STATEMENT OF ACCOUNTS

(Draft subject to final audit opinion and certification)

2019/20

Hammersmith & Fulham Council

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Independent auditor's report to the members of the London Borough of Hammersmith and Fulham

Audit report, opinion and certificate to follow with final version of the 2019/20 accounts.

CERTIFICATION BY CHAIR OF THE AUDIT AND PENSIONS COMMITTEE

I confirm that these accounts were approved by the Audit and Pensions Committee on 24 November 2020

Councillor Iain Cassidy
24 November 2020

THE DIRECTOR OF FINANCE'S NARRATIVE REPORT

Introduction from the Director of Finance – Emily Hill

Hammersmith & Fulham is a dynamic, diverse and exciting place to live and work. Sitting alongside four and a half miles of the River Thames and nestled between one of the world's busiest airports, the City of London and London's West End, the Borough is aiming to be the best place for business in Europe, as well as a thriving hub for the arts, culture, sports and leisure.

Hammersmith & Fulham, like most local authorities, continues to face significant financial challenges. The Government's austerity agenda has triggered unprecedented funding cuts while at the same time demand for our services has increased. During this time the importance of finance has only been reinforced as we look for ever more efficient ways to make diminishing resources go further.

Moreover, as this financial year was drawing to a close, an even greater challenge was emerging as the world responded to the COVID-19 pandemic. As at the close of 2019/20 – the period covered by these accounts - the financial impact of the pandemic on the Council was only beginning to be felt and, in many respects, the full financial impact still remains to be seen. We do however anticipate the financial impact of COVID-19 and any economic downturn in 2020/21, and beyond, to be significant. Further information on the impact of COVID-19 is provided later in the narrative report.

Throughout a decade of austerity and reductions in government funding the Council has continued to successfully deliver savings. At the beginning of the year we budgeted to balance the books by delivering savings and efficiencies of £10.3m. As a result of the Government's spending round in September 2019, the Council's General government grant funding will increase by £3.6m from 2019/20 to 2020/21. This increase follows a decade of grant cuts with overall funding reducing by £68m from 2010/11 to 2020/21. This represented a real terms funding cut of 54%.

At the end of 2019/20 the Council recorded a General Fund overspend of £6.9m (1.2% of the gross General Fund Budget) which has been funded through a draw-down from reserves. The overspend reflects increasing demand and other financial pressures facing the Council including, most significantly, demand for, and increased cost of, children's services. The Council's 2020/21 budget has recognised the significant budget pressures facing Hammersmith & Fulham and the Council moves into 2020/21 with a balanced budget and planning is now well underway for 2021/22 and beyond.

Whilst the Council has acted prudently to maintain adequate levels of one-off reserves to manage financial risk and for investment in Council priorities, the financial outlook, which was already markedly strained, is now looking significantly challenging in light of COVID-19. To meet this challenge Hammersmith & Fulham continues to develop the 'Ruthlessly Financially Efficient' agenda to drive further savings and financial efficiencies and strengthen financial control. Going forward, the Council is investing its reserves as it takes forward its ambitious plans for regeneration and increasing affordable housing in the borough via the Civic Campus scheme and other initiatives. The Council has also set aside a reserve of £19.1m to cover a shortfall in government education funding for pupils with high needs until government support and funding arrangements to address this national issue are clarified and resolved.

Priorities and Performance

The Council has also set out the following key priorities:

- Building shared prosperity
- Creating a compassionate Council
- Doing things with residents, not to them
- Being ruthlessly financially efficient
- Taking pride in Hammersmith & Fulham
- Rising to the challenge of the climate and ecological emergency.

An overview of the Council's priorities and performance is available in the Council's 2018-22 business plan.

Organisational overview and external environment

As a unitary authority, Hammersmith & Fulham has one of the broadest remits in the public sector. Some of the key areas for which the Council is responsible are as follows:

- Adult social care
- Children's services and social care
- Council tax and business rates collection
- Education
- Environmental health
- Housing and regeneration

- Housing Benefit administration
- Libraries
- Planning and building control
- Public Health
- Trading standards
- Transport
- Waste management and recycling.

This is by no means an exhaustive list and our website provides a full overview our services and how to access them.

Detailed strategies and plans for many of these areas are available on our website.

Governance

The Council operates the Leader / Cabinet system with 46 councillors in total representing 16 wards. The Council's governance arrangements are explained in detail in the Annual Governance Statement (AGS). The AGS is published as part of these accounts.

The Council's Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that it is efficient, transparent and accountable to local people. The latest version of the Council's Constitution can be viewed on our website.

Organisational model

A list of our main service areas and directors – who together comprised the Strategic Leadership Team (SLT) - as at the end of the 2019/20 financial year was as follows:

Chief executive	**Kim Smith**
Strategic director, finance and governance	**Hitesh Jolapara**
Strategic director of the Economy department	**Jo Rowlands**
Strategic director of the Environment department	**Sharon Lea**
Strategic director of social care	**Lisa Redfern**
Director of children's services	**Jacqui McShannon**

Up to date information concerning the SLT is available here:
https://www.lbhf.gov.uk/councillors-and-democracy/about-hammersmith-fulham-council/our-services

People

The Council employs 1,973 people in full time and part-time contracts (excluding schools). The Council's workforce generally reflects the diversity of residents across the Borough. Below is a detailed departmental breakdown of the Council's employees by gender, age, disability and ethnicity.

Gender

Department	Female	Male
Childrens Services	77.75%	22.25%
Finance and Governance	50.99%	49.01%
Public Services Reform	55.81%	44.19%
Social Care	71.73%	28.27%
The Economy	48.16%	51.84%
The Environment	45.45%	54.55%
All departments	**55.70%**	**44.30%**

The Council, like other large employers, publishes its gender pay gap information. Hammersmith & Fulham has reported that the median (or typical) male employee earns 2.6 per cent more than the median female employee across the whole organisation (compared with 3.7% in 2018). The average mean difference is 1.8 per cent (compared with 5.2 per cent in 2018). We want to be the best, and that means not settling for just good enough. We will work hard to improve the parity of pay and progression across every aspect of our work.

To see our gender pay results and those of other organisations you can visit: https://gender-pay-gap.service.gov.uk/

Age

Department	<25	25-34	35-44	45-54	55-65	>65
Childrens Services	2.6%	24.9%	26.6%	25.7%	19.4%	0.9%
Finance and Governance	2.0%	12.1%	20.0%	28.7%	32.4%	4.8%
Public Services Reform	8.1%	15.1%	19.8%	26.7%	29.1%	1.2%
Social Care	1.6%	11.0%	19.9%	28.3%	37.2%	2.1%
The Economy	3.0%	19.4%	25.8%	24.2%	26.5%	1.2%
The Environment	0.9%	9.4%	19.6%	31.4%	36.4%	2.3%
All departments	**2.23%**	**15.21%**	**22.30%**	**27.83%**	**30.26%**	**2.18%**

Disability

Department	Disabled	No Disability Reported
Childrens Services	5.2%	94.8%
Finance and Governance	4.2%	95.8%
Public Services Reform	14.0%	86.0%
Social Care	6.8%	93.2%
The Economy	6.9%	93.1%
The Environment	6.2%	93.8%
All departments	**6.2%**	**93.8%**

Ethnicity

Department	Asian	Black	Mixed	Other	White	Not Recorded
Childrens Services	3.5%	22.3%	6.1%	1.7%	41.0%	25.4%
Finance/Resources	6.8%	14.4%	3.4%	1.7%	28.5%	45.4%
Public Services Reform	3.5%	23.3%	7.0%	1.2%	41.9%	23.3%
Social Care	2.1%	30.4%	5.2%	0.5%	41.9%	19.9%
The Economy	8.5%	22.1%	3.0%	1.8%	43.1%	21.4%
The Environment	9.1%	27.3%	7.7%	0.5%	46.3%	9.1%
All departments	**6.6%**	**23.1%**	**5.3%**	**1.3%**	**40.9%**	**22.9%**

Risks and opportunities

The Council maintains a comprehensive risk register which is regularly reviewed by the Audit and Pensions Committee. This register is published as part of the relevant committee papers which can be accessed on our website.

The Council's key risks are summarised below:

The Council's highest-level risks	Impact	Mitigation
Management of the initial Covid-19 emergency and lockdown.	Workforce; Financial; Governance; Local Economy; Education; Public Health and Welfare; Housing; Transport.	Gold and Silver groups established; Emergency and Business Continuity Plans invoked; Control Centre established; Horizon Scanning; Increased communications to residents and businesses affected during lockdown; risk assessments; re-timetabling of Accounts; workforce planning and establishment of the H&F Shield and H&F CAN.
Continued financial pressures stemming from meeting the initial response to the Covid-19 Outbreak.	Impacts on the Council's ability to run full services and may mean that some services are changed or reduced. Potential impact on financial sustainability.	Recovery Board have implemented a five-point recovery plan for services of Reinvent, Restore, Remove, Retain, Recover; Service reviews; Monitoring of Covid-19 related costs and lost revenues; Temporary changes to Governance arrangements; Establishment of Contracts Assurance Board; Local economic support initiatives.
Covid-19 Local Outbreak Infection control and prevention	Threat of a local lockdown if infection rates climb, impact on the local economy; ability to generate income; welfare.	Outbreak Plans; Enforcement of Covid-19 Regulations, Public Health communications and literature; Business Continuity Plans and Resilience group meetings; Risk assessments, people and place; Establishment of a Health and Wellbeing Board; Data analysis; Personal Protective Equipment procurement, management and distribution.

The Council's highest-level risks	Impact	Mitigation
Covid-19 Accessibility to Democratic processes	Transparency of decision making.	Council meetings moved to on-line digital platforms; increased communications provided through other Social Media platforms.
Safeguarding, protecting people from harm	Potential harm to those most vulnerable in society.	Creating a compassionate Council through policies, training and management controls; lessons learnt reviews; quality assurance; enhanced checks; Regular meetings of the Statutory Officers Accountability Board; Maintaining professional standards and safeguarding teams; Enhanced levels of Digital engagement and identification of Key Workers.
Ongoing threat of terrorism and cyber threats	Threat to our residents, visitors, service users and business community.	Emergency planning and business continuity planning. Training, guidance, plans, new extranet development outreaching to our local community. Lessons learned and other reviews. Service Resilience Group and supply chain resilience.
Ongoing uncertainty regarding exiting the European Union, Brexit.	Impacts on the Supply Chain, Inflation and demands on existing Council Services following an exit e.g. Workforce, Housing, Contracts, Residents, Finances.	Regular reviews of the position, briefings, dialogue with HM Government (Department for exiting the EU) and London Resilience, Brexit preparedness, contingency planning.

Regarding opportunities, the Council continues to explore a number of regeneration schemes and opportunity areas through its Industrial Strategy. The Strategy – called **Economic Growth for Everyone** – reflects our ambition to make our borough the best place to do business in Europe and to ensure that everyone benefits. Hammersmith & Fulham is changing rapidly and we're determined to seize the opportunities for everyone. We believe local government has a role in supporting growth. It can bring partners together, regenerate town centres, help with affordable workspaces, teach people the skills they need, use procurement to support local firms and much more. In Hammersmith & Fulham, we want to use the power of local government to create a borough able to compete with the best in the 21st century. The detail of our Industrial Strategy is published online on our website.

