50%	Development of the building project
Rainham & Beam Park	England	Ordinary	50%	Development of the building project

17. 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 licences 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 £483m charged to revenue in 2019/20 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:

2018/19 £000	**Intangible fixed assets software and system development**	**2019/20 £000**
2,989	Gross carrying amounts	2,989
(916)	Less accumulated amortisation	(1,421)
2,073	**Net carrying amount at start of year**	**1,568**
0	Additions – purchases	0
0	Disposals	0
(505)	Less amortisation for the period	(483)
1,568	**Net carrying amount at end of year**	**1,085**
	Comprising:	
2,989	Gross carrying amounts	2,989
(1,421)	Less accumulated amortisation	(1,904)

18. Financial Instruments

(a) Financial Instruments - Classification

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

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Authority and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Authority.

The Authority’s non-derivative financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Public Works Loan Board and commercial lenders
- short-term loans from other local authorities or public sector bodies
- overdraft with NatWest bank
- trade payables for goods and services received

Financial Assets

A financial asset is a right to future economic benefits controlled by the Authority that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. The financial assets held by the Authority during the year are held under the following classifications. Financial assets are classified into one of three categories. Financial assets held at amortised cost. Fair Value through (FVOCI) and Fair Value through profit and loss (FVTPL). All the Authority's financial assets have been assessed to be held at amortised cost; these represent loans and loan-type arrangements where repayments or interest and principal takes place on set dates and at specified amounts. Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit losses (ECL) model. Changes in loss allowances (including balances outstanding at the dates of derecognition of an asset) are debited / credited to the Financing and investment income and expenditure lines in the CIES.

Loans and receivables (financial assets that have fixed or determinable payments and are not quoted in an active market) comprising:

- cash in hand
- bank current and deposit accounts
- fixed term deposits and reverse repurchase agreements with banks and building societies
- loans to other local authorities
- loans to small companies
- trade receivables for goods and services delivered

(b) Financial Instruments - Balances

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

31 March 2019		Financial Liabilities	31 March 2020	
Long-Term £000	**Short-Term £000**		**Long-Term £000**	**Short-Term £000**
		Loans at amortised cost:		
		PWLB		
203,234		- Principal borrowed	228,234	
	413	- Accrued interest		425
		Market Loan		
7,000		- Principal borrowed	7,000	
	92	- Accrued interest		93
		Other Loans		
350	352	- Principal borrowed		38,366
	71	- Accrued interest		23
210,584	**928**	**Total borrowing ***	**235,234**	**38,907**
		Liabilities at amortised cost:		
		Trade payables		
0	41,806	- Trade Creditors	0	58,356
0	**41,806**	**Included in creditors**	0	**58,356**
210,584	**42,734**	**Total financial liabilities**	**235,234**	**97,263**

* The total short-term borrowing includes £0.519m (2018/19: £0.505m) representing accrued interest on long-term borrowing (PWLB £425k & LOBO £93k)

The Authorities financial assets disclosed in the Balance Sheet are analysed across the following categories:

31 March 2019		Financial Assets	31 March 2020	
Long-Term £000	**Short-Term £000**		**Long-Term £000**	**Short-Term £000**
		Loans and receivables:		
35,000	133,100	- Principal at amortised cost	10,000	142,800
	707	- Accrued interest		789
3,000	1,000	- Other Principal at amortised cost	3,000	
	117	- Accrued interest		113
38,000	**134,924**	**Total Investments ***	**13,000**	**143,702**
		Loans and receivables:		
	12,156	- Cash (including bank accounts)		10,895
	14,490	- Cash equivalents at amortised cost		15,850
	18	- Accrued interest		5
0	**26,664**	**Total cash and cash equivalents**	**0**	**26,750**
		Loans and receivables		
19,070	36,321	- Trade receivables	26,505	39,426
19,070	**36,321**	**Included in debtors**	**26,505**	**39,426**
57,070	**197,909**	**Total financial assets**	**39,505**	**209,878**

The financial assets disclosed in the Group Balance Sheet are analysed across the following categories:

31 March 2019		Fixed Assets	31 March 2020	
Long-Term £000	**Short-Term £000**		**Long-Term £000**	**Short-Term £000**
		Loans and receivables:		
35,000	133,100	- Principal at amortised cost	10,000	142,800
	707	- Accrued interest		789
3,000	1,000	- Other Principal at amortised cost	3,000	
	117	- Accrued interest		113
38,000	**134,924**	**Total investments**	**13,000**	**143,702**
		Loans and receivables:		
	12,422	- Cash (including bank accounts)		12,005
	14,490	- Cash equivalents at amortised cost		15,850
	18	- Accrued interest		5
0	**26,930**	**Total cash and cash equivalents**	**0**	**27,860**
		Loans and receivables		
2,428	34,904	- Trade receivables	232	37,127
0	**34,904**	**Included in debtors**	**232**	**37,127**
38,000	**196,758**	**Total financial assets**	**13,232**	**208,689**

(c) Financial Instruments - Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following items:

	Financial Liabilities		Financial Assets		2019/20 Total
	Amortised Cost	Fair Value though CI&ES	Amortised Cost	Fair Value though CI&ES	
	£000	£000	£000	£000	£000
Interest expense	7,790				7,790
Interest payable and similar charges	**7,790**	**0**	**0**	**0**	**7,790**
Interest income			(3,873)		(3,873)
Increases in fair value					0
Interest and investment income	**0**	**0**	**(3,873)**	**0**	**(3,873)**
Changes in value of investment properties				(1,353)	(1,353)
Income and expenditure relating to investment properties				(4,360)	(4,360)
Pensions Net Interest		12,955			12,955
Impact in Other Comprehensive Income	**0**	**12,955**		**(5,713)**	**7,242**
Net gain (loss) for the year	**7,790**	**12,955**	**(3,873)**	**(5,713)**	**11,159**

Gains and losses in 2018/19 were as follows:

	Financial Liabilities		Financial Assets		2018/19 Total
	Amortised Cost	Fair Value though CI&ES	Amortised Cost	Fair Value though CI&ES	
	£000	£000	£000	£000	£000
Interest expense	7,802				7,802
Interest payable and similar charges	**7,802**	**0**	**0**	**0**	**7,802**
Interest income			(3,184)		(3,184)
Increases in fair value					0
Interest and investment income	**0**	**0**	**(3,184)**	**0**	**(3,184)**
Changes in value of investment properties				(6,300)	(6,300)
Income and expenditure relating to investment properties				(3,034)	(3,034)
Pensions Net Interest		12,224			12,224
Impact in Other Comprehensive Income	**0**	**12,224**	**0**	**(9,334)**	**2,890**
Net gain (loss) for the year	**7,802**	**12,224**	**(3,184)**	**(9,334)**	**7,508**

(d) Financial Instruments - Fair Values

Financial assets classified as available for use are carried in the Balance Sheet at fair value. For most assets, including bonds the fair value is taken from the market price. The fair values of other instruments have been estimated calculating the net present value of the remaining contractual cash flows as at 31 March 2020. LINK, the Council's adviser have provided the Fair value calculations.

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2020, using the following methods and assumptions:

- The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March;
- No early repayment or impairment is recognised for any financial instrument;
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

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

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

31 March 2019				31 March 2020	
Balance Sheet £000	Fair Value £000		Fair Value Level	Balance Sheet £000	Fair Value £000
		Financial liabilities held at amortised cost:			
203,234	284,389	- Long-term loans from PWLB	2	228,234	348,464
7,000	12,672	- Long-term LOBO loans	2	7,000	15,985
350	350	- Other long-term loans	2		
352	352	- Other Short-term loans	2	38,366	42,306
576	576	- Accrued interest		541	541
211,512	**298,339**	**Total**		**274,141**	**407,296**
41,806	41,806	Liabilities for which fair value is not disclosed		58,356	58,356
253,318	**340,145**	**Total Financial Liabilities**		**332,497**	**465,652**

31 March 2019				31 March 2020	
Balance Sheet £000	Fair Value £000		Fair Value Level	Balance Sheet £000	Fair Value £000
		Recorded on balance sheet as:			
41,806	41,806	- Short-term creditors		58,356	58,356
928	928	- Short-term borrowing		38,907	42,848
210,584	297,824	- Long-term borrowing		235,234	364,450
253,318	**340,558**	**Total Financial Liabilities**		**332,497**	**465,654**

The fair value of short-term financial liabilities including trade payables is assumed to approximate to the carrying amount.

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the Authority's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

31 March 2019				31 March 2020	
Balance Sheet £000	Fair Value £000		Fair Value Level	Balance Sheet £000	Fair Value £000
		Financial assets held at amortised cost:			
		Loans & Receivables			
35,000	35,384	- Long-term loans to local authorities	2	10,000	10,205
19,070	18,546	- Long-term other loans	2	26,505	26,087
74,000	74,347	- Short-term loans to local authorities	2	90,000	90,398
59,100	59,212	- Short-term bank deposits	2	52,800	53,089
3,000	3,294	- Unrated Corporate Bonds	2	3,000	3,315
1,000	1,000	- Covered Bond	1		
824	824	- Accrued interest		902	902
		Cash and Cash equivalents			
26,646	26,646	- Cash equivalents at amortised cost	2	26,745	26,745
18	18	- Accrued interest	2	5	5
218,658	**219,271**	**Total**		**209,957**	**210,746**
36,322	36,322	Assets for which fair value is not disclosed *		39,426	39,426
254,980	**255,593**	**Total Financial Assets**		**249,383**	**250,172**
		Recorded on balance sheet as:			
19,070	18,546	- Long-term debtors		26,505	26,087
38,000	38,678	- Long-term investments		13,000	13,520
37,146	37,146	- Short-term debtors		40,328	40,328
134,100	134,559	- Short-term investments		142,800	143,487
26,664	26,664	- Cash and cash equivalents		26,750	26,750
254,980	**255,593**	**Total Financial Assets**		**249,383**	**250,172**

The fair value of short-term financial assets including trade receivables is assumed to approximate to the carrying amount.

The fair value of financial assets held at amortised cost is higher than their balance sheet carrying amount because the interest rate on similar investments is now lower than that obtained when the investment was originally made.

(e) Financial Instruments - Risks

The Authority has adopted CIPFA's Code of Practice on Treasury Management (and subsequent amendments) and complies with The Prudential Code for Capital Finance in Local Authorities (revised in 2017).

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

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Authority's Treasury Management Strategy and its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The main risks covered are:

- *Credit Risk:* The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Authority.
- *Liquidity Risk:* The possibility that the Authority might not have the cash available to make contracted payments on time.
- *Market Risk:* The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

Credit Risk: Investments

The Authority manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Authority has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Authority has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

A limit of 10% of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). The Authority also sets limits on investments in certain sectors.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £71.650m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31st March 2020 that this was likely to crystallise.

The credit quality of £3.0m of the Authority's investments is enhanced by collateral held in the form of Unrated corporate bonds. The collateral significantly reduces the likelihood of the Authority suffering a credit loss on these investments.

The table below summarises the credit risk exposures of the Authority's investment portfolio by credit rating:

31 March 2019		Credit Rating	31 March 2020	
Long-term £000	**Short-term £000**		**Long-term £000**	**Short-term £000**
0	14,490	AAA	0	15,850
0	5,000	AA+	0	0
0	0	AA	0	0
0	4,100	AA-	10,000	90,000
0	20,000	A+	0	22,800
0	21,000	A	0	30,000
0	0	A-	0	0
35,000	84,000	Unrated local authorities	0	0
3,000	0	Unrated Corporate Bonds	3,000	0
38,000	**148,590**	**Total Investments**	**13,000**	**158,650**

Credit Risk: Receivables

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;
- 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. The de minimis for 2019/20 is £50,000.

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

The following analysis summarises the Authority's potential maximum exposure credit risk, based on the experience gathered over the last five financial years on the level of default on trade debtors, adjusted for current market conditions. Only those receivables meeting the definition of a financial asset are included.

Credit risk exposure 31 March 2019 £000		Gross balance of debtors £000	Average % default based on past experience %	Average % default based on current experience %	Credit risk exposure 31 March 2020 £000
0	Capital	3,369	0	0	0
6,609	Housing	8,866	71	76	5,723
631	Social Services	8,017	10	4	359
5,220	Parking	6,862	80	92	6,294
0	Other local authorities	767	0	0	0
0	Health authorities	1,943	0	0	0
1,485	Other sundry debtors	22,206	9	9	1,907
13,945	**Total**	**52,030**	**27**	**27**	**14,283**

Liquidity Risk

The Authority has ready access to borrowings from the Public Works Loan Board, other local authorities, banks and corporates There is no perceived significant risk that the Authority will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourable interest rates.

The maturity analysis of the principal sums borrowed is as follows:

31 March 2019 £000	Time to maturity (years)	31 March 2020 £000
350	Not over 1	38,366
0	Over 1 but not over 2	1,110
1,110	Over 2 but not over 5	0
56,540	Over 5 but not over 10	73,065
82,624	Over 10 but not over 20	66,099
30,000	Over 20 but not over 30	30,000
32,960	Over 30 but not over 40	32,960
0	Over 40	25,000
7,000	Uncertain date	7,000
210,584	**Total**	**273,600**

The Authority has £7m of “Lender’s option, borrower’s option” (LOBO) loans where the lender has the option to propose an increase in the rate payable; the Authority will then have the option to accept the new rate or repay the loan without penalty. Due to current low interest rates, in the unlikely event that the lender exercises its option, the Authority is likely repay these loans. The maturity date is therefore uncertain.