The Industrial Strategy will be more important than ever as the COVID-19 affects jobs, businesses and livelihoods. The Council will continue to work with partners and businesses to lead the way to economic recovery of the borough following the pandemic.

The strategy also includes:

- How we will make it easier for savvy entrepreneurs to start and grow a business, creating more affordable workspaces, exploring business rates cuts for key sectors, and creating a new venture capital fund to support tech and creative businesses
- Details of major regeneration and infrastructure schemes, including delivering 10,000 new homes, half of which will be affordable, as well as improvements to rail links and the station at Old Oak Common
- Our investment in local skills, with extra support for science and maths teachers and apprenticeships.

The 2018-2022 Business Plan sets out clear priorities around delivering 1,500 new affordable homes, including 500 for affordable home ownership and to review all sites including smaller areas to use every available piece of land for housing. The Council also has London Plan commitments to deliver new housing. To support these policies Cabinet approved the Building Homes and Communities Strategy in July 2019 which aims to:

- Build new, genuinely affordable housing which will help maintain the borough's vibrant social mix
- Supports the Council's Business Plan priority of 'Building Shared Prosperity'
  Renew key community assets, including schools and leisure centres
  Generates income to reinvest in frontline services

The programme is progressing in 2020/21 with the Development Board providing a gateway and governance process for these schemes. The strategy is available on our website.

Fire Safety Reviews

Following the tragic events at Grenfell Tower in 2017, the Council continues to review and invest in fire safety across the borough. In July 2017 the Council launched its Fire Safety Plus programme, available on our website.

The level of planned fire safety investment has since increased with £5m of investment in 2019/20 with a further £49m planned and budgeted for over the course of the current four-year capital programme.

On 1 July 2019 Cabinet approved the Council's Asset Management Compliance Strategy and Capital Programme Cabinet. This report set out the strategic delivery plan, proposed profile of the capital spend and the main headings of works which in addition to fire safety compliance included the legacy programme, general safety works, void works and the associated surveying costs and professional fees. Over the medium term this programme of works will seek to address the Council's number one priority of the safety and welfare of all residents.

The government's Building Safety and Fire Safety Bills are currently going through Parliamentary process. These will have a significant impact on the Council, particularly in its role as landlord. Whilst the Council has already approved its Asset Management and Compliance Programme, it is likely that these Bills will require additional safety provisions and further, potentially significant capital and revenue requirements that will need to be incorporated into future years' HRA revenue budgets and capital programmes.

The Environment

In our part of a busy city, residents deserve a place that is safe, clean and green. We're working hard to be the most environmentally positive borough in London, because the health and wellbeing of our communities is so important.

Some of our key environmental achievements and ambitions are set out below:

- In July 2019, the Council declared a Climate Emergency, pledging to cut CO_2 emissions from the Council's activities to net zero by 2030 and commissioning a new cross-cutting Climate Emergency Unit to urgently tackle the environmental impact of all aspects of the council's work.
- In September 2019, the Council launched a pollution-free delivery service designed to get the final leg of deliveries undertaken by an emissions-free cargo bike. By the end of 2019/20 more than 1,000 journeys had been completed.
- There was further expansion of electric car charging points throughout 2019/20; in May, the Council's partner, Source London, delivered their 1,000th charging point in London with the deployment of a new point in Fulham.
- During the year, working with the Hammersmith BID and St. Paul's School, a project to green the area under Hammersmith flyover was completed.
- The Council has installed 16 sustainable urban drainage systems (SuDS) schemes, with six more under construction, or planned, to better manage the risk of flooding and to better future proof the borough against extreme weather events.

The Council's Climate and Ecological Emergency Commission was launched in December 2019, further details of which can be found on our website.

Finance Strategy, Performance and Outlook

Strategy and resource allocation

Local government finances continue to be dominated by the austerity agenda. From April 2010 to April 2019 the Council's government funding to Hammersmith & Fulham was cut by £73m. This is a cash terms reduction of 47% and real terms reduction of 59%.

The Council has embedded the **Medium-Term Financial Strategy (MTFS)** within its business planning framework. The MTFS has been the vehicle for allocating resources to the Council's priorities, driving through efficiency savings and monitoring their delivery. It provides the Council with a forum for challenging budget and service proposals, identifying and developing savings and efficiencies and dealing with significant financial risks, in particular the continued reduction of Government funding. The Council's funding reduction from government in 2019/20 was £3.5m.

Annually, the Council sets the **revenue budget** – this sets out the Council's spending plans on day-to-day expenditure which includes everything from staff salaries, building maintenance and the costs of refuse collection and disposal. It is a legal requirement of the Council to set a balanced budget i.e. expenditure cannot be more than the 'resources available to it. In brief, the 2019/20 budgets included:

- Growth of £10.8m provided to meet statutory obligations, demographic, service pressures and key resident priorities
- Savings of £10.3m off-setting cost pressures and grant losses.

This produced a net revenue budget requirement of £136.7 million funded from Council Tax, the local share of business rates and Revenue Support Grant from government within a gross budget of £560 million.

The Council's 2019/20 Budget Strategy recognised the challenge in delivering the scale of budget reductions and recommended that the range for the optimal level of general balances be maintained at £14m - £20m. The actual general balances carried forward at the close of 2019/20 are £19m.

The Council also approves the **capital programme** which captures the spending to purchase or improve the Council's long-term assets (such as buildings and vehicles). The 2019-23 capital programme included:

- A housing and regeneration programme in excess of £220m
- The continuation of the Council's rolling programmes for Disabled Facilities Grants, Planned Building Maintenance, Footways and Carriageways and Parks.

Financial Performance

The revenue outturn for 2019/20 shows a year end overspend of £6.9m which has been funded by a drawdown against reserves. The overspend reflects the increasing financial pressures the Council faces including most significantly increased demand and complexity resulting in increased costs of children's services. At the end of the year, the General Fund Balance stands at £19m and earmarked reserves at £61 million.

The draft 2019/20 Statement of Accounts sets out the Council's spending and funding in line with accounting requirements. The position below explains the same information in the form of the Council's management accounts. The Council's financial position (for example, total usable reserves and final working balance) is the same in both formats. The summary General Fund outturn position is as set out below:

Department	Budget	Actual	Over/ (Under) Spend
	£m	£m	£m
Children's Services	54.484	62.644	8.160
Finance and Governance	43.484	43.432	(0.052)
The Economy Department	8.868	8.749	(0.119)
Public Service Reform	4.707	5.742	1.035
The Environment Department	66.968	67.813	0.845
Controlled Parking Account	(24.999)	(25.14)	(0.141)
Social Care	57.448	59.277	1.829
Centrally Managed Budgets (including unallocated contingency)	21.713	17.041	(4.672)
Gross Operating Expenditure	**232.673**	**239.558**	**6.885**
Technical and Financial Accounting Adjustments	(80.176)	(80.176)	-
Non-Ring-fenced Revenue Grants and Capital Grants	(27.23)	(27.23)	-
Net Contribution (to)/from Earmarked Reserves	11.224	11.224	-
Total Net Expenditure	**136.491**	**143.376**	**6.885**

Funded by:			
Localised Business Rates	76.096	76.096	-
Council tax	60.395	60.395	-
Total Funding	**136.491**	**136.491**	**-**
Final Position	-	6.885	**6.885**

Dedicated schools grant (DSG) is paid in support of local authority schools' budgets, being the main source of income for the schools. In common with other London Boroughs, the High Needs Block element has come under increased pressure in supporting children with special educational needs and spend is significantly higher than the funding provided by central government. This has led to a cumulative overspend on the Dedicated Schools Grant of £13.6 million at 31 March 2019. A 2019/20 DSG overspend of £5.5 million has increased the cumulative deficit to £19.1 million. The Council has set aside an earmarked reserve to match the cumulative DSG deficit until such time as government intentions around funding of these deficits are clarified and resolved.

The Statement of Accounts also includes the ring-fenced Housing Revenue Account for the provision of social housing. The closing balance on the Housing Revenue Account was £24.6m with associated Earmarked Reserves of £14.8m. Full details are set out in the HRA Statement of Accounts.

The impact of the COVID-19 pandemic in the UK and subsequent lockdown from 23 March 2020 has not had a significant effect on the Council's income and expenditure in 2019/20 as the impact of changes in behaviour and the lockdown only occurred in the last two weeks of March. The outturn includes expenditure of £0.188m incurred in March on the Council's COVID-19 pandemic response which was funded from the first tranche of un-ringfenced emergency Covid-19 grant. The COVID-19 pandemic also impacted on the Council's income, with the biggest impact being on parking income in the last weeks of March. The full impact of the pandemic will be felt in 2020/21 and beyond.

The Council's **Balance Sheet** as at 31 March 2020 is summarised below. The overall balance sheet position is substantially stable.

Summary Balance Sheet	**31-Mar-20 £m**	**31-Mar-19 £m**
Long Term Assets	1,915	1,833
Current Assets	291	393
Current Liabilities	(185)	(247)
Net Pension Liabilities	(505)	(631)
Other Long-Term Liabilities	(275)	(234)
Net Assets	**1,241**	**1,114**
Represented by:		
Usable Reserves	(176)	(212)
Unusable reserves	(1,065)	(902)
Total Reserves	**(1,241)**	**(1,114)**

The breakdown of the usable reserves is set out below:

Summary Usable Reserves	**31-Mar-20 £m**	**31-Mar-19 £m**
General Fund Balance	(19)	(19)
General Fund Earmarked Reserves	(61)	(63)
HRA Balance and Earmarked Reserves	(51)	(54)
Schools Reserves	(10)	(10)
Capital Reserves (Receipts and Grants)	(35)	(66)
Total	**(176)**	**(212)**

The Council’s balance sheet at 31 March 2020 is impacted by COVID-19 in three main areas. Property valuations included in the accounts are based on market values. There is significant uncertainty as to the impact of the pandemic and any economic downturn on market prices. Similarly pension fund asset valuations will be affected by this market uncertainty. Finally, due to the impact of the pandemic on the economy and consequently the Council’s residents and businesses there are risks that impairment allowances provided against debts may be insufficient should debtors be unable to settle their debts. Further detail on these areas of uncertainty and the impact on the figures in the accounts is included in note 36.

In November 2019, the Leader took an urgent decision which terminated the conditional land sale agreement (CLSA) with CapCo in respect of the Earls Court scheme. In doing so the Council was required to return the funds received under the CLSA amounting to £74.6m. These funds were held on the balance sheet as receipts held in advance as the transfer of the West Kensington and Gibbs Green Estates had not completed and remained within the Council’s control.

In addition, the Council re-purchased the former Gibbs Green School site and 11 Farm Lane, which had previously transferred and completed under the CLSA, at the original sale price for £15m and these are reflected as capital additions in the accounts.

Capital

In 2019/20, the actual capital expenditure (outturn) totalled £113.1 million. The table below summarises capital expenditure by service area:

Department	2019/20 £m	2018/19 £m
Adult Social Care	2.019	0.215
Children's Services	0.577	2.140
The Environment Department	14.659	11.335
Finance and Governance	23.057	4.003
The Economy Department - General Fund schemes	32.344	17.856
The Economy Department – Housing and Regeneration	19.222	7.927
The Economy Department - Housing Revenue Account	21.183	12.210
Total	**113.061**	**55.686**

The 2019/20 capital programme was financed as follows:

Capital Financing	2019/20 £m	2018/19 £m
Capital Receipts	8.808	5.701
Increase in Capital Finance Requirement (CFR)	60.463	25.712
Capital Grants and Contributions	29.232	14.324
Major Repairs Reserve (MRR)	13.159	8.172
Council and School Reserves	0.581	1.777
Housing Revenue Account	0.174	-
General Fund Revenue Account	0.644	-
Total	**113.061**	**55.686**

During the year the Council used £1.1m of capital receipts under the 'flexible use of capital receipts' scheme to fund 'invest to save' initiatives. This has enabled the protection revenue reserves to invest in future priorities.

In addition to the termination of the Earls Court CLSA and purchase of the former Gibbs Green School site and 11 Farm Lane as set out above, other significant capital additions during the year included:

- £19.6m to acquire the Council's, previously leased, offices at 145/155 King Street
- £21.2m investment in the Council's social housing stock and fire safety measures
- £13.1m on the boroughs' highways, including upgrading pay and display machines and LED lighting columns
- £11.4m on the Civic Campus and Hammersmith Town Hall Refurbishment (this includes £6m equity investment and £4.5m for Town Hall refurbishment and fit out and associated capital decant fit-out costs)
- £10m Hartopp & Lannoy Points site decant and demolition
- £9.6m on Affordable Housing schemes.

The Council's Civic Campus programme to breathe new life into King Street and reinvent the concept of the Town Hall as a civic space for the residents of Hammersmith & Fulham is developing as planned and the despite COVID-19 the programme is on track. The initial office decant phase is now completed with staff decanted to temporary offices within Hammersmith.

Financial Outlook

Prior to the COVID-19 pandemic, it was announced in September 2019 that the Council's general government grant funding will increase by £3.6m from 2019/20 to 2020/21. This increase follows a decade of grant cuts with overall funding reducing by £68m from 2010/11 to 2020/21. This represented a real terms funding cut of 54%.

The Council faces continued uncertainty as to the financial impact of COVID-19 and the resulting economic downturn. There continues to be uncertainty around the level of government funding of additional expenditure incurred by councils and lost revenues as a result of the pandemic. However, it is expected that the financial impact of the pandemic will not be fully funded by government and therefore that the Council will need to bear a proportion of these costs through its own resources, where necessary drawing upon reserves, as a temporary measure, to balance its budget.

The final expected position is not yet known as further details are still required in relation to funding of income losses, including business rates and council tax losses, and government funding of additional expenditure incurred in the event of a second wave. The financial impact of COVID-19 on the Council continues to be closely monitored. The pandemic and resulting economic downturn is likely to materially impact Council income streams while at the same time significantly increasing spend pressures and demand for services.

In addition to the impact of COVID-19 and the economic downturn, there is significant uncertainty over future of Government funding for councils and the impact of a recession on our funding and demand for services. A one-year settlement is expected for 2021/22 and the impact of the delayed Spending Review and Fair Funding Review, which will redistribute local government funding is currently unknown.

The 2020/21 revenue budget was approved in February 2020 and continues to be closely monitored in light of the COVID-19 pandemic. It included the following:

- Investment of £10.8m has been provided to meet statutory obligations, demographic, service pressures and key resident priorities
- Savings of £12.9m put forward to balance the 2020/21 budget.

Overall this produced a net revenue budget requirement of £121 million funded from Council Tax, the local share of business rates and Revenue Support Grant from government.

The 2020-24 capital programme, also approved in February 2020, includes:

- a total programme in excess of £490m
- the progression of major schemes including the Civic Campus Programme and the Education City Scheme
- the continuation of the Schools' Organisation Strategy and Schools' Maintenance Programme
- the continuation of the Council's rolling programmes for planned building maintenance and footways and carriageways
- externally funded Transport and Highways schemes
- investment in our parks
- Social Care capital projects.

COVID-19 has also had a significant impact on the capital programme. Due to the financial position of Transport for London (TfL) expected grant funding allocations are no longer confirmed with TfL expected to run a revised bidding process during the year. In addition, schemes have experienced delays due to the need to observe social distancing restrictions.

Hammersmith Bridge was closed to motorised traffic in April 2019 for safety reasons and on 13 August 2020 was closed to pedestrians and river traffic due to urgent safety concerns. The Council is working in partnership with TfL and other partners to secure the necessary funding from government to stabilise and repair this vital piece of London's road and bus infrastructure.

The medium-term outlook for local authority financing remains extremely challenging, however management are not aware of any material uncertainties in relation to the Council's ability to continue as a going concern.

Structure of the Statement of Accounts and Basis of preparation

The Statement of Accounts sets out the Council's income and expenditure for the financial year 2019/20 and its Balance Sheet at 31 March 2020. This covers the General Fund, Housing Revenue Account, Pension Fund and the Collection Fund. The format of the accounts follows the Code of Practice on Local Authority Accounting in the UK 2019/20, which specifies the principles and practices of accounting required to give a "true and fair" view of the financial position, financial performance and cash flows of a local authority. It primarily comprises the Key Financial Statements (including notes to the accounts) and Additional Statements / Other Notes.

The Statement of Accounts comprises:

Key Financial Statements

The **Movement in Reserves Statement (MiRS)** is a summary of the changes to the Council's reserves during the course of the financial year. The reserves represent the Council's net worth and are analogous to the equity of a private company. Reserves are divided into 'usable' and 'unusable' reserves. Usable reserves can be used to fund expenditure; unusable reserves cannot.

The **Comprehensive Income and Expenditure Statement (CIES)** reports all of the Council's gains and losses during the financial year. The CIES is prepared in accordance with International Financial Reporting Standards and the detail will therefore differ from the Council's management accounts and revenue budgets. However, the Council's financial position i.e. the working balance and usable reserves, will be the same.

The **Balance Sheet** is a 'snapshot' of the Council's assets, liabilities and reserves on 31 March 2020. The reserves are always equal to the Council's assets less the Council's liabilities. Assets represent everything owned by the Council and money owed to it. Liabilities are the sums that the Council owes to others.

The **Cash Flow Statement** shows the changes to the Council's cash and 'cash equivalents' during the financial year. Cash equivalents are assets that can be readily converted into cash and have a low likelihood of a change in value. The statement shows cash flows from: 'operating' activities, which are the cash flows from the Council's services; 'investing' activities, which are the cash flows from the Council's capital investment, investments and asset sales; and 'financing' activities, which are primarily the cash flows relating to the Council's borrowings.

Explanatory Notes

The **Notes** provide more detail about the items contained in the key financial statements, the Council's accounting policies and other information that helps interpretation and understanding of the key financial statements and accounts.

Included in the Notes is the **Expenditure and Funding Analysis (EFA)**. This shows how annual expenditure is used and funded from resources by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting principles.

Supplementary Financial Statements

The **Housing Revenue Account** shows the income and expenditure relating to the provision of housing and associated services to the council tenants and leaseholders and includes the Statement of Movement on the HRA Fund Balance. This reflects the statutory obligation of the Council to account separately for the cost of its activities as a landlord in the provision of council housing

The **Collection Fund Account** summarises the income and expenditure relating to the collection of council tax and non-domestic rates, including the precept collected on behalf of the Greater London Authority. It sets out the contribution of Hammersmith & Fulham Council taxpayers to the costs of local services and its distribution to the Greater London Authority.

The **Pension Fund Account** sets out a summary of the transactions during the year (Fund Account) and the overall financial position of the fund at 31 March 2020 (Net Assets Statement).

The **Annual Governance Statement** is a statement by the Leader of the Council and the Chief Executive on the arrangements and systems for internal control across the Council and the governance arrangements of the Council.

Materiality and Group Accounts

Group Accounts have not been included in the 2019/20 Statement of Accounts on the grounds that they do not have a material effect on the overall statements. Their inclusion does not provide any more usefulness to readers. The Council's interests which have been considered for the purposes of group accounting are detailed in Note 33 – Interest in Companies. We will continue to assess these interests for inclusion in future group accounts should they become material.

In addition, the Council is the sole trustee of the Wormwood Scrubs Charitable Trust (WSCT). Again, group accounts have not been prepared on the grounds of materiality however Note 35 provides a high-level summary of the balances of the Trust. The Trust's annual report and accounts are considered annually by the WSCT Committee and published here:http://democracy.lbhf.gov.uk/mgCommitteeDetails.aspx?ID=467. The Trust's accounts are also available via the Charity Commission website.

Accounting Policies

The 2019/20 accounts are compliant with International Financial Reporting Standards (IFRS) in that they comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) / Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in the United Kingdom 2019 (the Code) which is based on IFRS.

The accounting policies adopted by the Council comply with the Code and are set out in Note 38 to the Statement of Accounts. These are substantially unchanged from 2018/19.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director of Finance.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

Responsibilities of the Director of Finance

The Director of Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC 2019/20 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

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

- selected suitable accounting policies and applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Code of Practice on Local Authority Accounting.

The Director of Finance has also:

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

CERTIFICATE OF THE DIRECTOR OF FINANCE

I confirm that the Accounts present a true and fair view of the financial position of the London Borough of Hammersmith and Fulham and the London Borough of Hammersmith and Fulham Pension Fund as at 31 March 2020 and income and expenditure for the year for the financial year 2019/20.

Emily Hill
Director of Finance
24 November 2020

CORE FINANCIAL STATEMENTS

Movement in Reserves Statement

Comprehensive Income and Expenditure Statement

Balance Sheet

Cash Flow Statement

Movement in Reserves Statement

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

	Notes	General Fund (GF) Balance £000	GF Earmarked Reserves £000	Schools Balance £000	Housing Revenue Account (HRA) £000	HRA Earmarked Reserves £000	Capital Grants Unapplied £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2018		**(19,004)**	**(94,994)**	**(11,329)**	**(9,946)**	**(41,664)**	**(38,318)**	**(638)**	**(33,177)**	**(878)**	**(249,948)**	**(922,860)**	**(1,172,808)**
Movement in Reserves during 2018/19													
Total Comprehensive Income and Expenditure		82,762	-	-	7,173	-	-	-	-	-	89,935	(30,891)	59,044
Adjustments between accounting basis & funding basis under regulations	3a	(49,137)	-	-	(9,289)	-	2,489	(7,932)	12,344	-	(51,525)	51,525	-
Transfer to/(from) Earmarked Reserves		(33,625)	32,685	940	172	(172)	-	-	-	-	-	-	-
(Increase)/Decrease in 2018/19		**-**	**32,685**	**940**	**(1,944)**	**(172)**	**2,489**	**(7,932)**	**12,344**	**-**	**38,410**	**20,634**	**59,044**
Balance at 31 March 2019		**(19,004)**	**(62,309)**	**(10,389)**	**(11,890)**	**(41,836)**	**(35,829)**	**(8,570)**	**(20,833)**	**(878)**	**(211,538)**	**(902,226)**	**(1,113,764)**
Movement in Reserves during 2019/20													
Total Comprehensive Income and Expenditure		86,139	-	-	(16,808)	-	-	-	-	-	69,331	(196,437)	(127,106)
Adjustments between accounting basis & funding basis under regulations	3a	(84,864)	-	-	31,096	-	9,873	(2,004)	12,420	-	(33,479)	33,479	-
Transfer to/(from) Earmarked Reserves		(1,275)	1,137	138	(26,977)	26,977	-	-	-	-	-	-	-
(Increase)/Decrease in 2019/20		**-**	**1,137**	**138**	**(12,689)**	**26,977**	**9,873**	**(2,004)**	**12,420**	**-**	**35,852**	**(162,958)**	**(127,106)**
Balance at 31 March 2020		**(19,004)**	**(61,172)**	**(10,251)**	**(24,579)**	**(14,859)**	**(25,956)**	**(10,574)**	**(8,413)**	**(878)**	**(175,686)**	**(1,065,184)**	**(1,240,870)**

General Fund and HRA Balances as disclosed in Note 1 Expenditure Funding Analysis note:	**General Fund Balances* £000**	**HRA Balances** £000**	**TOTAL Balances £000**
Balance as at 31 March 2018	(125,327)	(51,610)	(176,937)
Balance as at 31 March 2019	(91,702)	(53,726)	(145,428)
Balance as at 31 March 2020	(90,427)	(39,438)	(129,865)

* General Fund Balances were calculated by adding the General Fund (GF) balance, GF earmarked reserves and schools balance together from the Movement in Reserves Statement.
** HRA Balances were calculated by adding the Housing Revenue Account (HRA) and HRA earmarked reserves together from the Movement in Reserves Statement.