Market Risks: Interest Rate Risk

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

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited will rise
- investments at fixed rates – the fair value of the assets will fall

Investments classed as "loans and receivables" and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on 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. Movements in the fair value of fixed rate investments classed as "available for sale" will be reflected in other comprehensive income and expenditure.

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

	2019/20 £000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	0
Impact on comprehensive income and expenditure	0
Decrease in fair value of loans and receivables *	(197)
Decrease in fair value of fixed rate borrowing liabilities *	(34,076)

* No impact on comprehensive income and expenditure. The Authority has no investments in call accounts with falling interest rates at 31st March 2020.

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

19. Debtors

Short-Term Debtors

31 March 2019 £000					31 March 2020 £000			
Gross	Impairment Allowance		Net		Gross	Impairment Allowance		Net
				Collection Fund Debtors				
14,426	(7,259)	*	7,167	Council Tax payers	14,662	(7,764)	*	6,898
2,157	(1,408)	*	749	Business Rate payers	1,319	(677)	*	642
				Other Debtors				
7,805	0	*	7,805	Government departments	6,113	0	*	6,113
2,443	0		2,443	Capital	3,369	0		3,369
9,657	(6,609)		3,048	Housing	8,866	(6,723)		2,143
10,062	(7,124)	*	2,938	Housing Benefit	10,415	(7,616)	*	2,799
6,572	(631)		5,941	Social Services	8,017	(359)		7,658
6,799	(5,220)		1,579	Parking Enforcement	6,862	(6,294)		568
1,298	0		1,298	Other local authorities	767	0		767
1,671	0		1,671	Health authorities	1,943	0		1,943
1,417	0		1,417	Mercury Land Holdings	2,683	0		2,683
21,234	(1,485)		19,749	Other sundry debtors	22,202	(1,907)		20,295
85,541	**(29,736)**		**55,805**	**Total Short-Term debtors**	**87,218**	**(31,340)**		**55,878**

* These debtors are not included in Note 18(b), Financial Instruments (balances), as they do not meet the definition of a financial asset.

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

Debtors for Local Taxation

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

31 March 2019 £000	Age of Debtors	31 March 2020 £000
4,344	Less than 1 year	4,088
2,539	Between 1 and 2 years	2,599
2,106	Between 2 and 3 years	1,847
7,594	More than 3 years	7,447
16,583	**Balance at end of the year**	**15,981**

Long-Term Debtors

31 March 2019 £000		31 March 2020 £000
16,642	Mercury Land Holdings	24,108
2,164	Wates JV	2,164
264	Other	233
19,070	**Total Long-Term Debtors**	**26,505**

20. Cash and Cash Equivalents

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

2018/19 £000		2019/20 £000
5,988	Bank current accounts	4,936
14,508	Short-term deposits with banks – call accounts	5,959
6,168	Schools – under the LMS cheque book scheme	15,855
26,664	**Total cash and cash equivalents**	**26,750**

21. Assets Held for Sale

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

2018/19 £000		2019/20 £000
6,906	**Opening Balance**	**1,826**
(2,530)	Revaluation gains from fair value adjustments	0
0	Assets reclassified	0
(2,550)	Disposals	(1,826)
1,826	**Balance at end of the year**	**0**

22. Short-Term Creditors

31 March 2019 £000		31 March 2020 £000
	Collection Fund creditors	
6,469	Council Tax payers *	6,475
4,047	Business Rates payers *	2,608
5,413	Grater London Authority *	3,870
281	Central Government (NNDR)*	3,650
	Other Creditors	
3,109	Central Government *	1,842
4,218	HMRC *	4,567
13,627	Pension Fund *	21,904
2,473	Capital creditors	13,337
33,663	Other sundry creditors	36,349
5,670	Income in advance	8,670
78,970	**Total**	**103,272**

* These creditors are not included in Note 18(b), Financial Instruments, as they do not meet the definition of a financial liability.

23. Provisions

2019/20	Self Insurance £000	Collection Fund £000	Other Provisions £000	Total £000
Balance at 31 March 2019	**2,850**	**6,855**	**0**	**9,705**
Additional provisions made in year	93			**93**
Amounts used in year		(709)		**(709)**
Transfer to revenue				**0**
Balance at 31 March 2020	**2,943**	**6,146**	**0**	**9,089**

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 July 2019 were; public and employer's liability (£125,000), motor vehicles (£25,000) and property (£50,000).

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. Based on estimates on the likely settlement year, we could assume that **£7.86 million** will be settled within the next financial year, but this is a very high-level guesstimate. Only the Authority's share of the appeals is recorded within the note, and this year's share is 48% compared to 64% in 2018/19.

24. Usable Reserves

31 March 2019 £000		31 March 2020 £000
12,287	General Fund balance	12,687
69,110	Earmarked Reserves	57,457
4,907	Housing Revenue Account balance	9,832
47,146	Capital Grants Unapplied	50,523
54,881	Capital Receipts Reserve	49,219
30,915	Major Repairs Reserve	21,732
219,246	**Total usable reserves**	**201,450**

25. Unusable Reserves

31 March 2019 £000		31 March 2020 £000
406,796	Revaluation Reserve	393,756
570,838	Capital Adjustment Account	615,623
(572)	Financial Instruments Adjustment Account	(475)
(539,382)	Pension Reserve	(423,095)
205	Deferred Capital Receipts Reserve	166
(61)	Collection Fund Adjustment Account	(1,485)
(3,837)	Accumulated Absences Account	(3,789)
433,987	**Total unusable reserves**	**580,701**

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 Capitals Adjustment Account.

31 March 2019 £000		31 March 2020 £000
470,842	**Balance at 1 April**	**406,796**
(23,484)	Net gain/(deficit) on revaluation of fixed assets	(8,555)
(5,851)	Excess of Fair Value Depreciation over Historical costs depreciation	(4,481)
(35,896)	Removal of Revaluation balance upon sale	(4)
1,185	Other Adjustments	0
406,796	**Balance at 31 March**	**393,756**

b) Financial Instruments Available for Sale Reserve

This reserve is used for the accounting entries for a covered bond and Floating Rate Notes that were purchased in 2015/16 and 2016/17 respectively which were valued on the balance sheet at fair value. No differences in value were credited to the Comprehensive Income and Expenditure Statement in 2019/20 or 2018/19. Any sum charged to the Comprehensive Income and Expenditure Statement is subsequently transferred out through the movement in reserves statement and recorded in the Financial Instruments Available for Sale Reserve in accordance with statutory requirements.

c) 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 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2018/19 £000		2019/20 £000
563,831	**Balance at 1 April**	**570,838**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(23,506)	Net charges for depreciation of non-current assets	(20,652)
(1,349)	Net charges for impairment of non-current assets	8,443
0	Net charges for de-recognition of non-current assets	0
0	Mitigation of PPP Capitalised	0
(504)	Amortisation of intangible assets	(483)
(74,574)	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	(7,544)
	Adjusting amounts written out of the Revaluation Reserve	
5,851	Excess of Fair Value Depreciation over Historical costs depreciation	4,481
35,893	Removal of Revaluation balance upon sale	4
1,766	Other	0
(56,423)	**Net written out amount of the cost of non-current assets consumed in the year**	**(15,751)**
	Capital financing applied in the year:	
20,547	Use of the Capital Receipts Reserve to finance new capital expenditure	18,231
8,983	Use of the Major Repairs Reserve to finance new capital expenditure	17,997
16,296	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	27,347
1,875	Statutory provision for the repayment of debt	2,194
15,013	Capital expenditure charged against the General Fund and HRA balances	8,940
62,714	**Capital financing applied in year**	**74,709**
(5,584)	**Revenue expenditure funded from capital under statute**	**(15,527)**
6,300	**Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement**	**1,353**
570,838	**Balance at 31 March**	**615,622**

d) 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.

2018/19 £000		2019/20 £000
(727)	**Balance at 1 April**	(572)
155	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	97
(572)	**Balance at 31 March**	**(475)**

e) 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.

2018/19 £000		2019/20 £000
(469,258)	**Balance at 1 April**	**(539,382)**
(54,838)	Actuarial gains or (losses) on pensions assets and liabilities	127,831
(45,217)	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	(45,066)
29,931	Employer's pensions contributions and direct payments to pensioners payable in the year	33,522
(539,382)	**Balance at 31 March**	**(423,095)**

f) 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.

2018/19 £000		2019/20 £000
244	**Balance at 1 April**	**244**
(39)	Transfer to the Capital Receipts Reserve upon receipt of cash	(78)
205	**Balance at 31 March**	**166**

g) 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.

2018/19 £000		2019/20 £000
(17)	**Balance at 1 April**	**(61)**
(44)	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	(1,424)
(61)	**Balance at 31 March**	**(1,485)**

h) 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.

2018/19 £000		2019/20 £000
(3,965)	**Balance at 1 April**	**(3,837)**
3,965	Settlement or cancellation of accrual made at the end of the preceding year	3,837
(3,837)	Amounts accrued at the end of the current year	(3,789)
128	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	48
(3,837)	**Balance at 31 March**	**(3,789)**

26. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2018/19 Authority £000	2018/19 Group £000		2019/20 Authority £000	2019/20 Group £000
21,166	21,176	Depreciation, impairment and downward revaluation	12,209	12,219
504	504	Amortisation	483	483
727	1,352	Movement in creditors	24,303	30,327
0	0	Movement in long-term creditors	0	0
(7,113)	(7,872)	Movement in debtors	(77)	1,628
(5,685)	(2,180)	Movement in long-term debtors	(7,435)	20
(64)	36	Movement in inventories	(4)	(4)
15,286	15,286	Movement in pension liability	11,544	11,544
4,356	4,356	Decrease in provisions	(616)	(616)
71,623	71,623	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	7,544	7,474
3,332	3,084	Other non-cash items charged to the net surplus or deficit on the provision of services	14,313	14,231
104,132	**107,365**	**Net cash flows from operating activities**	**62,264**	**77,306**

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

2018/19 Authority £000	2018/19 Group £000		2019/20 Authority £000	2019/20 Group £000
(19,483)	(19,483)	Capital grants credited to the Consolidated Income and Expenditure Statement	(30,724)	(30,724)
(20,542)	(20,542)	Proceeds from sale of fixed assets	(13,636)	(13,636)
(40,025)	**(40,025)**	**Adjustment for items included in the net surplus or deficit on the provisions of services that are investing and financing activities**	**(44,360)**	**(44,360)**

27. Cash Flow Statement – Investing Activities

2018/19 Authority £000	2018/19 Group £000		2019/20 Authority £000	2019/20 Group £000
(61,788)	(61,788)	Purchase of property, plant and equipment, investment property and intangible assets	(136,489)	(136,489)
(243,909)	(251,364)	Purchase of short-term and long-term investments	(188,790)	(217,230)
20,542	20,542	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	13,636	13,636
19,946	19,946	Capital grants received	26,427	41,299
253,001	253,001	Proceeds from short-term and long-term investments	195,126	195,126
0	0	Other receipts from investing activities	0	0
(12,208)	**(19,663)**	**Net cash flows from investing activities**	**(90,090)**	**(103,658)**

28. Cash Flow Statement – Financing Activities

2018/19 Authority £000	2018/19 Group £000		2019/20 Authority £000	2019/20 Group £000
29,253	29,253	Cash receipts of short-term and long-term borrowing	180,623	180,623
(59,518)	(59,518)	Repayments of short-term and long-term borrowing	(117,995)	(117,995)
(30,265)	**(30,265)**	**Net cash flows from financing activities**	**62,628**	**62,628**

29. Trading Operations

2018/19 (Surplus)/ Deficit £000		2019/20 Income £000	2019/20 Expenditure £000	2019/20 (Surplus)/ Deficit £000
	a) Open Air Market			
221	The Authority operates an open air market three days a week	(342)	509	166
	b) Other Trading Accounts			
(1,203)	Highways	(3,365)	2,847	(518)
163	Schools/Welfare Catering	(7,732)	7,533	(198)

Open Air Market -The Market trading results have been in line with 2018/19, continuing to be impacted by the negative market trading position.

Highways – Actual surplus income has reduced by £0.685m in comparison to that of 2018/19. The reduction in surplus was due to a delay in the works programme for 2019/20 with a plan to complete in 2020/21. It is anticipated that the 2020/21 programme will also be impacted by further delays, the COVID19 pandemic and the subsequent withdrawal of Transport for London (TFL) funded schemes. The aspiration for 2021/22 is to return to "business as usual" and regain this surplus.

Schools/Welfare Catering - The Service has a £410k surplus before overheads in 2019/20, once overheads are applied this reduces the surplus to £198k. Recharges reduced significantly between 2018/19 & 2019/20 by £317k which led to a more favourable outcome than in previous years. Income increased by £121k due to an increase in the primary school meal of 5p per meal from September 2019. This financial outturn also includes contract retention costs for £55K for capital investment into school kitchens.

30. Pooled Budgets

Mental Health

Under the National Health Services Act 2006 & Local Government Acts 1972 & 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 & Social Care Services, for Adults with Mental Health (MH) issues who qualify for such provision. The pooled budget is accounted for under a joint arrangement

2018/19 £000		2019/20 £000
	Funding	
1,527	Section 75 Joint Pooled Budget between London Borough of Havering and North East London Foundation Trust	1,485
100	Recharges (excluded from the Pooled Budget)	88
1,324	Non Pooled Budget codes	1,328
2,951	**Total funding**	**2,901**
2,846	**Final outturn**	**2,977**

Adult Services – Better Care Fund

Under the National Health Services Act 2006 section 13Z (2) and 14Z (3) & Local Government Acts 1972 & 2000, a partnership arrangement was established with NHS Havering Clinical Commissioning Group (CCG).

The agreement provides for The London Borough of Havering (LBH) to host a pooled budget between the two partners, out of which payment was made towards expenditure incurred in the exercise of prescribed local authority functions and prescribed NHS functions through joint commissioning arrangements.

The agreed Pooled budget between LBH and the CCG is split into three main parts which are activities relating to Capital, Commissioned services and items charged with LBH revenue costs.

The pooled budget is accounted for under a joint arrangement.

Expenditure in 2019/20 was as follows:

Section 75 Joint Pooled Budget between LBH and CCG	Budget 2019/20 £000	Actual 2019/20 £000	BCF Funding Outturn 19-20 £000
LBH Funding - Capital			
Disability Facility Grant Allocation	1,813	1,316	(497)
Net Pooled Capital	**1,813**	**1,316**	**(497)**
LBH Funding Revenue - CCG Commissioned Services			
Minimum CCG Contribution - Expenditure	**11,202**	**11,202**	**0**
Revenue - CCG/ LBH			
Minimum CCG Contribution - Expenditure	**7,920**	**7,920**	**0**
CCG Minimum contribution representing ex256 monies	4,959		
CCG minimum contribution element for services commissioned on behalf of CCG - Reablement	1,259		
CCG minimum contribution element for services commissioned on behalf of CCG - Riverside	172		
CCG contribution to Care Act	656		
LBH Additional Contribution	874		
Net Pooled Revenue	**19,122**	**19,122**	**0**
Total Pooled	**20,935**	**20,438**	**(497)**

Underspend on capital has been carried forward into the following financial year (2020/21).

Comparative figures for 2018/19 are as follows:

Section 75 Joint Pooled Budget between LBH and CCG	Budget 2018/19 £000	Actual 2018/19 £000	BCF Funding Outturn 18-19 £000
LBH Funding - Capital			
Disability Facility Grant Allocation	1,869	1,345	(524)
Net Pooled Capital	**1,869**	**1,345**	**(524)**
LBH Funding Revenue - CCG Commissioned Services			
Minimum CCG Contribution - Expenditure	**10,396**	**10,396**	**0**
Revenue - CCG/ LBH			
Minimum CCG Contribution - Expenditure	**7,505**	**7,505**	**0**
CCG Minimum contribution representing ex256 monies	4,864	4,864	
CCG minimum contribution element for services commissioned on behalf of CCG - Reablement	882	882	
CCG minimum contribution element for services commissioned on behalf of CCG - Riverside	175	175	
CCG contribution to Care Act	644	644	
LBH Additional Contribution	940	940	
Net Pooled Revenue	**17,901**	**17,901**	**0**
Total Pooled	**19,770**	**19,246**	**(524)**

31. Members' Allowances

Payments in year were £951,150 including expenses (£929,598 in 2018/19). Additionally, payments to co-opted members totalled £1,585 (£1,468 in 2018/19).

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:

			2019/20			2018/19		
Lower Band		Upper Band	Schools	Other	**Total**	Schools	Other	**Total**
£50,000	-	£55,000	21	68	**89**	24	45	**69**
£55,000	-	£60,000	6	11	**17**	16	24	**40**
£60,000	-	£65,000	14	16	**30**	16	18	**34**
£65,000	-	£70,000	14	18	**32**	10	17	**27**
£70,000	-	£75,000	6	16	**22**	9	11	**20**
£75,000	-	£80,000	6	7	**13**	9	7	**16**
£80,000	-	£85,000	7	5	**12**	3	4	**7**
£85,000	-	£90,000	2	2	**4**	2	2	**4**
£90,000	-	£95,000	2	5	**7**	2	3	**5**
£95,000	-	£100,000	3	3	**6**	1	1	**2**
£100,000	-	£105,000	1	2	**3**		3	**3**
£105,000	-	£110,000		3	**3**		1	**1**
£110,000	-	£115,000			**0**		3	**3**
£115,000	-	£120,000		1	**1**			**0**
£120,000	-	£125,000		1	**1**		1	**1**
£125,000	-	£130,000			**0**		1	**1**
£130,000	-	£135,000			**0**			**0**
£135,000	-	£140,000		1	**1**		2	**2**
£140,000	-	£145,000			**0**			**0**
£145,000	-	£150,000		2	**2**			**0**
£150,000+				2	**2**		3	**3**
			82	**163**	**245**	**92**	**146**	**238**

The table includes staff for whom additional disclosures are required, as set out below (Senior Officers Remuneration).

Senior Officers Remuneration

The following table sets out the remuneration disclosures for Senior Officers 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 Senior Leadership 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 2019/20 £	Employer's pension contribution £	Total Remuneration including pension contributions 2019/20 £
Chief Executive - Andrew Blake-Herbert	1	177,204	17,551	**194,755**	27,644	**222,398**
Chief Operating Officer - Jane West	1	154,956	2,399	**157,355**	0	**157,355**
Director of Neighbourhoods	2	57,490	369	**57,859**	8,968	**66,828**
Director of Children's Services	3	120,376	334	**120,710**	18,779	**139,488**
Previous Director of Children's Services	3	77,483	334	**77,817**	12,223	**90,040**
Director Adult Services		146,466	668	**147,134**	22,849	**169,983**
Director of Public Health		109,320	0	**109,320**	15,720	**125,040**
Director of Housing	4	66,763	369	**67,132**	10,415	**77,547**
Director of Regeneration	5	50,591	156,000	**206,591**	0	**206,591**
Total		**960,649**	**178,025**	**1,138,674**	**116,598**	**1,255,271**

Note 1 As part of his Electoral duties, the Chief Executive received a sum of £17,551 and as part of her Electoral duties, the Chief Operating Officer received a sum of £2,399.

Note 2 The Director of Neighbourhoods commenced post on 1st November 2019.

Note 3 The previous Director of Children's Services left on 30th September 2019. The new Director commenced post on 1st October 2019.

Note 4 The Director of Housing commenced post on 7th October 2019.

Note 5 The Director of Regeneration commenced post on 1st May 2019, at 0.4FTE and has an equivalent full-time annualised salary of £137,976. The other payment of £156,000 was to the Director's employer.

Note 6 In addition to this, the Executive Director of oneSource, again a shared appointment between Havering, Newham and Bexley Council, was paid £120,214. These costs are the full cost between the three Boroughs. Further details on the OneSource cost sharing arrangement is reported under note 36, Related Parties.

The comparative figures for 2018/19 are as follows:

Post Holder Information	Notes	Salary £	Other payments £	Total Remuneration excluding pension contributions 2018/19 £	Employer's pension contribution £	Total Remuneration including pension contributions 2018/19 £
Chief Executive – Andrew Blake-Herbert	1	175,277	9,563	**184,840**	38,561	**223,401**
Chief Operating Officer	1	151,984	1,000	**152,984**	-	**152,984**
Previous Director of Neighbourhoods	2	116,195	96,000	**212,195**	25,563	**237,758**
Director of Children's Services		137,863	-	**137,863**	30,675	**168,538**
Director Adult Social Care and Health		139,434	-	**139,434**	30,675	**170,109**
Director of Public Health		111,689	-	**111,689**	16,061	**127,750**
Director of Legal and Governance	3	132,113	-	**132,113**	-	**132,113**
Total		**964,555**	**106,563**	**1,071,118**	**141,535**	**1,212,653**

Note 1 As part of his electoral duties, the Chief Executive received a sum of £9,563 and as part of her electoral duties, the Chief Operating Officer received a sum of £1,000.

Note 2 The previous Director of Neighbourhoods left on 31st January 2019, and their pay includes redundancy payments. The new director commenced post on 1st January 2019.

Note 3 This post is a shared appointment between Havering, Newham and Bexley Council but it was a statutory named officer role for Havering.

33. External Audit Costs

The following fees relating to external audit and inspection were included in the 2019/20 accounts:

2018/19 £000		2019/20 £000
117	Fees payable with regard to external audit services carried out by appointed auditor	146
23	Certification of grant claims (housing benefit subsidy claim, capital pooling receipts and teachers pension)	5
0	Amounts relating to prior year Statement of Accounts 2017/18 scale fee variation and extra fees	57
0	Audit fees refunded by the PSAA (Public Sector Audit Appointments Ltd.)	(14)
140	**Total for year**	**194**

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 2019/20 are as follows:

	Schools Budget Funded by Dedicated School Grant		
	Central Expenditure £000	Individual Schools Budget £000	Totals £000
Final DSG for 2019/20 before academy recoupment			219,605
Less academy figure recouped for 2019/20			(104,849)
Total DSG after academy recoupment for 2019/20			**114,756**
Plus: brought forward from 2018/19			2,465
Agreed initial budgeted distribution for 2019/20	**37,215**	**80,006**	**117,221**
In year adjustments	0	0	0
Final budgeted distribution for 2019/20	**37,215**	**80,006**	**117,221**
Actual central expenditure	(38,249)		(38,249)
Actual ISB deployed to schools		(80,006)	(80,006)
Carry forward to 2020/21	**(1,034)**	**0**	**(1,034)**

Comparative figures for 2018/19 are as follows:

	Schools Budget Funded by Dedicated School Grant		
	Central Expenditure £000	Individual Schools Budget £000	Totals £000
Final DSG for 2018/19 before academy recoupment			215,293
Less academy figure recouped for 2018/19			(101,200)
Total DSG after academy recoupment for 2018/19			**114,093**
Plus: brought forward from 2017/18			2,565
Agreed initial budgeted distribution for 2018/19	**30,327**	**86,331**	**116,658**
In year adjustments	0	0	0
Final budgeted distribution for 2018/19	**30,327**	**86,331**	**116,658**
Actual central expenditure	(27,862)		(27,862)
Actual ISB deployed to schools		(86,331)	(86,331)
Carry forward to 2019/20	**2,465**	**0**	**2,465**

35. Grant Income

a) The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20:

2018/19 £000		2019/20 £000
Credited to Taxation and Non Specific Grant Income		
17,675	Non ring-fenced Grant	21,477
19,483	Capital Grants	30,724
37,158	**Total**	**52,201**
Credited to Services		
54,155	Rent Allowances	44,433
31,791	Rent Rebates	27,912
10,935	Public Health Grant	10,646
114,308	Dedicated Schools Grant	115,545
6,564	Better Care Fund	7,046
4,384	Contributions from Other Local Authorities	5,889
1,029	School Contribution	1,055
1,181	Schools Funding Agency / Education Funding Agency	1,244
5,482	Pupil Premium Grant	5,058
2,880	Universal Free School Meals	2,618
861	Additional Funding For Schools –Primary School Sports Funding	849
931	Unaccompanied Asylum Seeking Children Funding	1,791
1,617	Flexible Homelessness Grant	1,515
0	Social Care Innovation Programme	1,069
0	Teachers Pension Grant	1,663
0	Teachers Pay Grant	854
0	Children Social Care Innovation Grant	607
7,717	Other	8,521
243,835	**Total**	**238,315**

Current Liabilities

b) Capital Grants – receipts in advance:

2018/19 £000		2019/20 £000
12,527	Brought forward	13,393
2,767	Amounts received in year	1,957
(1,901)	Amounts applied to meet new capital investment	(6,063)
13,393	**Carried forward**	**9,287**

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.

Members

Members of The Authority have direct control over its financial and operating policies. The total of Members' allowances paid in 2019/20 is shown in Note 31.

The table below shows the Related Party interests in other entities as disclosed by Members and the transactions that took place between the Authority and the Related Party. Individual transactions were approved by officers and not by Members named. Information is disclosed to ensure transparent disclosure.