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

	Notes	**Year Ended 31 March 2020**			**Year Ended 31 March 2019**		
		Gross Expenditure	**Gross Income**	**Net Expenditure**	**Gross Expenditure**	**Gross Income**	**Net Expenditure**
		£000	£000	£000	£000	£000	£000
Children's Services		169,100	(110,912)	58,188	188,388	(116,045)	72,343
Social Care		110,369	(59,024)	51,345	106,965	(58,693)	48,272
Economy	5	41,633	(35,267)	6,366	39,085	(26,077)	13,008
Local Authority Housing (HRA)		99,923	(79,353)	20,570	75,647	(83,102)	(7,455)
Local Authority Housing (HRA) - Dwelling Revaluation		(39,128)	-	(39,128)	13,267	-	13,267
Residents' Services (including Parking)		95,509	(63,241)	32,268	96,936	(63,427)	33,509
Public Service Reform		9,414	(2,617)	6,797	13,081	(3,733)	9,348
Finance & Governance		77,013	(7,719)	69,294	47,196	(10,643)	36,553
Centrally Managed Budgets		124,504	(106,439)	18,065	121,902	(115,071)	6,831
Cost of Services		**688,337**	**(464,572)**	**223,765**	**702,467**	**(476,791)**	**225,676**
Other Operating Expenditure	6	14,505	(6,840)	7,665	18,455	(4,615)	13,840
Financing and investment income and expenditure	7	26,377	(8,816)	17,561	28,664	(9,968)	18,696
Taxation and non-specific grant income and expenditure	8	45,048	(224,708)	(179,660)	77,454	(245,731)	(168,277)
(Surplus) or Deficit on Provision of Services				**69,331**			**89,935**
(Surplus) or deficit on revaluation of non-current assets				(38,928)			14,801
(Surplus) or deficit on revaluation of available for sale financial assets				-			(5)
Remeasurements of the net defined benefit liability	27			(157,509)			(45,687)
Other Comprehensive Income and Expenditure				**(196,437)**			**(30,891)**
Total Comprehensive Income and Expenditure				**(127,106)**			**59,044**

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and 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, unusable reserves, are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets 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'.

	Note No.	**31 March 2020 £000**	**31 March 2019 £000**
Property, Plant and Equipment	9	1,814,746	1,731,662
Heritage Assets	11	8,023	8,023
Investment Property	10	84,245	84,256
Intangible Assets		910	418
Long Term Investments	21	195	7,211
Long Term Debtors	21	7,333	1,330
Long Term Assets		**1,915,452**	**1,832,900**
Short Term Investments	21	162,545	260,982
Short Term Debtors	16	72,430	65,299
Inventories		77	88
Cash and Cash Equivalents	17	55,748	67,043
Current Assets		**290,800**	**393,412**
		-	
Short Term Borrowing	21	(13,843)	(12,096)
Short Term Creditors	18	(135,558)	(201,280)
Provisions	20	(33,266)	(27,831)
Grants and Contributions Receipts in Advance	30	(2,513)	(6,173)
Current Liabilities		**(185,180)**	**(247,380)**
		-	
Long Term Borrowing	21	(232,000)	(203,406)
Long Term Creditors	21	(100)	(100)
Provisions	20	(375)	(441)
Other Long Term Liabilities	19	(505,411)	(631,048)
Grants and Contributions Receipts in Advance	30	(42,316)	(30,173)
Long Term Liabilities		**(780,202)**	**(865,168)**
		-	
NET ASSETS		**1,240,870**	**1,113,764**
		-	
Usable Reserves	3b	(175,686)	(211,538)
Unusable Reserves	3c	(1,065,184)	(902,226)
		-	
TOTAL RESERVES		**1,240,870**	**(1,113,764)**

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing). The Cashflow Statement has been prepared using the indirect method.

	Notes	**2019/20 £000**	**2018/19 £000**
Net surplus or (deficit) on the provision of services		(69,331)	(89,935)
Adjustments to net surplus or deficit on the provision of services for non-cash movements	22a	(16,280)	141,082
Adjust for items in the net deficit on the provision of services that are investing or financing activities		(9,075)	(12,890)
Net cash flows from Operating Activities		**(94,686)**	**38,257**
Investing Activities			
Purchase of Property, plant and equipment, investment property and intangible assets		(105,980)	(49,890)
Net purchase of short-term and long-term investments		-	(12,069)
Proceeds from sale of property, plant and equipment, investment property and intangible assets		9,075	12,890
Net proceeds from short-term and long-term investments		105,453	-
Other receipts from investing activities		49,414	13,668
Net cash flows from Investing Activities		**57,962**	**(35,401)**
Financing Activities			
Net Cash receipts of short and long term borrowing		30,376	-
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		(349)	(376)
Net Repayments of short and long term borrowing		-	(4,496)
Other payments for financing activities		(4,598)	(13,815)
Net cash flows from Financing Activities		**25,429**	**(18,687)**
Net increase or (decrease) in cash and cash equivalents		**(11,295)**	**(15,831)**
Cash and cash equivalents at the beginning of the reporting period		67,043	82,874
Cash and cash equivalents at the end of the reporting period	17	**55,748**	**67,043**

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Expenditure and Funding Analysis

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

2019/20	As reported for resource management	Adjustments to outturn to arrive at the CIES	Comprehensive Income and Expenditure Statement (CIES)	Adjustments between Accounting and Funding Basis	Net Expenditure chargeable to GF and HRA Balances
	£000	£000	£000	£000	£000
Children's Services	62,644	(4,456)	58,188	(5,338)	52,850
Social Care	59,277	(7,932)	51,345	(1,734)	49,611
Economy	8,749	(2,383)	6,366	(678)	5,688
Local Authority Housing (HRA)		(18,558)	(18,558)	21,636	3,078
Residents' Services (including Parking)*	42,673	(10,405)	32,268	(15,612)	16,656
Public Service Reform	5,742	1,055	6,797	(285)	6,512
Finance & Governance	43,432	25,862	69,294	(44,531)	24,763
Centrally Managed Budgets	17,041	1,024	18,065	(6,207)	11,858
	239,558	**(15,793)**	**223,765**	**(52,749)**	**171,016**
Other income and expenditure not charged to services	(232,673)	78,239	(154,434)	(1,019)	(155,453)
(Surplus) or Deficit on Provision of Services before planned use of Earmarked Reserves	**6,885**	**62,446**	**69,331**	**(53,768)**	**15,563**
Opening Balance of General Fund/ HRA Balances					(145,428)
add: (Surplus) or Deficit on Provision of Services					15,563
Closing Balance of General Fund/ HRA Balances					(129,865)

* Please note Residents' Services is referred to as The Environment Department in the Outturn on the Narrative report and Parking Services is disclosed on a separate line in the Outturn.

2018/19

	As reported for resource management £000	Adjustments to outturn to arrive at the CIES £000	Comprehensive Income and Expenditure Statement (CIES) £000	Adjustments between Accounting and Funding Basis £000	Net Expenditure chargeable to GF and HRA Balances £000
Children's Services	56,679	15,664	72,343	(14,254)	58,089
Social Care	53,765	(5,493)	48,272	(1,197)	47,075
Economy	13,154	(146)	13,008	(1,081)	11,927
Local Authority Housing (HRA)	-	5,812	5,812	(19,479)	(13,667)
Residents' Services (including Parking)*	43,705	(10,196)	33,509	(15,055)	18,454
Public Service Reform	9,915	(567)	9,348	(648)	8,700
Finance & Governance	14,986	21,567	36,553	(6,481)	30,072
Centrally Managed Budgets	27,492	(20,661)	6,831	3,243	10,074
	219,696	**5,980**	**225,676**	**(54,952)**	**170,724**
Other income and expenditure not charged to services	(218,143)	82,402	(135,741)	(3,474)	(139,215)
(Surplus) or Deficit on Provision of Services before planned use of Earmarked Reserves	**1,553**	**88,382**	**89,935**	**(58,426)**	**31,509**
Opening Balance of General Fund/ HRA Balances					(176,937)
add: (Surplus) or Deficit on Provision of Services					31,509
Closing Balance of General Fund/ HRA Balances					(145,428)

* Please note Residents' Services is referred to as The Environment Department in the Outturn on the Narrative report and Parking Services is disclosed on a separate line in the Outturn.

The Cost of Service per the Comprehensive Income and Expenditure Statement is substantially similar to the position as reported to decision makers (per the management accounts as summarised in Narrative Report, page 16). This is because the Council's management accounts include technical items such as capital charges and pension adjustments where these are chargeable to services. The differences which do arise are attributable to items which are included within the Departmental analysis in the Council's management accounts but are reported below the cost of services line in the statements of accounts. These items primarily consist of financing income and expenditure, levies, and a small number of technical accounting entries.

1a. Note to the Expenditure and Funding Analysis

The note below refers to the Expenditure and Funding Analysis statement and explains the adjustments between the Comprehensive Income and Expenditure Statement and net expenditure chargeable to General Fund and HRA balances for the following:

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 other 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.

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 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 Comprehensive Income and Expenditure Statement.

Other Statutory Adjustments

Other statutory adjustments 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.

1a. Note to the Expenditure and Funding Analysis (cont'd)

Adjustments from the General Fund and HRA to arrive at the Comprehensive Income and Expenditure Statement amounts

	2019/20				2018/19			
	Adjustments for Capital Purposes £000	Net Change for Pension Adjustments £000	Other Differences £000	Total Adjustments £000	Adjustments for Capital Purposes £000	Net Change for Pension Adjustments £000	Other Differences £000	Total Adjustments £000
Children's Services	(2,499)	(2,839)	-	**(5,338)**	(11,849)	(2,405)	-	**(14,254)**
Social Care	(1,569)	(474)	309	**(1,734)**	(1,032)	(437)	272	**(1,197)**
Economy	(303)	(375)	-	**(678)**	(701)	(380)	-	**(1,081)**
Local Authority Housing (HRA)	25,521	(3,885)	-	**21,636**	(17,633)	(1,846)	-	**(19,479)**
Residents' Services (including Parking)	(14,454)	(1,267)	109	**(15,612)**	(13,981)	(1,183)	109	**(15,055)**
Public Service Reform	-	(285)	-	**(285)**	(441)	(207)	-	**(648)**
Finance & Governance	(43,856)	(675)	-	**(44,531)**	(5,764)	(717)	-	**(6,481)**
Centrally Managed Budgets	3,227	(9,539)	105	**(6,207)**	1,490	1,471	282	**3,243**
Net Cost of Services	**(33,933)**	**(19,339)**	**523**	**(52,749)**	**(49,911)**	**(5,704)**	**663**	**(54,952)**
Other income and expenditure not charged to services - General Fund	7,035	(12,905)	(4,384)	**(10,254)**	(8,987)	(14,739)	10,062	**(13,664)**
Other income and expenditure not charged to services - HRA	6,633	-	2,602	**9,235**	3,336	-	6,854	**10,190**
(Surplus) or Deficit on Provision of Services	**(20,265)**	**(32,244)**	**(1,259)**	**(53,768)**	**(55,562)**	**(20,443)**	**17,579**	**(58,426)**

2. Expenditure and Income Analysed by Nature

This note analyses the nature of the Council's expenditure and income. The totals for income and expenditure vary from the totals for gross expenditure and income on the Comprehensive Income and Expenditure Statement, due to the treatment of internal recharges, and from showing business rates income and gains/losses on disposals as net figures in this note.

	2019/20 £000	2018/19 £000
Expenditure		
Employee Benefits	210,652	183,868
Other Services Expenses	418,752	449,481
Support Service Recharges	(339)	(558)
Capital Charges	59,730	69,906
Interest Payments	11,296	11,653
Levies	2,430	2,648
Business rates tariff	45,048	77,454
Payments to the Government Housing Capital Receipts Pool	12,031	16,242
Net interest on the net defined benefit liability (asset)	14,667	16,198
Total Expenditure	**774,267**	**826,892**
Income		
Fees, Charges and other Service Income	(213,996)	(234,125)
Grants and Contributions	(303,024)	(275,386)
Income from Council Tax and Business Rates	(179,267)	(220,879)
Interest and Investment Income	(1,947)	(1,952)
(Gains)/losses on the disposal of non-current assets	(6,702)	(4,615)
Total Income	**(704,936)**	**(736,957)**
(Suplus) or Deficit on the Provision of Services	**69,331**	**89,935**

3a. 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 in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against:

General Fund Balances - The General Fund includes any surplus after meeting net expenditure on Council Services.

School Balances - This balance is comprised of unspent balances of schools and other educational establishments at the year end, which may be applied in the following year. The balances can only be used by the schools or establishments and are not available to the Council for general use.

Earmarked Reserves – these are amounts set aside for specific purposes see Note 4 for a description of each Earmarked Reserve.

Capital Grants Unapplied - These are capital grants with no payback conditions and have had no associated expenditure in 2019/20 or prior years.

Housing Revenue Account - This reserve provides a working balance for the Housing Revenue Account, for which transactions are ring-fenced under the provisions of the Local Government and Housing Act 1989.

Major Repairs Reserve - The Major Repairs Reserve is available for financing major repairs to the Council's housing stock.

Capital Receipts Reserve - This reserve relates to the capital receipts from the sale of assets, such as Right-To-Buy properties and other general receipts.

Capital Reserves - This is to hold retained capital receipts from the sale of assets.

3a. Adjustments between Accounting Basis and Funding Basis under Regulations (cont'd)

2019/20	General Fund Balance £000	School Balances £000	Earmarked Reserves £000	Capital Grants Unapplied £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Reserves £000	Total Usable Reserves £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 to (or from) the Pensions Reserve)	(28,582)	-	-	-	(3,661)	-	-	-	(32,243)
Financial instruments (transferred to the Financial Instruments Adjustments Account)	74	-	-	-	-	-	-	-	74
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	(1,792)	-	-	-	-	-	-	-	(1,792)
Holiday pay (transferred to the Accumulated Absences Reserve)	(34)	-	-	-	-	-	-	-	(34)
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)	(63,811)	-	-	-	7,824	(206)	-	-	(56,193)
Total Adjustments to Revenue Resources	(94,145)	-	-	-	4,163	(206)	-	-	(90,188)
Adjustments between Revenue and Capital Resources									
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-	-	-	-	8,511	-	(8,511)	-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	-	-	-	(91)	-	91	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(12,031)	-	-	-	-	-	12,031	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	-	-	-	14,957	(14,957)	-	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	2,279	-	-	-	-	-	-	-	2,279
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,225	-	-	-	174	-	-	-	1,399
Total Adjustments between Revenue and Capital Resources	(8,527)	-	-	-	23,551	(14,957)	3,611	-	3,678
Adjustments to Capital Resources									
Use of the Capital Receipts Reserve to finance capital expenditure	(2,166)	-	-	(436)	2,602	-	8,809	-	8,809
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	-	-	13,159	-	-	13,159
Application of capital grants to finance capital expenditure	18,144	-	-	10,309	780	-	-	-	29,233
Movements in the market value of investment properties	1,830	-	-	-	-	-	-	-	1,830
Total Adjustments to Capital Resources	17,808	-	-	9,873	3,382	13,159	8,809	-	53,031
Total Adjustments	(84,864)	-	-	9,873	31,096	(2,004)	12,420	-	(33,479)

3a. Adjustments between Accounting Basis and Funding Basis under Regulations (cont'd)

2018/19	General Fund Balance £000	School Balances £000	Earmarked Reserves £000	Capital Grants Unapplied £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Reserves £000	Total Usable Reserves £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 to (or from) the Pensions Reserve)	(18,596)	-	-	-	(1,846)	-	-	-	(20,442)
Financial instruments (transferred to the Financial Instruments Adjustments Account)	74	-	-	-	-	-	-	-	74
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	14,879	-	-	-	-	-	-	-	14,879
Holiday pay (transferred to the Accumulated Absences Reserve)	145	-	-	-	-	-	-	-	145
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)	(38,895)	-	-	-	(40,106)	(254)	-	-	(79,255)
Total Adjustments to Revenue Resources	(42,393)	-	-	-	(41,952)	(254)	-	-	(84,599)
Adjustments between Revenue and Capital Resources									
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	5,033	-	-	-	8,804	-	(13,837)	-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	(11)	-	-	-	(130)	-	141	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(16,242)	-	-	-	-	-	16,242	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	-	-	-	15,850	(15,850)	-	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	909	-	-	-	-	-	-	-	909
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	879	-	-	-	1,090	-	-	-	1,969
Total Adjustments between Revenue and Capital Resources	(9,432)	-	-	-	25,614	(15,850)	2,546	-	2,878
Adjustments to Capital Resources									
Use of the Capital Receipts Reserve to finance capital expenditure	(3,540)	-	-	(3,313)	6,853	-	9,798	-	9,798
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	-	-	8,172	-	-	8,172
Application of capital grants to finance capital expenditure	8,137	-	-	5,802	196	-	-	-	14,135
Movements in the market value of investment properties	(1,909)	-	-	-	-	-	-	-	(1,909)
Total Adjustments to Capital Resources	2,688	-	-	2,489	7,049	8,172	9,798	-	30,196
Total Adjustments	(49,137)	-	-	2,489	(9,289)	(7,932)	12,344	-	(51,525)

3b. Usable Reserves

Movements in usable reserves are detailed in the Movement in Reserves Statement.

3c Unusable Reserves

	31 March 2020 £000	31 March 2019 £000
Revaluation Reserve	(270,872)	(234,695)
Capital Adjustment Account	(1,286,865)	(1,283,599)
Deferred Capital Receipts Reserve	-	-
Pensions Reserve	498,410	623,676
Financial Instruments Adjustment Account	978	1,052
Available for Sale Financial Instruments Reserve	-	-
Collection Fund Adjustment Account	(9,900)	(11,691)
Accumulated Absences Account	3,065	3,031
Total Unusable Reserves	**(1,065,184)**	**(902,226)**

Revaluation Reserve

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

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

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

	2019/20 £000	2018/19 £000
Balance as 1 April	(234,695)	(256,451)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(38,928)	14,801
Difference between current value depreciation and historical cost depreciation	2,575	2,620
Accumulated gains on assets sold or scrapped	176	4,335
Amount written off to the Capital Adjustment Account	2,751	6,955
Balance at 31 March	**(270,872)**	**(234,695)**

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 current value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

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

	2019/20 £000	2018/19 £000
Balance as 1 April	(1,283,599)	(1,322,825)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
• Charges for depreciation non-current assets	18,995	19,264
• Revaluation losses on property, plant and equipment	20,810	29,684
• Amortisation of intangible assets	160	181
• Revenue expenditure funded from capital under statute	4,808	4,927
• Reversal of Major Repairs Allowance credited to the HRA	14,957	15,850
• 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	(3,537)	9,349
	56,193	79,255
Adjusting amounts written out of the Revaluation Reserve	(2,751)	(6,955)
Net written out amount of the cost of non-current assets consumed in the year	53,442	72,300
Capital financing applied in the year:		
• Use of the Capital Receipts Reserve to finance new capital expenditure	(8,809)	(9,798)
• Use of the Major Repairs Reserve to finance new capital expenditure	(13,159)	(8,172)
• Capital grants and contributions applied	(29,232)	(14,135)
• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(2,279)	(909)
• Capital expenditure charged against the General Fund and HRA balances	(1,399)	(1,969)
	(54,878)	(34,983)
Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	(1,830)	1,909
Release of deferred costs from Capital Adjustment Account to Capital Receipts Reserve upon receipt of cash	-	-
Balance at 31 March	**(1,286,865)**	**(1,283,599)**

Pensions Reserve

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

	2019/20 £000	2018/19 £000
Balance as 1 April	623,676	648,921
Remeasurements of the net defined benefit liability/(asset)	(157,509)	(45,687)
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	53,754	40,311
Employer's pensions contributions and direct payments to pensioners payable in the year	(21,511)	(19,869)
Balance as 31 March	**498,410**	**623,676**

Collection Fund Adjustment Account

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

	2019/20 £000	2018/19 £000
Balance as 1 April	(11,691)	3,188
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	1,791	(14,879)
Balance as 31 March	**(9,900)**	**(11,691)**

4. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2019/20. A number of reserves have been consolidated in 2019/20 and these have been reflected in the table below. In 2020/21, the reserves will be realigned to reflect planned investments.

During the year the Council undertook an exercise to review and consolidate earmarked reserves, resulting in fewer earmarked reserves.