Organisations	Member	Payments to Organisations by the Authority £000	Balance Outstanding £000	Income £000	Income Outstanding £000
East London Waste Authority	Cllr R Benham Cllr O Dervish	17,049	-	(937)	(934)
Veolia ES Cleanaway Havering Riverside Trust	Cllr R Benham	8	-	(5)	-
Havering Arts Council	Cllr J Chapman Cllr J Frost Cllr L Hawthorn Cllr T Lawal Cllr T Ryan	1	-	-	-
Romford Town Management Partnership	Cllr J Chapman Cllr D White	1,232	-	(28)	-
Havering Theatre Trust Ltd.	Cllr P Crowder Cllr G Ford Cllr P McGeary	313	-	(40)	(6)
BETRA Tenant Management Organisation (appointed by Council)	Cllr P McGeary	243	-	-	-
Learning Federation; Broadford and Mead Schools; Harold Hill - Chair of Finance	Cllr P McGeary	4,114	-	-	-
London Riverside (BID) Limited	Cllr D White	558	-	(25)	-
Havering Association for People with Disabilities Representative	Cllr N Dodin Cllr Christine Smith	99	-	-	-
Tapestry	Cllr L Hawthorn Cllr Christine Smith	567	-	(1)	-
Citizens Advice Bureau - Havering Board Member	Cllr Christine Smith	199	-	(19)	-
Havering Volunteer Centre	Cllr L Van den Hende	99	-	(13)	(1)
Local Government Association	Cllr D White Cllr M White	108	-	-	-
BT: Public Affairs & Partnership Director	Cllr M White	126	-	-	-

Officers

The table below shows the material related party disclosures by officers.

Organisation	Officer	Payments to Organisations by the Authority £000	Balance Outstanding £000	Income £000	Income Outstanding £000
Centre for Engineering and Manufacturing Excellence Ltd (CEME)	Mr N Stubbings	144	-	-	-

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 11 Other operating expenditure: levies;

Note 13 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

Joint Committee with London Borough of Newham and Bexley (oneSource)

oneSource is a public sector shared back-office support service which is supported by members through a joint committee arrangement. The joint committee receive key reports and make strategic decisions about oneSource's operation. oneSource was set up with a view to making savings by eliminating duplication, reducing senior management costs and introducing more efficient processes. oneSource started on 1 April 2014, when the London Boroughs of Havering and Newham contributed almost all their support services for the two authorities including HR, ICT, Finance, Legal services, Exchequer and Transactional services, Asset Management and Business services (Newham's Exchequer service was subsequently removed). On the 1st April 2016 the London Borough of Bexley joined the joint committee arrangement. Bexley joined in a more limited capacity than Havering and Newham with oneSource providing Finance (excluding procurement) and Exchequer and Financial Transactional services to the London Borough of Bexley.

The oneSource net controllable expenditure for 2019/20 is disclosed below indicating the share falling to each of the authorities. The LBH share is charged against the Consolidated Income and Expenditure Statement.

2018/19 £000	oneSource	2019/20 £000
	Net Expenditure	
6,555	Exchequer and Transactional Services	6,550
9,844	Finance	10,638
1,621	Business Services	973
2,225	Legal and Governance	2,847
8,934	ICT	8,791
2,345	Asset Management	2,119
2,687	Strategic and Operational HR	3,043
34,211	**Total Net Expenditure**	**34,961**
	Cost Sharing:	
15,740	London Borough of Newham	16,557
15,633	London Borough of Havering	15,852
2,838	London Borough of Bexley	2,552

As at 31 March 2020, the Authority was owed £1.019m by the London Borough of Newham and £0.329m was owed to the London Borough of Bexley.

The joint committee council members are; Councillors R Benham, R Ramsey and D White (from Havering Council), Councillors R Fiaz, J Gray and T Paul (from Newham Council) and Councillor D Leaf (from Bexley Council).

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

Shared oneSource role	Employing organisation	Period
Executive Director	London Borough of Havering	April 2019 - March 2020
Director of Asset Management	London Borough of Havering	April 2019 - March 2020
Director of Exchequer and Transactional	London Borough of Havering	April 2019 - March 2020
Director of Legal and Governance	London Borough of Newham	April 2019 - March 2020
Director of Human Resources	London Borough of Havering	April 2019 - March 2020
Director of Finance	London Borough of Newham - Agency	April 2019 - March 2020
Director of ICT	London Borough of Newham	April 2019 - March 2020

Mercury Land Holdings Ltd

The Authority controls Mercury Land Holdings Ltd through its ownership of 100% of the shares in the company. Further details are included as part of the Group Accounts section in the Statement of Accounts.

The Council has determined that for the financial year ended 31st March 2020, it has a material interest in one of its subsidiaries, Mercury Land Holdings (MLH).

Details of the Council's other subsidiaries and external bodies together with the associated accounting treatment are also disclosed within Note 36.

MLH is a wholly-owned subsidiary company that was formed in 2016 to facilitate the Authority's construction and investment in private rental properties within the Borough

MLH directors who have held office since 1st April 2018 are as follows:

- Andrew Blake-Herbert
- Anthony Huff
- Garry Green
- Ian Rhodes

Havering and Wates Regeneration LLP

The LLP was formed on 19th April 2018 as a joint venture with two members, Wates Construction Limited and the London Borough of Havering. The LLP's principal activity is the building and selling of residential apartments and houses in the London Borough of Havering.

The Council influences the joint venture through its 50% share in the LLP. For the financial year ended 31st March 2020, the share of the profit and loss account is a £241k loss, however £233k of this is interest payable to the Council. A 50% of the assets and liabilities of the joint venture is shown within the group accounts, this is predominantly a £5.25m property development in progress. The Council's the balance sheet includes the Council's loan to the LLP, £3.15m as at 31st March 2020 and £2.165m of share capital.

Bridge Close Regeneration LLP

The LLP was formed on 4th April 2018 as a joint venture between FB BCR LLP (First Base and Savills Investment Management) and the London Borough of Havering, in order to deliver the comprehensive regeneration of the site at Bridge Close, Romford, including the development and sale of residential and commercial property as well as the development of social infrastructure, a bridge, public realm and environmental improvements to the River Rom.

The Council influences the joint venture through its 50% share in the LLP. For the financial year ended 31st March 2020, the Council's share of the profit and loss account was a £6k loss. The balance sheet includes the Council's loan to the LLP, £4.873m as at 31st March 2020.

Rainham & Beam Park LLP Joint Venture

The LLP was incorporated on 9th February 2018 as a Limited Liability Partnership. The LLP was set up to partially purchase ten derelict industrial sites in Rainham and Beam Park in the London Borough of Havering for the development of a high density residential scheme. The scheme will consist of 774 units of mixed tenures. The scheme is currently at planning stage, with limited activities on-going. As at 31st March 2020, the joint venture was still being established. The Council's £1.2m investment is shown on the balance sheet.

Pension Fund

As the administrator of the Pension Fund, the Authority has direct control of the fund. The transactions between the Authority and the Pension Fund are detailed within Note 25 of the Pension Fund Accounts.

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:

2018/19 £000	Capital Expenditure	2019/20 £000
56,195	Property, Plant and Equipment	106,062
9	Investment fixed assets	14,899
0	Intangible Assets	0
5,584	Revenue expenditure funded from capital under statute	15,526
3,289	Long Term Investments	9,968
6,511	Long Term Loans	8,338
71,588	**Total capital expenditure**	**154,793**
	Less financed from	
(20,547)	Capital receipts	(18,231)
(8,983)	Major repairs	(17,997)
(15,013)	Revenue funds	(8,940)
(16,297)	Grants and contributions	(27,347)
10,748	**Increase in need to borrow**	**82,278**
(1,875)	Minimum Revenue Provision	(2,194)
8,873	**Change in Capital Financing Requirement**	**80,084**

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

31 March 2019 £000	Capital Financing Requirement	31 March 2020 £000
1,218,580	Tangible fixed assets	1,312,636
12,024	Capital Investments - Equity	21,992
18,854	Capital Investments - Loans	27,092
1,568	Intangible assets	1,085
(406,796)	Revaluation Reserve	(393,756)
(570,839)	Capital Adjustment Account	(615,622)
(48)	Repayments of Loans not used to repay debt due to timing	0
273,343	**Net Requirement**	**353,427**

38. Leases

Operating Leases

Vehicles, Plant and Equipment Leases
The Authority has entered into the following operating leases for vehicles, plant and equipment.
The minimum lease payments charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases were as follows:

2018/19 £000		2019/20 £000
129	Children's and Education Services	217
25	Highways, Roads and Transport Services	0
154	**Minimum Lease Payments**	**217**

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

31 March 2019 £000		31 March 2020 £000
129	Not later than one year	186
178	Later than one year and not later than five years	307
0	Later than five years	7
307	**Minimum Lease Payments**	**500**

Property Leases
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 2019 £000		31 March 2020 £000
99	Not later than one year	82
82	Later than one year and not later than five years	0
181	**Minimum Lease Payments**	**82**

The minimum lease payments charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £82,000 (£0.181m in 2018/19). In most cases these rents are charged to Central Support Service and subsequently released to the appropriate service.

39. Revaluation Gains and Impairment Losses

During 2019/20, the Authority has recognised a net revaluation gain of £9.7m in the Comprehensive Income and Expenditure Statement in relation to its revaluation of assets. A breakdown of the revaluations and impairments by asset class can be found in the table below:

Asset Class	Revaluation Gains Credited to the CI&ES £000	Revaluation Loss Charged to the CI&ES £000
Council dwellings	(7,949)	2,916
Other land and buildings	(5,070)	1,674
Community Assets	0	0
Surplus Assets	(35)	21
Total Property Plant and Equipment	**(13,054)**	**4,611**
Investment Properties	(8,952)	7,599
Assets Held for Sale	0	0
Total (gain) or loss to the CI&ES	**(22,006)**	**12,210**

40. Termination Benefits

The numbers of exit packages with total cost per band, and total costs of 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	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
£0 - £20,000	7	13	16	12	23	25	198,014	160,219
£20,001 - £40,000	1	1	2	5	3	6	65,401	179,496
£40,001 - £60,000	1	0	3	0	4	0	187,898	0
£60,001 - £80,000	1	0	2	0	3	0	214,607	0
£80,001 - £100,000	1	0	0	2	1	2	91,383	185,833
£100,001 - £150,000	0	0	2	0	2	0	208,276	0
>£150,000	0	0	0	0	0	0	0	0
Total	**11**	**14**	**25**	**19**	**36**	**33**	**965,579**	**525,548**

Note: The Authority terminated the contracts of a number of employees in 2019/20, incurring costs of £525,548 (£965,579 in 2018/19). The majority of the redundancies are as a result of the Havering transformation programme. The note includes redundancy as well as the strain cost to the pension fund.

41. 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 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 2019/20 the Authority paid £6.98m (£5.51m 2018/19) to Teachers Pensions in respect of teachers pension contributions. This represented a contribution rate of 20.76% (16.48% in 2018/19) This is the average contribution rate for the year as the rate increased from 16.48% to 23.68% on 1st September 2019. 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 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 2019/20 the Authority paid £44,640 (£40,765 in 2018/19) to NHS Pensions in respect of public health pension contributions. This represented 16.88% of pensionable pay (14.38% in 2018/19). There were £3,570 of contributions remaining payable at the end of the period.

42. 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 by London Borough of Havering. This is a funded defined benefit final salary scheme, meaning that 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 day to day operations of the Fund have been delegated to the Statutory Section 151 officer, the Chief Operating Officer. The investment managers of the fund are appointed by the committee and consist of the following Investment Fund Managers:

1. Legal & General Investment Management (LGIM)
2. London CIV (Collective Investment Vehicle) Sub funds:
   - Ballie Gifford Global Alpha
   - Ballie Gifford Diversified Growth
   - Ruffer
3. Royal London
4. UBS
5. CBRE
6. GMO
7. Stafford Capital
8. JP Morgan
9. Churchill
10. Permira
11. Russell Investments

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're earned by employees, rather than when benefits are eventually paid as pensions. However, the charge to be made make against council tax is based on 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 in the year:

2018/19 £000		2019/20 £000
	Comprehensive Income and Expenditure Statement	
	Cost of services:	
	Service Cost Comprising:	
31,877	Current service cost	32,026
3,213	Past service costs	85
(2,098)	Gain from settlements	0
	Financing and Investment Income and Expenditure	
12,225	Net interest expense	12,955
45,217	**Total post-employment benefits charged to the surplus or deficit on the provision of services**	**45,066**
	Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	
	Re-measurement of the net defined benefit liability comprising:	
(4,488)	Return on plan assets (excluding the amount included in the net interest expense)	16,032
59,376	Actuarial gains and losses arising on changes in financial assumptions	(83,933)
(50)	Other	(59,930)
54,838	**Total post-employment Benefits charges to the Comprehensive Income and Expenditure Statement**	**(127,831)**
	Movements in Reserves Statement	
(45,217)	Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the Code	(45,066)
	Actual amount charged against the General Fund Balance for pensions in the year:	
29,931	Employers' contributions payable to scheme	33,522
(15,286)	**Net movement in Pensions Reserve**	**(11,544)**

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:

2018/19 £000		2019/20 £000
	Local Government Pension Scheme	
(1,149,291)	Present value of the defined benefit obligation	(1,032,891)
609,909	Fair value of plan assets	609,796
(539,382)	**Net liability arising from defined benefit obligation**	**(423,095)**

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

2018/19 £000		2019/20 £000
	Local Government Pension Scheme	
609,909	Opening fair value of scheme assets	609,909
15,334	Interest income	14,683
	Re-measurement gain (loss):	
4,488	The return on plan assets, excluding the amount included in the net interest expense	(16,032)
29,931	Contributions from employer	33,522
5,472	Contributions from employees into the scheme	5,804
(33,809)	Benefits paid	(38,090)
(2,465)	Other – effect of settlements	0
628,860	**Closing fair values of scheme assets**	**609,796**

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

2018/19 £000		2019/20 £000
	Funded liabilities: Local Government Pension Scheme	
1,060,216	Opening balance at 1 April	1,149,291
31,877	Current service cost	32,026
27,559	Interest cost	27,638
5,472	Contributions from scheme participants	5,804
	Re-measurement (gains) and losses:	
59,376	Actuarial (gains)/ losses arising from changes in financial assumptions	(83,933)
(50)	Other	(59,930)
3,213	Past service cost (Including curtailments)	85
(33,809)	Benefits paid	(38,090)
(4,563)	Liabilities extinguished on settlements	0
1,149,291	**Closing balance at 31 March**	**1,032,891**

Local Government Pension Scheme assets comprised:

2018/19					2019/20			
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 %
				Debt Securities				
64,544		**64,544**	11.00	Corporate bonds (investment grade)	48,725		**48,725**	8.00
11,805		**11,805**	2.00	UK Government	16,180		**16,180**	3.00
27,474		**27,474**	4.00	Other	31,382		**31,382**	5.00
				Real Estate				
37,302		**37,302**	6.00	UK Property	32,509		**32,509**	5.00
				Investment Funds and Unit Trusts				
450,732		**450,732**	74.00	Equities	244,587		**244,587**	40.00
			-	Bonds	11,775		**11,775**	2.00
			-	Infrastructure	30,330		**30,330**	5.00
			-	Other	175,139		**175,139**	29.00
				Derivatives				
		0	-	Foreign Exchange	(83)		**(83)**	0
				Cash and Cash Equivalents				
18,052		**18,052**	3.00	All	19,252		**19,252**	3.00
609,909		**609,909**	**100.00**	**Totals**	**609,796.00**		**609,796**	**100.00**

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 2019.