		Balance at 31 March 2018 £000	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	Movement Between Reserves 2018/19 £000	Balance at 31 March 2019 £000	Transfers Out 2019/20 £000	Transfers In 2019/20 £000	Movement Between Reserves 2019/20 £000	Balance at 31 March 2020 £000
	General Fund									
1	Insurance Fund	(6,312)	-	-	-	**(6,312)**	380	-	-	**(5,932)**
2	Controlled Parking Fund	(1,346)	643	(521)	-	**(1,224)**	254	(521)	1,224	**(267)**
3	Efficiency Projects Reserve	(17,635)	3,935	(2,646)	13,616	**(2,730)**	86	(750)	2,730	**(664)**
4	Corporate Demand Pressures	(11,444)	905	-	7,738	**(2,801)**	7,765	(4,854)	(12,621)	**(12,511)**
5	LPFA Sub Fund	(1,400)	158	-	-	**(1,242)**	372	-	870	**-**
6	Temporary Accommodation	(3,210)	600	-	-	**(2,610)**	450	-	1,710	**(450)**
7	ASC Pressures & Demands	(1,878)	-	-	-	**(1,878)**	-	-	1,878	**-**
8	Capital Reserves	(937)	671	(1,422)	-	**(1,688)**	-	-	1,688	**-**
9	Supporting People Programme	(1,209)	300	-	-	**(909)**	309	-	-	**(600)**
10	MTFS Delivery Risk	(155)	106	-	(796)	**(845)**	-	-	845	**-**
11	TFM Reserve	(1,507)	642	(1,500)	-	**(2,365)**	-	-	2,365	**-**
12	3SIF Grant Reserve	(720)	292	-	-	**(428)**	-	-	428	**-**
13	Troubled Families	(1,075)	138	-	-	**(937)**	142	-	-	**(795)**
14	NDR Deficit Support	(5,255)	10,397	-	(5,142)	**-**	-	-	-	**-**
15	Partners in Practice	(1,547)	420	-	-	**(1,127)**	482	(312)	-	**(957)**
16	King Street West	(1,356)	2,155	(49)	(2,596)	**(1,846)**	9,221	(1,126)	(15,764)	**(9,515)**
17	Managed Services	(9,291)	5,230	-	-	**(4,061)**	388	-	2,967	**(706)**
18	Corporate People Reserve	(3,636)	37	(97)	-	**(3,696)**	-	-	3,696	**-**
19	Corporate Technology & IT	(6,950)	85	(800)	-	**(7,665)**	-	(800)	7,271	**(1,194)**
20	Corporate Financial Resilience Reserve	(3,000)	3,715	(4,106)	-	**(3,391)**	-	-	3,391	**-**
21	Corporate Property Reserve	(3,796)	136	-	-	**(3,660)**	-	-	3,660	**-**
22a	Dedicated Schools Grant Support	-	-	-	(13,616)	**(13,616)**	-	-	(5,503)	**(19,119)**
22b	Dedicated Schools Grant Deficit	-	14,166	(550)	-	**13,616**	5,830	(327)	-	**19,119**
23	Other Funds	(5,047)	2,019	(1,702)	796	**(3,934)**	1,098	(6,731)	(835)	**(10,402)**
	General Fund Reserves	**(88,706)**	**46,750**	**(13,393)**	**-**	**(55,349)**	**26,777**	**(15,421)**	**(0)**	**(43,993)**

4. Transfers to/from Earmarked Reserves (cont'd)

		Balance at 31 March 2018 £000	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	Movement Between Reserves 2018/19 £000	Balance at 31 March 2019 £000	Transfers Out 2019/20 £000	Transfers In 2019/20 £000	Movement Between Reserves 2019/20 £000	Balance at 31 March 2020 £000
	General Fund Revenue Grants									
24	S106 - Revenue Schemes	(5,070)	217	(1,683)	-	**(6,536)**	984	(10,810)	-	**(16,362)**
25	Other Revenue Grants	(953)	795	-	-	**(158)**	74	(468)	-	**(552)**
	Revenue Grants Sub-Total	**(6,023)**	**1,012**	**(1,683)**	**-**	**(6,694)**	**1,058**	**(11,278)**	**-**	**(16,914)**
	General Fund Total	**(94,729)**	**47,762**	**(15,076)**	**-**	**(62,043)**	**27,835**	**(26,699)**	**-**	**(60,907)**
	HRA Reserves									
26	HRA Efficiency Reserve	(1,292)	536	(500)	-	**(1,256)**	828	-	-	**(428)**
27	HRA Non-dwellings Impairment Reserve	(7,190)	-	(1,795)	-	**(8,985)**	2,242	-	-	**(6,743)**
28	HRA Strategic Regeneration and Housing Development	(6,413)	1,606	(1,545)	-	**(6,352)**	5,937	(1,281)	-	**(1,696)**
29	HRA Utilities Reserve	(10,750)	-	(250)	-	**(11,000)**	5,000	-	-	**(6,000)**
30	Welfare Reform Reserve	(1,500)	-	-	-	**(1,500)**	1,500	-	-	**-**
31	Parking Charges Review Reserve	(606)	500	-	-	**(106)**	106	-	-	**-**
32	Fire Safety Plus	(12,845)	4,862	(3,990)	-	**(11,973)**	11,973	-	-	**-**
33	Other HRA Funds	(1,332)	448	(44)	-	**(928)**	692	(19)	-	**(255)**
	HRA Sub-Total	**(41,928)**	**7,952**	**(8,124)**	**-**	**(42,100)**	**28,278**	**(1,300)**	**-**	**(15,122)**
	Total	**(136,658)**	**55,714**	**(23,200)**	**-**	**(104,145)**	**56,113**	**(27,999)**	**-**	**(76,029)**

4. Earmarked Reserves Description

1	Insurance Fund	This was established to underwrite a proportion of the Council's insurable risks.
2	Controlled Parking Fund	The surplus from the running of the Controlled Parking operations within the Borough is accumulated in this Fund, this reserve was used to meet expenditure on transport and highways related activities.
3	Efficiency Projects Reserve	This reserve will fund future revenue expenditure and capital investment that will provide future revenue savings.
4	Corporate Demand Pressures	To meet unbudgeted demands and pressures.
5	LPFA Sub Fund	This reserve has been set aside to cover a potential pensions liability to the London Pension Fund Authority (LPFA).
6	Temporary Accommodation	This reserve has been set up to deal with possible shortfalls arising out of the introduction of a cap on rental income received for temporary accommodation.
7	ASC Pressures & Demands	This reserve is to address non-recurring new financial pressures within Adult Social Care.
8	Capital Reserves	This is a revenue-backed reserve to support capital expenditure and to provide bridging finance pending receipts of grants, etc.
9	Supporting People Programme	This reserve has been set up to enable the Supporting People programme to be managed over a rolling 3-year cycle in line with the contracts let with service suppliers.
10	MTFS Delivery Risk	This reserve is to mitigate the risks associated with the implementation of new MTFS projects.
11	TFM Reserve	This reserve was used to fund additional costs on the previous TFM contract including changes in the apportionment of costs across the three boroughs and elective variable works, removals costs and ad hoc security costs that were not included in the fixed contract price.
12	3SIF Grant Reserve	This reserve is to support the Third Sector Investment Fund medium term allocation plan.
13	Troubled Families	This reserve has been created to carry forward funding that has already been earnt, but not spent, into Year 3 of the project in order to fund the costs associated with running the programme.
14	NDR Deficit Support	This is a reserve to smooth the impact of statutory timing differences between funding and impact business rates deficits.
15	Partners in Practice	This is a reserve for Children's Services social care practice improvement as part of DFE innovation programme.
16	Civic Campus (previously King Street West)	This is held to fund the costs of implementing the Civic Campus redevelopment.
17	Managed Services	This reserve is used to fund the cost of supporting the Managed Services project and for the implementation of the new Hampshire IBC system.
18	Corporate People Reserve	This is the consolidation of various Human Resource related reserves.
19	Corporate Technology & IT	This reserve is used to finance IT projects.
20	Corporate Financial Resilience Reserve	This reserve is to cover the costs of providing financial resilience across the Council.
21	Corporate Property Reserve	This is to be used to cover the one-off costs related to LBHF property management.
22	DSG Reserve	*22a. DSG Reserve - Deficit* This reserve records the cumulative overspend on Dedicated Schools Grant (DSG) due to the significant pressures and shortfall of funding on the High Needs Block. This reserve reflects the expectation by the Education and Skills Funding Agency that DSG funding is ringfenced and that deficit recovery plans should be put in place to ensure spending is contained within the resources available. It also reflects the requirements of The School and Early Years Finance (England) Regulations 2020 which require the DSG deficit balance to be held within the local authority's overall DSG as it cannot fund a deficit from the general fund without the secretary of state's approval. The negative balance on this reserve is £19.119m. *22b. DSG Reserve – Deficit Set-Aside* This reserve offsets the DSG Reserve – Deficit to ensure that the expenditure incurred to date can be fully funded in light of continuing pressures and in the event that the deficit recovery plan is unable to recover the current cumulative position. This reflects the continued uncertainty around funding arrangements for the deficit following The School and Early Years Finance (England) Regulations 2020, set out above. Overall the DSG reserve (deficit and deficit set-aside) is nil as the cumulative deficit is matched by the reserve set aside.
23	Other Funds	This comprises a number of smaller reserves, generally not exceeding £500,000.

24	S106 - Revenue Schemes	These reserves exist to fund various projects and potential future commitments.
25	Other Revenue Grants	These are grants which have been transferred as an earmarked reserve due to the implementation of International Financial Reporting Standards (IFRS).
26	HRA Efficiency Reserve	This reserve is to provide funding for the one-off costs associated with implementing MTFS savings.
27	HRA Non-Dwellings Impairment Reserve	This reserve is to smooth the future impact of non-dwellings impairments on the HRA following the introduction of HRA self-financing.
28	HRA Strategic Regeneration and Housing Development	This reserve is to provide for the risk associated the council's strategy and regeneration and housing development initiatives.
29	HRA Utilities Reserve	This reserve is to cover the potential impact of applying OFWAT "Water resale order" under which water charges to tenants must be set to equal expenditure incurred by LBHF on a property by property basis.
30	Welfare Reform Reserve	This is a reserve to provide for the further and continuing impact of Welfare Reform.
31	Parking Charges Review Reserve	This reserve is to cover the potential need to refund parking charges on HRA properties.
32	Fire Safety Plus	This reserve was created for reviewing fire safety across the borough.
33	Other HRA Funds	This reserve is to fund various smaller projects specific to the HRA.

5. Material Items of Income and Expense

Transactions in 2019/20
HRA Dwellings have been revalued upwards in-year. The upward revaluation is approximately 5.3% however the size of the asset base means that this revaluation is a material amount. The gross revaluation increase recognised in CIES is £39.1m.

Other Land and Buildings (OLB) contains a material downwards valuation in-year due to a property classified as development site under construction and thus nil value at year-end. A total of £13.6m loss was recognised in CIES.

Surplus Assets (SA) contains material downwards valuations in-year due to sites classified as development sites under construction and thus nil values at year-end. In addition, another site was valued downwards due to the scheme being reviewed. A total of £46.3m loss was recognised in CIES.

Transactions in 2018/19 (Restated)
HRA Dwellings have been revalued downwards in-year. The downward revaluation is approximately 1% however the size of the asset base means that this revaluation is a material amount. The gross revaluation decrease recognised in CIES is £13.3m.

Similarly, Other Land and Buildings (OLB) have decreased in value in-year. This is substantially due to changes in the estimation techniques used to arrive at depreciated replacement cost (DRC) valuations. This includes updated build cost and location factors - as prescribed by the Royal Institution of Chartered Surveyors (RICS) - and a revised approach used by the external valuer to arrive at obsolescence factors and land values. The revaluation decrease of OLB recognised in CIES is £7.2m.

Surplus Assets (SA) in-year revaluation resulted in a £9,3m loss recognised in CIES, due to changes in planning factors and updated cost requirements which have led to an update in the underlying valuation assumptions.