2018/19 £000		2019/20 £000
	Local Government Pension Scheme	
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.0 years	Men	21.6 years
24.2 years	Women	23.7 years
	Longevity at 65 for future pensioners:	
23.9 years	Men	22.4 years
26.3 years	Women	25.2 years
3.50%	Rate of inflation (CPI)	1.90%
2.80%	Rate of increase in salaries	2.60%
2.50%	Rate of increase in pensions	1.90%
2.40%	Rate for discounting scheme liabilities	2.30%

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 2020	Approximate % increase to Employer Liability	Approximate Monetary amount £000
0.5% decrease in Real Discount	9%	107,680
0.5% Increase in the Salary Increase	1%	12,168
0.5% Increase in the Pension	8%	93,984

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 31st March 2022.

The Authority anticipates to pay £25.132m expected contributions to the scheme in 2020/21.

The weighted average duration of the defined benefit obligation for scheme members is 18 years as 31st March 2020 (16.2 years 31 March 2019).

43. Contingent Liabilities

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 was 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 £338,000 in respect of the 15% levy due. Following a further review of assets and liabilities a further levy of 10% was made and an additional £285,000 paid by 12 May 2016. This brings the total levy to 25% for past and future claims. Outstanding claims will continue to be paid with a 25% contribution from the Authority in respect of the ongoing levy under the terms of the scheme of arrangement. The total levy to 31 March 2020 is £718,318 with estimated scheme liabilities at the same date of £450,758. Additional demands for further levy contributions above the 25% for past and future liabilities may be made. The Authority has made provision for the levy within the Insurance Earmarked Reserve.

44. Heritage Assets: Five-year Summary of Transactions

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

45. 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 2019	6,500	144,579
Receipts	(38)	(854)
Payments	38	854
Balance at 31 March 2020	**6,500**	**144,579**

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

Housing Revenue Account
Income and Expenditure Statement 2019/20

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.

2018/19 £000		Notes	2019/20 £000
	Income		
(47,107)	Dwelling rents		(45,359)
(432)	Non-dwelling rents		(401)
(6,491)	Charges for services and facilities		(7,829)
(1,723)	Contributions towards expenditure		(1,209)
(55,753)	**Total Income**		**(54,798)**
	Expenditure		
6,962	Repairs and maintenance		6,608
21,491	Supervision and management		20,616
405	Rents, rates, taxes and other charges		1,295
1,088	Increased provision for bad/doubtful debts		426
2,296	Depreciation and Impairment of tangible fixed assets	4	1,538
	Debt management		
32,242	**Total Expenditure**		**30,483**
(23,511)	**Net expenditure or income of HRA services as included in the whole authority Comprehensive Income and Expenditure Statement**		**(24,315)**
250	HRA Services' share of Corporate and Democratic Core		333
(23,261)	**Net Expenditure of HRA Services**		**(23,982)**
	HRA Share of the Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement		
(6,593)	Net gain on disposal of HRA assets		(5,537)
5,854	Interest payable and similar charges		5,854
(559)	Interest and investment income		(522)
(24,559)	**Deficit/(Surplus) for the year on HRA Services**		**(24,187)**

Movement on the Housing Revenue Account Balance during 2019/20

2018/19 £000		2019/20 £000
(4,612)	**Housing Revenue Account balance brought forward**	**(4,907)**
(24,559)	(Surplus)/deficit for the year on the HRA Income and Expenditure Account	(24,187)
25,709	Adjustments between accounting basis and funding basis under regulations	18,872
(3,462)	**HRA balance before transfer to earmarked reserves**	**(10,222)**
(1,445)	Transfers to earmarked reserves	390
(4,907)	**Housing Revenue Account balance carried forward**	**(9,832)**

Note to the Statement of Movement on the Housing Revenue Account Balance 2019/20

2018/19 £'000		2019/20 £000
Items included in the HRA Income and Expenditure but excluded from the movement in the HRA balance		
Adjustments to the Revenue Resources		
(715)	Pensions costs (transferred from the Pensions Reserve)	590
7	Holiday pay (transferred to the Accumulated Absences Reserve)	(21)
(13,176)	Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account	(7,200)
(13,884)	**Total Adjustments to Revenue Resources**	**(6,631)**
Adjustments between Revenue and Capital Resources		
17,748	Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	10,548
(237)	Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	(157)
9,235	Posting of HRA resources from revenue to the Major Repairs Reserve	8,815
12,886	Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	6,335
(39)	Deferred Capital Receipt	(38)
39,593	Total Adjustments between Revenue and Capital Resources	**25,503**
25,709	**Adjustments between accounting basis and funding basis under regulations**	**18,872**

Notes to the Housing Revenue Account

1. Information on Housing Fixed Assets

a) Number of Dwellings

2018/19 Number		2019/20 Number
	Flats	
2,741	1 bedroom	2,703
2,201	2 bedrooms	2,214
397	3 bedrooms	478
17	4 & 5 bedrooms	27
	Houses	
328	1 bedroom	295
1,112	2 bedrooms	1,049
2,319	3 bedrooms	2,219
152	4 & 5 bedrooms	143
9,267	**Total Number of Dwellings**	**9,128**

b) Balance Sheet Value of HRA Tangible Fixed Assets

2018/19 £000		2019/20 £000
	Operational	
555,066	Dwellings	564,782
20,131	Other land and buildings	17,885
-	Vehicles, plant and equipment	-
1,433	Infrastructure	1,200
14,619	Assets Under Construction	34,858
591,249		618,725
	Non-operational	
-	Investment properties	-
-	Held for sale	-
-		-
591,249	**Total Tangible Fixed Assets**	**618,725**

c) Valuation of Council Dwellings at Year End

2018/19 £m		2019/20 £m
2,220	Vacant possession value	2,259
1,665	Excess of vacant possession value over Balance Sheet value	1,694

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

2018/19 £'000		2019/20 £'000
30,662	**Balance brought forward at start of year**	**30,914**
9,235	Total depreciation from Capital Adjustment Account	8,815
(8,983)	less MRR used to fund Capital Expenditure on HRA Dwellings	(17,997)
30,914	**Balance carried forward at end of year**	**21,732**

3. a) Total Capital Expenditure and Funding

2018/19 £'000		2019/20 £'000
	Capital expenditure on HRA property and other assets:	
31,513	Dwellings	31,037
-	Other land buildings	-
	Assets Under Construction	27,643
2,164	Investments	3,150
33,677	**Total expenditure**	**61,830**
	Financed from:	
8,983	Major Repairs Reserve	17,997
(2,632)	Grants and contributions	52
12,886	Revenue contributions	6,335
14,440	Capital receipts	14,898
-	Borrowing	22,548
33,677	**Total funding**	**61,830**

b) HRA Capital Receipts

2018/19 £'000		2019/20 £'000
11,604	Right to Buy sales	9,776
5,908	Other property sales	1,461
17,512	Total cash receipts	11,237
(1,126)	Transferred for Pooling	(1,106)
16,386	**Total income**	**10,131**

4. Depreciation and Impairment Charge

The depreciation charged to the HRA breaks down as follows:

2018/19 £'000		2019/20 £'000
8,577	Dwellings	8,290
356	Other buildings	291
63	Equipment	-
239	Infrastructure	233
9,235	**Total HRA depreciation**	**8,814**
(6,939)	Revaluation credit/debit	(7,276)
2,296	**Total HRA depreciation and Revaluation charge**	**1,538**

5. Rent Income, Arrears and Bad Debts

2018/19 £'000	Rent	2019/20 £'000
103.21	Average weekly rent (including service charges unpooled)	105.14

31 March 2019 £000	Arears and Bad Debts	31 March 2020 £000
3,488	Rent arrears at 31 March	3,528
(3,329)	Bad debts provision at 31 March	(3,236)
159	**Total**	**292**

Collection Fund Account

Collection Fund 2019/20

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 2019/20

2018/19			2019/20	
Business Rates £000	Council Tax £000		Business Rates £000	Council Tax £000
		Income		
	(146,436)	Income from Council Tax		(154,454)
(81,648)		Income from Business Rates	(79,334)	
(1,576)		Transitional relief	(456)	
(2,167)		Income collectable from Business Rate Supplement	(2,105)	
		Previous Year Deficit recognised in the CI&ES		
(637)		London Borough of Havering	(585)	
(833)		Central Government	0	
(654)		Greater London Authority	(178)	
(87,515)	**(146,436)**	**Total Income**	**(82,658)**	**(154,454)**
		Expenditure		
		Previous Year Surplus recognised in the CI&ES		
	181	London Borough of Havering		458
	38	Central Government	248	
		Greater London Authority		99
		Precepts		
51,623	119,125	London Borough of Havering	38,075	124,813
-	-	Central Government	19,831	
29,038	25,700	Greater London Authority	21,417	28,409
		Charges to Collection Fund		
177	383	Write-offs	1,325	996
307	465	Increase/(decrease) in bad debt provision	(789)	702
3,733		Increase in provision for appeals	2,091	
272		Cost of collection	272	
		Business Rate supplement		
2,161		Payment to Greater London Authority	2,099	
6		Cost of Collection	6	
87,317	**145,892**	**Total Expenditure**	**84,575**	**155,477**
(198)	(544)	Movement in fund balance	1,917	1,023
1,209	(479)	Net deficit/(surplus) at start of year	1,011	(1,023)
1,011	**(1,023)**	**Net deficit/(surplus) carried forward notes 3a & 3b**	**2,928**	**0**

Notes to the Collection Fund Account

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 2019/20 at **£1,728.66** 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	3
A	2,192
B	5,578
C	19,935
D	31,279
E	16,826
F	8,623
G	4,765
H	602
Allowance for losses in collection 1.30%	(1,167)
Tax Base	**88,636**

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 £203.4m at 31 March 2020 (£204.0m at 31 March 2019) multiplied by uniform rates for large and small businesses. In 2019/20 the rate was 50.40p for large businesses (49.3p in 2018/19) and 49.10p for small businesses (48.0p in 2018/19). 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 £70,000 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

2018/19 £000		2019/20 £000
97,801	Gross NNDR due in year	97,246
(16,153)	Less: allowances and other adjustments	(17,912)
81,648	**Net NNDR Yield**	**79,334**

2b) Income collectable from Business Rate Supplement

2018/19 £000		2019/20 £000
2,443	Gross Supplement due in year	2,348
(276)	Less: allowances and other adjustments	(243)
2,167	**Net Business Rate Surplus Yield**	**2,105**

From 2018/19 Havering has joined the London Business Rates Pool over seen by the GLA.

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 the following financial year.

3a) Council Tax

2018/19 £000		2019/20 £000
(837)	London Borough of Havering	0
(186)	Greater London Authority	0
(1,023)	**(Surplus) / Deficit**	**0**

3b) Business Rates

2018/19 £000		2019/20 £000
902	London Borough of Havering	1,485
(219)	Central Government	637
328	Greater London Authority	806
1,011	**Deficit**	**2,928**

Pension Fund Account

Pension Fund

Pension Fund Account for the year ended 31 March 2020

2018/19 £000		Notes	2019/20 £000
	Dealings with members, employers and others directly involved in the fund		
43,725	Contributions receivables	7	45,812
1,633	Transfers in from other pension funds	8	5,951
45,358			51,763
(37,834)	Benefits	9	(38,769)
(3,295)	Payments to and on account of leavers	10	(3,272)
(41,129)			(42,041)
4,229	Net additions (withdrawals) from dealings with members		9,722
(5,523)	Management expenses	11	(3,975)
(1,294)	**Net additions/(withdrawals) including fund management expenses**		**5,747**
	Returns on investments		
10,835	Investment income	12	10,077
(4)	Taxes on Income	13	(1)
16,746	Profit and losses on disposal of investments and changes in the market value of investments	14a	(20,518)
27,577	**Net returns on investments**		**(10,442)**
26,283	Net increase (decrease) in the net assets available for benefits during the year		**(4,695)**
707,108	Opening net assets of the Fund at start of year		733,391
733,391	**Closing net assets of the Fund at end of year**		**728,696**

Net Asset Statement for the year ended 31 March 2020

£000			£000
150	Long Term Investments	14	150
719,286	Investment Assets	14	707,782
-	Investment Liabilities	14	(2,174)
719,436	**Total net investments**		**705,758**
14,334	Current Assets	21	23,552
(379)	Current Liabilities	22	(614)
733,391	**Net assets of the Fund available to fund benefits at end of the reporting period**		**728,696**

The financial statements summarise the transactions and the net assets of the London Borough of Havering Pension Fund ("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 19 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 (LGPS) 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 Statutory Section 151 officer.

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 2019/20 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the LGPS Regulations.

a) General

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

The LGPS Regulations 2013 (as amended),

The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended),

The LGPS (Management and Investment of Funds) Regulations 2016.

The Fund is a contributory defined benefits scheme which provides pensions and other benefits for pensionable employees of Havering Council and a range of other scheduled and admitted bodies. Teachers, are not included as they come within another national pension scheme.

The Fund is overseen by the Local Pension Board and the London Borough of Havering Pensions Committee: a committee of the Council.

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Fund include:

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.

During 2019/20 five new employers joined the Fund, two transferred out (Havering Sixth Form College and Havering College of Further and Higher Education) and there was one cessation.

There are 51 employer organisations with active members within the Havering Pension Fund including the Authority.

The membership profile is detailed below:

31-Mar-19		31-Mar-20
49	**Number of employers with active members**	**51**
	Number of employees in scheme	
4,686	London Borough of Havering	4,769
1,961	Scheduled bodies	1,650
70	Admitted bodies	73
6,717	**Total**	**6,492**
	Number of pensioners and dependants	
5,931	London Borough of Havering	5,950
522	Scheduled bodies	346
20	Admitted bodies	114
6,473	**Total**	**6,410**
	Deferred pensioners	
5,315	London Borough of Havering	5,274
1,183	Scheduled bodies	807
46	Admitted bodies	93
6,544	**Total**	**6,174**
19,734	**Total number of members in pension scheme**	**19,076**

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the year ended 31 March 2020. Employer contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. Current employer contribution rates range from 17.5% to 38.2% of pensionable pay.

A secondary contribution rate (previously known as deficit amount or past service adjustment) may also be charged. This rate is either paid as a monetary value or as an additional percentage of pensionable pay.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised in the following table:

	Service pre 1 April 2008	**Service post 31 March 2008**
Pension	Each year worked is worth 1/80 x final pensionable salary	Each year worked is worth 1/60 x final pensionable salary
Lump sum	Automatic lump sum of 3 x pension. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum is paid for each £12 is paid for each £1 of pension given up	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is adjusted annually in line with the Consumer Prices Index.

There are a range of other benefits provided under the scheme including early retirements, disability pensions and death benefits. For more details please refer to the pension website www.yourpension.org.uk.

2. Basis of Preparation

The Statement of Accounts summarise the Fund's transactions for the 2019/20 financial year and its position at year end as at 31 March 2020. The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 "(the Code") which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector, and Guidance on Investment Valuations issued by the Pensions Research Accountants Group (PRAG).

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2019/20.

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 nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administrating authorities the option to disclose this information in the net asset statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Fund has opted to disclose this information in Note 20.

The accounts have been prepared on a going concern basis.

3. Summary of Significant Accounting Policies

Fund Account – revenue recognition

(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.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Additional employers' contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long term financial assets.

(b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the LGPS Regulations 2013 (see note 8 and 10).

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

Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement. The date set for the transfer of assets and liabilities is the date it becomes recognised in the fund account.

(c) Investment Income

i) Interest Income

Interest income is recognised in the Fund as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

ii) 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 a current financial asset.

iii) Distribution from Pooled Funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

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 due but unpaid are disclosed in the Net Assets Statement as current liabilities, providing the payment has been approved.

(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 Fund discloses its pension fund management expenses in accordance with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Expenses (2016).* All items of expenditure are charged to the fund on an accruals basis as follows:

Administrative Expenses

All staff costs of the pensions' administration team are recharged to the Fund. Associated management, accommodation and other overheads are apportioned to the Fund in accordance with Council policy and charged as expenses to the Fund.

Oversight and Governance Costs

All staff costs associated with governance and oversight are recharged to the Fund. Associated management, accommodation and other overheads are apportioned to the Fund in accordance with Council policy and charged as expenses to the Fund.

Investment Management Expenses

Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off quarterly valuations by investment managers, these expenses are shown separately in Note 11a and grossed up to increase the change in value of investments

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.

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

(g) Lifetime Allowances

Members are entitled to request the Fund pays their tax liabilities due in respect of annual allowance and lifetime allowance in exchange for a reduced pension.

Where the Fund pays member tax liabilities direct to HMRC it is treated as an expense in the year in which the payment occurs.

Net Assets Statement

(h) 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 at fair value in accordance with the requirements of the code and IFRS13 (see Note 16). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in *Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).*

(i) 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.

(j) Derivatives

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

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

(k) Cash and Cash Equivalents
Cash comprises cash in hand (Fund's Bank account) and includes amounts held by the Fund's external managers.

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.

(l) Financial Liabilities
A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. The Fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised by the fund account as part of the change in value of investments.

(m) Actuarial Present Value of Promised Retirement Benefits
The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 20).

(n) Additional Voluntary Contributions
The Fund provides an additional voluntary contributions (AVC) scheme for it members, the assets of which are invested separately. The Fund has appointed Prudential and Standard Life as their AVC providers. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors.

AVCs are not included in the accounts in accordance with section 4(1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 23).

(n) Contingent assets and contingent liabilities
A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of narrative in the notes.

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

4. Critical Judgements in Applying Accounting Policies

Pension Fund Liability
This is calculated every three years by the appointed actuary, with annual updates provided to the admitted and scheduled bodies in the Fund, as requested, in the intervening years. The methodology used in the annual updates is in line with accepted guidelines.

This estimate is subject to significant variances based on the changes to the underlying assumptions which are agreed with the actuary and are summarised in Note 19.

Actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short term yield/return.

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historical experience, current trends and future expectations, however actual outcomes could be different from the assumptions and estimates made.

The items in the net asset statement for which there is a significant risk of material adjustment in the forthcoming year are as follows

Item	Uncertainties	Effect if Actual Results differ from Assumptions	Approximate monetary amount (£m)
Actuarial present value of promised retirement benefits (Note 20)	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, and expected returns on Fund's 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 10% 0.5% increase in salary increase rate could result in an increase of 1% 0.5% increase in the pension increase rate could result in an increase of 8%	105 6 112

Events after the Reporting Date

The Present Value of Promised Retirement Benefits (note 20) was amended to reflect the adjustment for the McCloud case - which concerns the transitional protections given to the scheme members, who in 2012 were within 10 years of their normal retirement age, in the judges and firefighters schemes as part of public service pension reform. Tapered protections were provided for those 3-4 years younger. On the 20th December 2018 the Court of Appeal found that these protections were unlawful on the grounds of age discrimination and could not be justified.

COVID-19

On 11 March 2020 the World Health Organisation (WHO) declared a Covid-19 pandemic. This caused a world-wide public health emergency and significantly impacted global markets which has contributed to both a volatile and a severe decline in those sectors that have been impacted.

Due to the timings of the valuation data released by some investment managers there will be some valuations included in the accounts which are based as at 31 December 2019 and consequently will not fully reflect the subsequent events mentioned above. Global markets fell to their lowest point close to the finnacial year end and have subsequently recovered most of their earlier losses. As the full impact is not yet apparent, for the purposes of these financial statements the Covid-19 impact is considered a non-adjusting event.

7. Contributions Receivable

By category

2018/19 £000		2019/20 £000
	Employees' contributions	
	Normal:	
5,482	London Borough of Havering	5,819
1,641	Scheduled Bodies	1,462
83	Admitted Bodies	74
	Additional contributions:	
13	London Borough of Havering	7
7,219	**Total Employees' Contribution**	**7,362**
	Employers' contributions	
	Normal:	
12,930	London Borough of Havering	13,808
6,494	Scheduled bodies	5,853
346	Admitted bodies	311
	Deficit funding:	
16,220	London Borough of Havering	18,449 *
	Augmentation	
324	London Borough of Havering	4
192	Scheduled bodies	25
36,506	**Total Employers' Contributions**	**38,450**
43,725	**Total Contributions Receivable**	**45,812**

*The 2019/20 figure reflects additional contributions made by the Authority to the Pension Fund: consists of £12.650m secondary contributions and £5.799m voluntary planned contributions.

By authority

2018/19 £000		2019/20 £000
34,969	London Borough of Havering	38,087
8,327	Scheduled bodies	7,340
429	Admitted Bodies	385
43,725	**Total Contributions Receivable**	**45,812**

8. Transfers in from Other Pension Funds

2018/19 £000		2019/20 £000
1,633	**Individual transfers**	5,951
1,633	**Transfers In from Other Pension Funds**	**5,951**

9. Benefits Payable

By category

2018/19 £000		2019/20 £000
	Pensions	
29,702	London Borough of Havering	30,137
1,222	Scheduled Bodies	1,399
648	Admitted Bodies	851
31,572	**Pension Total**	**32,387**
	Commutation and Lump Sum Retirements	
4,823	London Borough of Havering	4,431
501	Scheduled Bodies	402
250	Admitted Bodies	179
5,574	**Commutation and Lump Sum Retirements Total**	**5,012**
	Lump Sum Death Benefits	
477	London Borough of Havering	1,305
165	Scheduled Bodies	65
46	Admitted Bodies	-
688	**Lump Sum Death Benefits Total**	**1,370**
37,834	**Total Benefits Payable**	**38,769**

By authority

2018/19 £000		2019/20 £000
35,002	Havering	35,873
1,888	Scheduled bodies	1,866
944	Admitted Bodies	1,030
37,834	**Total Benefits Payable**	**38,769**

10. Payments To and On Account of Leavers

2018/19 £000		2019/20 £000
120	Refunds to members leaving service	110
3,175	Individual transfers	3,162
3,295	**Payments to and on Account of Leavers**	**3,272**

At the year end there are potential liabilities of a further £0.190m in respect of individuals transferring out of the Pension Fund upon whom the Fund is awaiting final decisions (See Note 26).

11. Management Expenses

2018/19 £000		2019/20 £000
801	Administrative Costs	315
4,303	Investment Management Expenses	3,192
399	Oversight and Governance Costs	452
16	Oversight and Governance Costs - External Audit costs	14
4	Local Pension Board	2
5,523	**Management Expenses**	**3,975**

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

The investment management expenses above includes £0.108m (2018/19 £0.076m) in respect of performance-related fees paid/payable to the fund's investment managers. It also includes £0.023m in respect of transaction costs (2018/19 £0.358m).

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 Note 14).

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

11a. Investment Management Expenses

2018/19 £000		2019/20 £000
3,895	Management Fees	3,125
27	Performance measurement fees	17
23	Custody fees	27
358	Transaction costs	23
4,303	**Investment Management Expenses**	**3,192**

12. Investment Income

2018/19 £000		2019/20 £000
4,841	Pooled Investments - unit trusts and other managed funds	8,204
3,514	*Income from Bonds	2,561
1,960	Pooled Property Investments	1,871
289	Income form Derivatives (Foreign Exchange Gains/(losses))	(2,658)
149	Interest on Cash Deposits	202
82	Other Income	(103)
10,835	**Investment Income**	**10,077**

* Income includes Index linked Interest of £0.103m (2018/19 £0.126m).