6. Other Operating Expenditure

	2019/20 £000	2018/19 £000
Levies	2,430	2,648
Payments to the Government Housing Capital Receipts Pool	12,031	16,242
(Gains)/losses on the disposal of non-current assets	(6,702)	(4,615)
Other Operating Income and Expenditure	(94)	(435)
Total	**7,665**	**13,840**

7. Financing and Investment Income and Expenditure

	2019/20 £000	2018/19 £000
Interest payable and similar charges	11,296	11,653
Net interest on the net defined benefit liability (asset)	14,667	16,198
Interest receivable and similar income	(2,358)	(2,214)
Income and expenditure in relation to investment properties	(6,456)	(7,202)
Net (gains)/losses from fair value adjustments on investment properties	411	114
Losses on derecognition of investments	-	147
Total	**17,560**	**18,696**

8. Taxation and non-specific grant income and expenditure

	£000	£000
Non-domestic rates income	(115,101)	(162,363)
NDR safety net	-	-
Business rates tariff	45,048	77,454
Non-domestic rates income and expenditure	**(70,053)**	**(84,909)**
Council Tax Income	(64,166)	(58,516)
Non-ringfenced government grants	(28,523)	(15,074)
Capital grants and contributions	(16,918)	(9,778)
Total	**(179,660)**	**(168,277)**

9. Property, Plant and Equipment

(i) Movements on Balances

Movements in 2019/20	**Council Dwellings £000**	**Other Land and Buildings £000**	**Infrastructure Assets £000**	**Vehicles, Plant, Furniture & Equipment £000**	**Community Assets £000**	**Surplus Assets £000**	**Assets Under Construction £000**	**Total Property, Plant and Equipment £000**	**PFI Assets Included in Property, Plant and Equipment £000**
Cost or Valuation									
At 1 April 2019	1,259,477	333,885	228,330	16,836	27,304	33,094	1,272	**1,900,198**	25,465
Additions	21,829	21,138	13,119	3,459	513	31,733	9,407	**101,198**	-
Donations	-	-	-	-	-	-	-	**-**	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	16,315	13,856	-	-	-	160	-	**30,331**	1,582
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	28,457	(13,572)	-	-	-	(46,366)	-	**(31,481)**	-
Derecognition – disposals	(2,126)	-	-	-	-	-	-	**(2,126)**	-
Derecognition – other	-	(194)	-	(7,973)	-	-	-	**(8,167)**	-
Other reclassifications	(7,860)	(13,010)	-	-	-	21,054	(184)	**-**	-
At 31 March 2020	**1,316,092**	**342,103**	**241,449**	**12,322**	**27,817**	**39,675**	**10,495**	**1,989,953**	**27,047**
Accumulated Depreciation and Impairment									
At 1 April 2019	-	(866)	(140,958)	(12,147)	(14,565)	-	-	**(168,536)**	-
Depreciation charge	(14,957)	(3,917)	(11,795)	(1,171)	(2,063)	(48)	-	**(33,951)**	(381)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	4,167	4,076	-	-	-	354	-	**8,597**	381
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	10,671	-	-	-	-	-	-	**10,671**	-
Derecognition – disposals	25	-	-	-	-	-	-	**25**	-
Derecognition – other	-	14	-	7,973	-	-	-	**7,987**	-
Other movements in depreciation and impairment	94	212	-	-	-	(306)	-	**-**	-
At 31 March 2020	**-**	**(481)**	**(152,753)**	**(5,345)**	**(16,628)**	**-**	**-**	**(175,207)**	**-**
Net Book Value									
at 31 March 2020	**1,316,092**	**341,622**	**88,696**	**6,977**	**11,189**	**39,675**	**10,495**	**1,814,746**	**27,047**

9. Property, Plant and Equipment (cont'd)

(i) Movements on Balances

Movements in 2018/19	Council Dwellings £000	Other Land and Buildings £000	Infrastructure Assets £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property, Plant and Equipment £000
Cost or Valuation									
At 1 April 2018	1,272,098	356,912	218,869	14,242	26,521	34,289	2,007	**1,924,938**	24,792
Additions	19,008	1,820	9,461	2,594	783	16,547	180	**50,393**	-
Donations	-	-	-	-	-	-	-	**-**	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(5,465)	(11,222)	-	-	-	(7,738)	-	**(24,425)**	673
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(24,619)	(7,156)	-	-	-	(9,261)	-	**(41,036)**	-
Derecognition – disposals	(1,545)	(1,631)	-	-	-	-	-	**(3,176)**	-
Derecognition – other	-	(3,274)	-	-	-	(2,018)	(915)	**(6,207)**	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	**-**	-
Assets reclassified (to)/from Investment Properties	-	(289)	-	-	-	-	-	**(289)**	-
Other reclassifications	-	(1,275)	-	-	-	1,275	-	**-**	-
At 31 March 2019	**1,259,477**	**333,885**	**228,330**	**16,836**	**27,304**	**33,094**	**1,272**	**1,900,198**	**25,465**
Accumulated Depreciation and Impairment									
At 1 April 2018	-	(756)	(129,773)	(11,460)	(12,537)	-	-	**(154,526)**	-
Depreciation charge	(15,850)	(5,295)	(11,185)	(687)	(2,028)	(68)	-	**(35,113)**	(459)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	4,479	5,088	-	-	-	57	-	**9,624**	459
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	11,352	-	-	-	-	-	-	**11,352**	-
Derecognition – disposals	19	78	-	-	-	30	-	**127**	-
Other movements in depreciation and impairment	-	19	-	-	-	(19)	-	**-**	-
At 31 March 2019	**-**	**(866)**	**(140,958)**	**(12,147)**	**(14,565)**	**-**	**-**	**(168,536)**	**-**
Net Book Value									
at 31 March 2019	**1,259,477**	**333,019**	**87,372**	**4,689**	**12,739**	**33,094**	**1,272**	**1,731,662**	**25,465**

9. Property, Plant and Equipment (cont'd)

(ii) Depreciation and Useful life

The following useful lives and depreciation rates have been used in the calculation of depreciation:

Council Dwellings (Building element only - land not depreciated)	46 - 53 years
Other Land and Buildings (Building element only - land not depreciated)	38 - 50 years
Surplus Assets (Building element only - land not depreciated)	41 - 46 years
Infrastructure Assets	3 - 40 years
Vehicles, Plant, Furniture & Equipment	4 - 25 years
Community Assets	5 - 73 years

(iii) Effect of Changes in Estimates

In 2019/20 the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

(iv) Revaluation and Impairments

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued through full inspection at least every four years. The Council has used the external valuation contractor Wilks, Head & Eve to carry out the valuations under instruction from the Council's internal Valuation and Property Services. Rolling programme values are reviewed internally to ensure they are not materially misstated at balance sheet date. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations have an effective date of 31 March 2020.

The significant assumptions applied in estimating the current values are:

- Valuations of owner-occupied properties reflect special adaptations or particular suitability of the premises for the existing use, but specifically exclude, so far as possible value attributable to goodwill and alternative uses.
- No allowance has been made for any national or local tax whether existing or which may arise in the future.
- All properties except Housing Dwellings have been valued on an individual basis, thus envisaging that they will be marketed individually or in groups over an appropriate period of time.
- Except where specific information is available, properties have been properly maintained and are in good repair and condition.

	Council Dwellings £000	Other Land and Buildings £000	Infrastructure Assets £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Carrying value under Cost Model	1,434,671	240,062	88,696	6,977	11,189	87,059	**10,495**	**1,879,149**
Carried at Historical Cost	-	-	88,696	6,977	11,189	-	10,495	**117,357**
Valued at current value as at:								
31 March 2020	1,316,092	324,693	-	-	-	39,675	-	**1,680,460**
31 March 2019	-	8,152	-	-	-	-	-	**8,152**
31 March 2018	-	4,539	-	-	-	-	-	**4,539**
31 March 2017	-	4,238	-	-	-	-	-	**4,238**
	1,316,092	**341,622**	**88,696**	**6,977**	**11,189**	**39,675**	**10,495**	**1,814,746**

9. Property, Plant and Equipment (cont'd)

(iv) Revaluation and Impairments continued.

The Council values its dwellings in accordance with the proper practice set out in the Government guidance "Stock Valuation for Resource Accounting: Guidance for Valuers - 2016". Under the requirements of the "beacon system" of valuation and 75 per cent discount applied to the open market valuation of the dwellings using the "Existing Use Valuation - Social Housing" methodology, the Council's capital expenditure on its dwelling stock does not increase the value of the assets on a pound-for-pound basis; at best the value of a dwelling will be increased by only 25 per cent of the capital expenditure incurred upon it.

Desktop revaluation of housing dwellings stock as at 31 March 2020 was commissioned by the Council and completed by the external valuer Wilks, Head and Eve. A revaluation based on full inspection of housing dwellings stock is scheduled for 2020/21.

Where assets are revalued downwards and revaluation losses are in excess of the available Revaluation Reserve, balances are debited to the Surplus or Deficit on the Provision of Services. A review of property, plant and equipment was carried out for 2019/20 and there were no cases of impairment of assets to report.

Impairment and valuation losses not covered by Revaluation Reserve in relation to HRA dwellings are charged to the HRA Income & Expenditure Statement but will continue to be reversible through a transfer to the Capital Adjustment Account (CAA) via the Movement in Reserves Statement (MIRS). Valuation gains in relation to HRA dwellings, where taken to the HRA income and expenditure statement, can also be reversed under the Item 8 Credit and Debit Determination, by a transfer to the CAA via the movement in reserves statement.

Impairment and valuation losses not covered by revaluation reserve in relation to HRA non-dwellings can be reversed in the same way as losses for dwellings. As with dwellings, valuation gains for non-dwellings, where taken to the HRA income and expenditure statement, can also be reversed by a transfer to the CAA via the Movement in Reserves statement.

(v) Capital Commitments

The total of capital commitments exceeding £2m at the balance sheet date were as follows:

	31 March 2020	31 March 2019
Service Department	**£000**	**£000**
Housing Revenue Account	21,242	-
Affordable Housing Schemes	3,955	-
	25,197	**-**

10. Investment Properties

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

	2019/20	2018/19
	£000	**£000**
Rental income from investment property	(6,869)	(7,869)
Direct operating expenses (including repairs and maintenance) arising from investment properties	414	667
Net (gain)/loss	**(6,455)**	**(7,202)**

(i) Revaluation

In 2019/20 the Council commissioned a full revaluation of its investment properties including an inspection of each property where appropriate as at the balance sheet date of 31st March 2020. The work was undertaken by our independent external valuers - Wilks, Head & Eve, whose staff are qualified surveyors with the Royal Institution of Chartered Surveyors (RICS). The valuation bases are in accordance with the Statement of Asset Valuation Practices and Guidance Notes of RICS.

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

The following table summarises the movement in the fair value of investment properties over the year:

	31-Mar-20 £000	31-Mar-19 £000
Balance at start of the year	84,256	83,899
Additions:		
• Subsequent expenditure	400	182
Net gains/(losses) from fair value adjustments	(411)	(114)
Transfers:		
• (to)/from Property, Plant and Equipment	-	289
Balance at end of the year	**84,245**	**84,256**

(ii) Fair Value Hierarchy

All the Council's investment properties have been assessed as Level 2 on fair value hierarchy for valuation purposes (see Note 38 Accounting Policies for an explanation of the fair value levels).