13. Taxes on Income

2018/19 £000		2019/20 £000
(4)	Withholding Tax	(1)
(4)	**Taxes on Income**	**(1)**

14. Analysis of Investments

2018/19 £000		2019/20 £000
	Investment Assets	
150	**Long Term Investments**	150
150		**150**
	Bonds - Fixed Interest Securities	
13,901	UK Public Sector quoted	1,574
76,084	UK Corporate quoted	47,632
89,985		**49,206**
	Bond - Index-Linked Securities	
30,150	UK Public Sector quoted	36,730
2,936	UK Corporate quoted	3,302
33,086		**40,033**
	Equities	
96	UK Quoted	-
96		**-**
	Derivative Contracts	
-	Forward Currency Contracts	1,445
0		**1,445**
	Pooled Investment	
493,040	UK Unit trusts - Quoted	475,846
36,097	Overseas Other unit trusts - Unquoted	63,619
42,109	UK Pooled property investments -Unquoted	41,174
13,046	Overseas Pooled Property investments - Unquoted	28,956
584,292		**609,595**
10,505	Cash deposits Managers	6,778
1,318	Investment income due	725
4	Outstanding Dividend and Recoverable Withholding Tax	-
11,827		**7,503**
719,436	**Total Investment Assets**	**707,932**
	Investment Liabilities	
	Derivative Contracts	
-	Forward Currency Contracts	(2,173)
-	Income receivable	(1)
-	**Total Investment Liabilities**	**(2,174)**
719,436	**Total Net Investments**	**705,757.56**

14a. Reconciliation of movements in investments and derivatives

	Market Value at 31 March 2019	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 2020
	£000	£000	£000	£000	£000	£000
Equities	96	-	- 107.00	11.00	-	-
Fixed Interest Securities	89,985	28,259	(71,671)	2,633	0	49,206
Index-linked Securities	33,086	41,935	(35,974)	986	0	40,033
Pooled Investment Vehicles	584,442	94,427	(45,707)	(23,417)	0	609,745
Derivatives – forward currency contracts	-	146,466	(146,466)	(728)	0	(728)
Cash Deposits (fund managers)	10,505	-	-	- 3	- 3,724	6,778
	718,114	**311,087**	**(299,925)**	**(20,518)**	**(3,724)**	**705,034**
Other Investment Balances	1,322	-	-	-	- 598	724
	719,436	**311,087**	**(299,925)**	**(20,518)**	**(4,322)**	**705,758**

	Market Value at 31 March 2018	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 2019
	£000	£000	£000	£000	£000	£000
Equities	-	84	-	(10)	22	96
Fixed Interest Securities	84,128	25,991	(21,565)	1,431	-	89,985
Index-linked Securities	35,123	8,412	(12,290)	1,841	-	33,086
Pooled Investment Vehicles	565,563	79,680	(74,278)	13,499	(22)	584,442
Derivatives – forward currency contracts	18	86,021	(86,021)	(18)	-	-
Cash Deposits (fund managers)	3,215	-	-	3	7,287	10,505
	688,047	**200,188**	**(194,154)**	**16,746**	**7,287**	**718,114**
Other Investment Balances	1,248	-	-	-	74	1,322
	689,295	**200,188**	**(194,154)**	**16,746**	**7,361**	**719,436**

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.

Purchases and Sales of derivatives (forward current contracts) are recognised in Note 14a above for contracts settled during the period are reported on a gross basis as gross receipts and payments.

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 £0.023m (2018/19 £0.358m). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles.

The investments analysed by fund managers and the market value of assets under their management as at 31 March 2020 were as follows:

14b. Investments analysed by Fund Manager

Value 31 March 2019		Manager	Mandate	Value 31 March 2020	
£000	%			£000	%
Investments managed by London CIV asset Pool:					
150	0.02	London CIV	Equities Unquoted	150	0.02
94,692	13.16	Ruffer	Pooled Absolute Return Fund	97,738	13.85
138,095	19.20	Baillie Gifford	Pooled Global Alpha Growth Fund	136,341	19.32
87,740	12.20	Baillie Gifford	Pooled Diversified Growth Fund	80,000	11.34
320,677	**44.58**			**314,229**	**44.52**
PLUS Life Fund Investments aligned with London CIV asset pool:					
132,172	18.37	Legal & General Investment Management	Passive UK/Global Equities/ Emerging Markets	123,850	17.55
452,849	**62.95**	**London CIV Total**		**438,079**	**62.07**
Investments managed outside of the London CIV asset Pool:					
135,062	18.77	*Royal London Index Linked Bonds Fund	Investment Grade Bonds	70,577	10.00
-	-	*Royal London Corp' Bond Fund	Investment Grade Bonds	53,611	7.60
43,541	6.05	UBS Property	Pooled Property	41,067	5.82
34,450	4.79	GMO Global Real Return (UCITS) Fund	Pooled Multi Asset	5,038	0.71
13,422	1.87	CBRE	Global Pooled Property	28,956	4.10
7,791	1.08	Stafford Capital	Overseas Pooled Infrastructure	17,447	2.47
29,241	4.06	JP Morgan	Overseas Pooled Infrastructure	26,964	3.82
3,072	0.43	Churchill	Overseas Pooled Private Debt	14,026	1.99
-	-	Permira	Overseas/UK Pooled Private Debt	5,605	0.79
-	-	Russell Investments	Currency Management	(728)	(0.10)
8	-	Other	Other	5,116	0.72
266,587	**37.05**			**267,679**	**37.93**
719,436	**100.00**	**Total Fund**		**705,758**	**100.00**

* Royal London mandate split into two mandates during 2019/20

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

Market Value 31-Mar-19	% of total fund	Security	Market Value 31-Mar-20	% of total fund
£000			£000	
138,095	19.20	London CIV Global Alpha Fund	136,341	18.70
94,692	13.16	London CIV Ruffer Absolute Return Fund	97,738	13.41
87,740	12.20	London CIV Diversified Growth Fund	80,000	10.97
54,689	7.60	LGIM All World Equity Index	51,296	7.04
52,717	7.33	LGIM FTSE RAFI AW 3000 Index	44,638	6.12
42,109	5.85	UBS Property	41,067	5.65

14c. Stock Lending

We do not carry out stock lending directly. We are investors of a pooled fund with the passive equity manager, Legal and General Investment Management (LGIM), who carry out stock lending as part of the Fund's activities. Stock Lending occurs in limited number of overseas equities index funds.

The Stock Lending programme is managed and administered by the custodian of the funds (Citibank) within the risk control parameters set by LGIM. The programme has been operating for over 10 years and enjoys an indemnity from Citibank. Stocklending is only undertaken with counterparties who have satisfied the requirements in terms of market capability and minimum credit standing.

All income arising from stock lending less the custodian/administrator's costs are credited to the funds lending the stocks. LGIM does not receive any revenue from the stock lending. As at 31 March 2020, the value of quoted equities on loan was nil (£97.6m 31 March 2019) These equities continue to be recognised in the fund's financial statements.

15. 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. Derivatives maybe used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and 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 Russell. A breakdown of forward contracts held by the Fund as at 31 March 2020 and prior year is shown below:

Settlement	Currency Bought	Local Value	Currency Sold	Local Value	Asset Value (Unrealised Gain)	Liability Value (Unrealised Loss)
		000		000	£000	£000
Gross open forward currency contracts at 31 March 2020					-	-
Up to One month	**GBP**	9,977	**EUR**	10,444	-	(467)
	GBP	12,590	**USD**	13,314	-	(724)
	GBP	2,375	**AUD**	2,256	119	-
	USD	511	**GBP**	479	32	-
	EUR	23	**GBP**	23	-	-
Up to Two months	**GBP**	8,984	**EUR**	9,455	-	(471)
	GBP	13,975	**USD**	14,486	-	(511)
	GBP	2,190	**AUD**	2,120	70	-
	USD	5	**GBP**	5	-	-
Up to Three months	**GBP**	10,328	**EUR**	9,924	404	-
	GBP	14,411	**USD**	13,651	760	-
	GBP	2,251	**AUD**	2,191	60	-
	USD	12	**GBP**	12	-	-
	EUR	125	**GBP**	125	-	-
Open currency contracts at 31 March 2020					**1,445**	**(2,173)**
Net forward currency contracts						**(728)**
Prior year comparative						
Gross open forward currency contracts at 31 March 2019					-	-
Net forward currency contracts					**0**	**0**

16. Fair Value Basis of Valuation

The basis of the valuation of each class of investment asset is set out below. All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market based information where applicable. There has been no change in the valuation techniques used during the year.

Description of asset	Value hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Pooled quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
UK Pooled instruments property funds	Level 3	Valuations carried out by the property funds external valuers, Knight Frank LLP	Market value in accordance with the "RICS" Appraisal and Valuation standards	Valuations could be affected by significant differences in rental value and rental growth
Overseas Pooled instruments property funds	Level 3	The valuation function is performed by the Alternative Investment Fund Manager (AIFM) in accordance with the AIFMD	A Pricing Committee, composed of senior members of the AIFM, is in place, who meet quarterly and is responsible for overseeing proposed adjustments to the value of investments	Valuations could be affected by significant differences in rental value and rental growth. There may be a timing difference between the date of the last reported underlying property valuation and the date of the Funds financial statements, during which the underlying property valuation may have increased or decreased by a significant amount

16. Fair Value Basis of Valuation (continued)

Description of asset	Value hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Overseas Pooled instruments Infrastructure Funds (JP Morgan)	Level 3	The valuation function is performed by the JP Morgan Investment Inc (the Advisor). Estimated fair values are determined by the Advisor at valuation date and independently appraised on a quarterly basis.	Three valuation techniques can be used, the market, income or cost approach. For this fund, Income approach was used based on Unobservable input of Discount/WAAC rate and Exit EBITDA Multiples.	Risks to the valuation involve a number of local, national and international economic conditions. Timing difference between the date of the last reported valuation and the date of the Funds financial statements means that valuations may have increased or decreased by a significant amount
Overseas Pooled instruments Infrastructure Funds (Stafford Capital)	Level 3	Fair Value is determined by the Fund manager in accordance with guidelines and principles set out by International Private Equity and Venture Capital Valuations.	Fair Value is determined by the Fund manager in accordance with guidelines and principles set out by International Private Equity and Venture Capital Valuations.	Fair Value is determined by the Fund manager in accordance with guidelines and principles set out by International Private Equity and Venture Capital Valuations.
Overseas Pooled instruments Private Debt Funds (Churchill)	Level 3	Valuations undertaken quarterly. To determine the value the manager uses models that consider credit risk, liquidity, market spreads and other applicable factors.	Unobservable inputs include market yield discount rates and credit performance rates	Significant increases (decreases) in discount yields could result in lower (higher) fair value measurement. Timing difference between the date of the last reported valuation and the date of the Funds financial statements means that valuation may have increased or decreased by a significant amount.
Overseas/UK Pooled instruments Private Debt Funds (Permira)	Level 3	Fair Value is determined by the Fund manager in accordance with guidelines and principles set out by International Private Equity and Venture Capital Valuations.	Estimates and assumptions continually evaluated	Use of critical accounting estimates and changes in assumptions may have significant on the valuations. Timing difference between the date of the last reported valuation and the date of the Funds financial statements means that valuation may have increased or decreased by a significant amount.

16. Fair Value Basis of Valuation (continued)

Sensitivity of assets valued at level 3
Having analysed historical data and current market trends, and consulted with independent investment advisors, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2020.

	Assessed valuation range (+/-)	Value at 31 March 2020	Value on increase	Value on decrease
	%	£000	£000	£000
Pooled Property funds	4.00	70,130	72,935	67,325
Pooled Unit Trusts	14.40	63,619	72,780	54,457

16a. Fair Value Hierarchy

Asset and Liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1
Where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Level 2
Where quoted market prices are not available or where valuation techniques are used to determine fair value based on observable data.

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

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 2020	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial Assets				
Financial assets at fair value through profit and loss	566,530	150	133,749	700,429
Loans and receivables	31,055	-	-	31,055
Total Financial Assets	**597,585**	**150**	**133,749**	**731,484**
Financial Liabilities				
Financial liabilities at fair value through profit and loss	(2,788)	-	-	(2,788)
Total Financial Liabilities	**(2,788)**	**-**	**-**	**(2,788)**
Net Financial Assets	**594,797**	**150**	**133,749**	**728,696**

16a. Fair Value Hierarchy continued

	Quoted Market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2019	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial Assets				
Financial assets at fair value through profit and loss	616,207	36,247	55,155	707,609
Loans and receivables	26,161	-	-	26,161
Total Financial Assets	**642,368**	**36,247**	**55,155**	**733,770**
Financial Liabilities				
Financial liabilities at fair value through profit and loss	(379)	-	-	(379)
Total Financial Liabilities	**(379)**	-	-	**(379)**
Net Financial Assets	**641,989**	**36,247**	**55,155**	**733,391**

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

16b. Reconciliation of Fair Value Measurement within Level 3

	Market Value 31 March 2019	Transfer out of Level 3	Transfer Into Level 3	Purchases	Sales	Unrealised gains / losses	Realised gains / losses	Market Value 31 March 2020
	£000	£0.000	£000	£000	£000	£000	£000	£000
Property Funds	55,155	-	-	13,139	-	1,836	-	70,130
Infrastructure	-	-	33,082	9,434	(1,290)	12,979	(10,216)	43,989
Private Debt	-	-	3,015	13,171	(284)	3,728	-	19,630
Total	**55,155**	-	**36,097**	**35,744**	**(1,574)**	**18,543**	**(10,216)**	**133,749**

Unrealised and realised gains and losses are recognised in the profit and losses on disposal and changes in the market value of investments line of the fund account

(a) Transferred from Level 2 to Level 3 December 2019 and March 2020 due to change in investment strategy - disinvestment from Level 2 to invest in Infrastructure Level 3

(b) Transferred from Level 1 to Level 3 October and December 2019 due to change in investment strategy - disinvestment from Level 1 to invest in Private Debt Level 3

(c) All transfers between levels are recognised in the month in which they occur.

17. Financial Instruments

(a) Classification of financial instruments

The following table analyses the carrying amounts of financial instruments by category and net asset statement heading. No financial instruments were reclassified during the accounting period.

31 March 2019				31 March 2020		
Fair value through profit and loss	**Assets at amortised cost**	**Liabilities at amortised cost**		**Fair value through profit and loss**	**Assets at amortised cost**	**Liabilities at amortised cost**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
			Financial Assets			
150	-	-	Long Term Investments	150	-	-
96	-	-	Equities	-	-	-
89,985	-	-	Bonds -Fixed Interest Securities	49,206	-	-
33,086	-	-	Bonds - Index linked securities	40,033	-	-
-	-	-	Derivative contracts	1,445	-	-
529,137	-	-	Pooled investment Vehicles	539,465	-	-
55,155	-	-	Property	70,130	-	-
-	10,505	-	Cash		6,778	-
-	1,322	-	Other Investment Balances		725	-
-	14,334	-	Debtors		23,552	-
707,609	**26,161**	**-**	**Financial Assets Total**	**700,429**	**31,055**	**-**
			Financial Liabilities			
-	-	-	Other Investment Balances	(1)	-	-
			Derivative contracts	(2,173)	-	-
-	-	(379)	Creditors			(614)
-	**-**	**(379)**	**Financial Liabilities Total**	**(2,174)**	**-**	**(614)**
707,609	**26,161**	**(379)**	**Grand total**	**698,255**	**31,055**	**(614)**
733,391				**728,696**		

(b) Net Gains and Losses on Financial Instruments

2018/19 £000		**2019/20 £000**
	Financial assets	
16,746	Fair value through profit and loss	(20,518)
16,746	**Total**	**(20,518)**

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

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.

Responsibility for the Fund's risk management strategy rests with the pension fund committee. Risk management policies are established to identify and analyse the risks faced by the authorities' pensions operations. Polices are reviewed regularly to reflect changes in activity and in market conditions.

(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 investment return.

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 pension fund 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 administering 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 Pensions & Investments Research Consultants (PIRC) , it has been determined that the following movements in market price risk are reasonably possible for the 2019/20 reporting period:

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

Asset Type	Value as at 31 March 2020 £000	Potential market movements %	Value on Increase £000	Value on Decrease £000
Equities	260,341	13.10	294,446	226,237
Total Bonds	122,119	8.00	131,888	112,349
Pooled Overseas Unit Trusts	63,619	14.40	72,780	54,457
Global Pooled inc.UK	182,776	6.00	193,742	171,809
Pooled Property	70,130	4.00	72,935	67,325
Cash	6,773	0.60	6,814	6,733
Total	**705,758**		**772,605**	**638,910**

Asset Type	Value as at 31 March 2019 £000	Potential market movements %	Value on Increase £000	Value on Decrease £000
Equities	96	10.10	106	86
Total Bonds	123,070	8.90	134,023	112,067
Global Pooled inc.UK	529,287	6.10	561,574	497,001
Property	55,155	3.40	57,030	53,280
Cash	10,505	0.50	10,558	10,453
Total	**718,114**		**763,291**	**672,887**

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 2020 and 31 March 2019 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest Rate Risk Sensitivity Analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the carrying value of fund assets, both of which affect the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the fund's risk management strategy.

The analysis that follows assumes 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

Assets exposed to interest rate risk	Value as at 31 March 2020 £000	Potential movement on 1% change in interest rates	Value on increase £000	Value on Decrease £000
Bond Securities	122,119	1,221	123,340	120,898
Cash and Cash Equivalents	6,773	68	6,841	6,705
Cash Balances	23,056	231	23,287	22,825
Total Change in Asset Value	**151,948**	**1,519**	**153,467**	**150,429**

Assets exposed to interest rate risk	Value as at 31 March 2019 £000	Potential movement on 1% change in interest rates	Value on increase £000	Value on Decrease £000
Bond Securities	123,071	1,231	124,301	121,839
Cash and Cash Equivalents	10,505	105	10,610	10,400
Cash Balances	13,698	137	13,836	13,562
Total Change in Asset Value	**147,274**	**1,473**	**148,747**	**145,801**

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances. Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits.

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 any cash balances and investment assets not denominated in UK sterling.

Currency Risk - Sensitivity Analysis

Following analysis of historical data in consultation with PIRC it has been determined that a likely volatility associated with foreign exchange rate movements is 7.4% over a rolling 36 month period.

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

A 7.4% 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 Risk – Sensitivity Analysis

Assets exposed to currency risk	Value as at 31 March 2020	Potential Market movement	Value on increase	Value on Decrease
	£000	7.40%	£000	£000
Overseas Pooled	86,970	6,436	93,406	80,534
Overseas Cash	4,836	358	5,194	4,478
Total change in assets available to pay benefits	**91,806**	**6,794**	**98,600**	**85,012**

Assets exposed to currency risk	Value as at 31 March 2019	Potential Market movement	Value on increase	Value on Decrease
	£000	8.90%	£000	£000
Overseas Pooled	49,143	4,374	53,517	44,769
Overseas Cash	770	69	839	701
Total change in assets available to pay benefits	**49,913**	**4,442**	**54,355**	**45,471**

(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 Pension Fund therefore takes steps to ensure that it always has adequate cash resources to meet its commitments. The Fund's cash holding under its treasury management arrangements as at 31 March 2020 was £23.056m (31 March 2019 £13.696m).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.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2020 the value of liquid assets was £595m, which represented 82% of the total Fund (31 March 2019 £642m, which represented 88% of the total fund assets).

(d) Refinancing Risk

The key risk is that the Authority will be bound to replenish a significant proportion of its pension fund financial instruments at a time of unfavourable interest rates. The Authority does not have any financial instruments that have a refinancing risk as part of its investment strategies.

19. Funding Arrangements

Actuarial Statement for 2019/20

This statement has been prepared in accordance with Regulation 57(1) (d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The Funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS) dated December 2019. 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 (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.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2019. This valuation revealed that the Fund's assets, which at 31 March 2019 were valued at £733 million, were sufficient to meet 70% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £320 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers' contributions for the period 1 April 2020 to 31 March 2022 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2019 valuation report.

Method

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

Assumptions

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

The key financial assumptions adopted for the 2019 valuation were as follows:

Financial assumptions	31-Mar-19 %
Discount Rate for Period	3.3
Salary increases assumption	3.0
Benefit increase assumption (CPI)	2.3

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak 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 as follows:

	Males	Females
Current Pensioners	21.6 years	23.7 years
Future Pensioners*	22.4 years	25.2 years

** Aged 45 at the 2019 Valuation*

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administrating Authority to the Fund.

Experience over the period since 31 March 2019

Markets were disrupted by COVID 19 which resulted in difficult market conditions towards the end of the financial year. As a result, the funding level of the Fund as at 31 March 2020 has reduced versus that reported in the previous formal valuation.

The next actuarial valuation will be carried out as at 31 March 2022. The Funding Strategy Statement will also be reviewed at that time.

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, but taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting fund contribution rates and the fund accounts do not take account of liabilities to pay pensions and other benefits in the future. In order to assess the value of benefits on this basis, the actuary has updated the actuarial assumption(set out below) from those used for funding purposes (see Note 19). The actuary has also valued ill health and death benefits in line with IAS19.

31-Mar-19	Year Ended	31-Mar-20
£m		£m
1,344	Present Value of Promised Retirement Benefits	1,195
733	Fair Value of Scheme assets (bid Value)	729
611	**Net Liability**	**466**

Note the above figures include an allowance for the "McCloud ruling", i.e an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes.

The promised retirement benefits at 31 March 2020 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2019. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, the actuary is satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, the actuary has not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. 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 and are different as at 31 March 2020 and 31 March 2019. It is estimated that the impact of the change in financial assumptions to 31 March 2020 is to decrease the actuarial present value by £102m. It is estimated that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £34m.

Financial assumptions

The actuary's recommended financial assumptions are summarised below:

Year Ended (% p.a)	31-Mar-20	31-Mar-19
	% p.a.	% p.a.
Pension Increase Rate	1.9	2.5
Salary Increase Rate	2.6	2.8
Discount Rate	2.3	2.4

Longevity assumption

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2013 model assuming the current rate of improvements has reached a peak 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	21.6 years	23.7 years
Future Pensioners	22.4 years	25.2 years

Please note the longevity assumptions have changed since 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.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity to the assumptions for the year ended 31 March 2020	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	9%	105
0.5% p.a. increase in the Salary Increase Rate	1%	6
0.5% p.a. decrease in the Real Discount Rate	9%	112

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

Professional notes

These notes accompany the covering report titled 'Actuarial Valuation as at 31 March 2020 for accounting purposes'. The covering report identifies the appropriate reliance and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

21. Current Assets

2018/19 £000		2019/20 £000
	Debtors:	
372	Contributions due from employers	265
100	Contributions due from employees	68
211	Pension Fund Bank Account Balances	1,307
26	Sundry Debtors	3
13,625	Cash deposit with LB Havering	21,909
14,334	**Current Assets**	**23,552**

22. Current Liabilities

2018/19 £000		2019/20 £000
	Creditors:	
(120)	Benefits Payable	(314)
(122)	Sundry Creditors	(140)
(137)	Holding Accounts	(160)
(379)		**(614)**

23. Additional Voluntary Contributions

Market Value 2018/19 £000	AVC Provider	Market Value 2019/20 £000
788	Prudential	753
134	Standard Life	108

Some employees made additional voluntary contributions (AVC's) of £33,022 (2018/19 £35,004) 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 2019/20 were £30,622 (2018/19 £32,604) to the Prudential and £2,400 (2018/19 £2,400) to Standard Life.

24. Agency Services

Havering Council pays discretionary awards to the former employees of Havering. The amounts paid are not included within the Fund Account but are provided as a service and fully reclaimed from the employer bodies. The sums are disclosed below:

2018/19 £000		2019/20 £000
1,380	Payments on behalf of Havering Council	1,360

25. 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 Fund is administering by the London Borough of Havering and consequently there is a strong relationship between the Authority and the Fund. In 2019/20, £0.230m was paid to the Authority for the cost of administrating the Fund (2018/19 £0.710m).

The Authority is also the largest employer in the Fund and in 2019/20 contributed £32.257m (18/19 £29.150m) to the Pension Fund in respect of employer's contributions. All monies owing to and due from the fund were paid in year.

Part of the Pension Fund internal cash holdings are invested on the money markets by the treasury management operations of London Borough of Havering, through a service level agreement. As at 31 March 2020 cash holdings totalled £23.056m (2018/19 £13.696m), earning interest over the year of £0.202m (2018/19 £0.148m).

Governance

Responsibility for management of the Fund has been delegated to the Pensions Committee and the day to day operations of the Fund have been delegated to the Statutory Section 151 officer and the Managing Director of oneSource.

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

Each member of the Pensions Committee and Local Pension Board are required to declare their interests at

During the year no Member or Council officer with direct responsibility for 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.

The members of the Local Pension Board receive an attendance allowance for each meeting and these costa are included within Note 11.

25a. Key Management Personnel

Paragraph 3.9.4.4 of the Code exempts local authorities from the key management personnel disclosure requirements of IAS24, on the basis that the disclosure requirements for officer remuneration and members allowances detailed in section 3.4 of the Code (which are derived from the requirements of Schedule 1 of The Accounts and Audit Regulations 2015 satisfy the key management personnel disclosure requirements of paragraph 16 of IAS 244. This applies in equal measure to the accounts of the Havering Pension Fund.

The disclosures required by the above legislation can be found in the main accounts of Havering Council.

26. Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) at 31 March 2020 were £49.94m. (31 March 2019 were £91.35m). These commitments relate to outstanding capital call payments due on unquoted limited partnership funds held in Private Debt and Infrastructure parts of the portfolio.

Following the Freedom and Choice provisions announced in the 2014 Budget, the Pension Fund has seen some enquiries from members about transferring benefits out of the LGPS. As mentioned in Note 10 there are potential liabilities of £0.190m in respect of individuals transferring out of the pension Fund upon whom the Fund is awaiting final decisions. Information is not available which shows how much of this is attributable to Freedom and Choice provisions.

Two admitted bodies in the Pension Fund hold insurance bonds or guarantees in place to guard against the possibility of being unable to meet their pension obligations. These bonds total £1.33m and are drawn down in favour of the Pension Fund. Payment will only be triggered in the event of employer default.

Two admitted bodies, which are subject to pending legal agreements, will hold bonds or guarantees totalling £1.52m.

The Fund, in conjunction with the other borough shareholders in the London CIV, has entered into an exit payment agreement with the London CIV, acting as a Guarantor. The Fund will meet any exit payments due should the London CIV cease its admission arrangements with the City of London. Should the amount become due the Fund will meet 1/32 share of the costs.

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 reserve, deferred grant reserve and capital adjustment 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 Statement 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.

London Collective Investment Vehicle (CIV) - launched in December 2015, is the first fully authorised and regulated investment management company set up by Local Government in the UK. They have been established as a collective vehicle for investments for Local Government Pension Scheme Funds.

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 Bexley, 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 financial 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 Chief Operating Officer

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

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.

Movements in Reserves Statement 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 Revenue Support Grant.