11. Heritage Assets

(i) Movement on Balances

	Art Collections £000	Books & Printed Materials £000	Ceramics & Glass £000	Other Heritage Assets £000	Total Assets £000
Cost or Valuation					
At 1 April 2019	7,688	131	118	86	8,023
Movement on balance	-	-	-	-	-
At 31 March 2020	**7,688**	**131**	**118**	**86**	**8,023**

There have been no movements on Heritage Assets in 2019/20.

12. Assets Held for Sale

There were no Assets Held for Sale in 2019/20 and 2018/19 financial years.

13. Capital Expenditure and Capital Financing

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

	2019/20	2018/19
	£000	£000
Opening Capital Financing Requirement	298,499	277,707
Capital Investment		
Property, Plant and Equipment	101,198	50,393
Investment Properties	400	182
Intangible Assets	652	186
Revenue Expenditure Funded from Capital under Statute	4,808	4,927
Capital Funding of third-party capital loans	6,003	-
Sources of Finance		
Capital receipts - used to fund Capital Expenditure	(8,809)	(5,700)
Government grants and other contributions	(42,391)	(22,306)
Sums set aside from revenue:		
Direct revenue contributions	(1,399)	(1,969)
MRP/loans fund principal	(2,278)	(915)
Voluntary Application of Capital Receipts	-	(4,098)
Deferred costs of capital disposals	(5,818)	92
Debt Resettlement (HRA)	-	-
Closing Capital Financing Requirement	**350,865**	**298,499**
Explanation of movements in year		
Increase in underlying need to borrow	58,247	24,861
(Decrease) in underlying need to borrow	(63)	(63)
Debt Resettlement (HRA)	-	-
Voluntary application of Capital Receipts to repay debt	-	(4,097)
Increase/(Decrease) in Deferred costs of capital disposals	(5,818)	92
Assets acquired under finance leases	-	-
Assets acquired under PFI/PPP contracts	-	-
Increase/(decrease) in Capital Financing Requirement	**52,366**	**20,793**

14. Leases (Finance and Operating)

Council as Lessee

Finance Leases

The Council is not engaged in any material Finance Leases as a Lessee.

Operating Leases

The Council has acquired some office accommodation, hostels, depot facilities and a range of vehicles and office equipment by entering into operating leases.

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

	31 March 2020 £000	31 March 2019 £000
Not later than one year	5,508	1,845
Later than one year and not later than five years	17,472	6,620
Later than five years	11,106	11,534
	34,086	**19,999**

The Council has sub-let some of the accommodation held under these leases. At 31st of March 2020 the minimum income expected to be received under sub-leases was £2.492m.

The expenditure charged to the service revenue accounts during the year in relation to these leases was:

	31 March 2020 £000	31 March 2019 £000
Minimum lease payments	3,758	1,807
Contingent rents	0	0
Sublease payments receivable	(222)	(222)
	3,536	**1,585**

Council as Lessor

Finance Leases

The Council is not engaged in any material Finance Leases as a Lessor.

Operating Leases

The Council leases out property and equipment under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, day centres and community centres
- for economic development purposes providing suitable affordable accommodation for local businesses
- as an investment to make the use of the Council's assets

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

	31 March 2020 £000	31 March 2019 £000
Not later than one year	4,414	4,666
Later than one year and not later than five years	15,338	15,763
Later than five years	12,970	15,811
	32,722	**36,240**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. No material contingent rents were receivable by the Council.

15. Private Finance Initiative

2019/20 was the fifteenth year of a 25-year Private Finance Initiative (PFI) to provide new services for vulnerable older people in the borough. The PFI has created three new nursing homes (one of which was completed one year later than the other two). Hammersmith & Fulham Clinical Commissioning Group also share the services provided at these sites through a back-to-back agreement with the Council.

At the end of the contract ownership of the homes revert to the Council. A Memorandum of Understanding was agreed in 2015-16 to rebase the Unitary Charge and to clarify that payments are adjusted annually for CPI. The Memorandum does not change any other significant aspect of the contract.

Property Plant and Equipment

The assets used to provide services at the residential care and nursing homes and sheltered accommodation are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 9.

Payments

The Council makes an agreed payment each year (Unitary Charge) which is adjusted each year by inflation, and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. The annual Unitary Charge has been split into service charge, liability and interest.

Payments remaining to be made under the PFI contract at 31 March 2020 (excluding the effect of changes in market conditions and availability/performance deductions) are as follows:

	Payment for Services £000	Liability £000	Interest £000	Total £000
Payable in 2020/21	5,741	351	1,065	7,157
Payable within two to five years	24,738	1,966	3,699	30,403
Payable within six to ten years	35,248	4,499	2,582	42,329
Payable within eleven to fifteen years	2,714	536	89	3,339
	68,441	**7,352**	**7,435**	**83,228**

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

	2019/20 £000	2018/19 £000
Balance outstanding at start of year	7,661	7,933
Payments during the year	(309)	(272)
Capital expenditure incurred in the year	-	-
Balance outstanding at year-end	**7,352**	**7,661**

16. Debtors

	31 March 2020 £000	31 March 2019 £000
Council Tax Receivable from Taxpayers	10,692	9,522
Non Domestic Rates Receivable from Taxpayers	16,242	17,053
Business Rates Supplement Debtor	290	415
Trade Debtors	33,218	31,314
Other Debtors	52,008	42,986
Prepayments and Accrued Income	18,512	22,589
Impairment Allowance for Doubtful Debts	(58,532)	(58,580)
Total	**72,430**	**65,299**

17. Cash and Cash Equivalents

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

	31 March 2020 £000	31 March 2019 £000
Cash held by the Council	249	236
Bank current accounts	28	1,156
School bank accounts	9,308	9,824
Short-term deposits	47,424	58,954
Total	**57,009**	**70,170**
Bank overdraft*	(1,261)	(3,127)
	(1,261)	**(3,127)**
Net Cash and Cash Equivalents	**55,748**	**67,043**

*The year-end bank overdraft reflects the bank position including all outstanding and unpresented items. The Council does not operate a physical bank overdraft as part of its cash management policy. This presentation is a technical requirement under IFRS.

18. Creditors

	31 March 2020	31 March 2019 £000
Council Tax Creditor	(4,111)	(3,757)
NDR Retained Income Creditor	(41,976)	(37,084)
Business Rate Supplement Creditor	-	(31)
NDR Taxpayers Receipts not yet Paid to Government	(54)	(56)
Council Tax Refundable to Taxpayers	(5,635)	(9,504)
Non Domestic Rates Refundable to Taxpayers	(12,942)	(15,053)
Other Tax and Social Security Payable	(2,145)	(1,954)
Trade Creditors	(4,015)	(2,214)
Other Creditors	(64,309)	(131,213)
Short Term PFI Lease Liability	(351)	(309)
Short Term Finance Lease Lease Liability	(20)	(105)
Total	**(135,558)**	**(201,280)**

19. Other Long-Term Liabilities

	31 March 2020 £000	31 March 2019 £000
Net Pensions Liability	(498,410)	(623,676)
Finance Lease Liability	0	(20)
Private Finance Initiative (PFI) Liability	(7,001)	(7,352)
TOTAL	**(505,411)**	**(631,048)**

20. Provisions

	Insurance £000	NDR - Losses on Appeals £000	Other Provisions £000	Total £000
Balance at 31 March 2018	**(2,030)**	**(7,084)**	**(964)**	**(10,078)**
Additional provisions	-	(23,258)	(2,163)	**(25,421)**
Amounts used	256	6,833	138	**7,227**
Unused amounts reversed	-	-	-	**-**
Balance at 31 March 2019	**(1,774)**	**(23,509)**	**(2,989)**	**(28,272)**
Additional provisions	(509)	(17,626)	(40)	**(18,175)**
Amounts used	-	12,611	195	**12,806**
Unused amounts reversed	-	-	-	**-**
Balance at 31 March 2020	**(2,283)**	**(28,524)**	**(2,834)**	**(33,641)**
Of which:				
Next twelve months	(2,283)	(28,524)	(2,459)	**(33,266)**
Over twelve months	-	-	(375)	**(375)**
Balance at 31 March 2020	**(2,283)**	**(28,524)**	**(2,834)**	**(33,641)**

Following the introduction of the new Business Rates Retention Scheme by Central Government on 1 April 2013, the Council must account for its share of Non-Domestic Rates assets and liabilities. As a result of this, the Council has been exposed to a significant number of outstanding ratings appeals, the estimated liability for this has been included in the table above.

The Council's insurance provision (held for known future insurance claims resulting from the Council's self-insurance of liability risks and fire damage) received a full actuarial assessment of the Insurance Fund position as at 31 March 2017. The most recent actuarial review was undertaken in 2017/18, with the next review taking place in 2020/21. The provision is based upon updated professional estimates of continuing open claims identified in that year's assessment. It also reflects claims they have currently received for which they expect payment in the next 12 months.

During 1992/93, the then Council’s insurers, Municipal Mutual Insurance (MMI), ceased accepting new business. The Council is a member of a scheme of arrangement that has been put into place to try to ensure an orderly settlement of the run-off of MMI. The scheme of arrangement was triggered in 2012/13 and the Council was required to pay a levy of £426,000 in 2013/14, for which a provision was made in 2012/13 accounts; representing 15% of claims payments made to date. MMI in setting this 15% levy chose a mid-point based upon on actuarial analysis of potential future losses with the aim of ensuring a solvent run off of current losses and those yet to emerge. This means the Council will be required to fund 25% of all payments for any newly reported losses during the period of MMI policy coverage prior to 1993. The Council has sufficient funds in its Insurance reserve to cover this exposure.

Other provisions include amounts to cover HRA disputed invoices and disrepair cases, capital repairs and maintenance works, and smaller provisions.

21. Financial Instruments

(i) Financial Instruments - Balances

The following categories of financial instruments are carried in the Balance Sheet:

	Long Term		Current	
	31 March 2020 £000	**31 March 2019 £000**	**31 March 2020 £000**	**31 March 2019 (restated) £000**
Financial assets at amortised cost				
Investments	195	7,211	162,545	260,982
Cash and Cash Equivalents	-	-	47,424	58,954
Long Term Debtors	7,333	1,330	-	-
Short Term Debtors	-	-	8,164	9,204
Total	**7,528**	**8,541**	**218,133**	**329,140**
Financial Liabilities : Measured at amortised cost				
Borrowings	(232,000)	(203,406)	(13,843)	(12,096)
Bank overdraft	-	-	-	-
Long Term Creditors	(100)	(100)	-	-
Short Term Creditors	-	-	(62,555)	(51,116)
Total	**(232,100)**	**(203,506)**	**(76,398)**	**(63,212)**
Other Liabilities:				
PFI & Finance Lease liabilities	**(7,001)**	**(7,372)**	**(371)**	**(414)**

Financial assets are held at amortised cost. These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specified amounts. The Council does not currently hold assets that would be classified as Fair Value Through Other Comprehensive Income (FVOCI) or Fair Value Through Profit and Loss (FVTPL).

The amounts for trade debtors and creditors are the values identified in Notes 16 and 18 to the accounts gross of any impairment allowance for doubtful debts, see paragraph on Credit Risk below, but excluding outstanding balances to/from Government Departments, debts arising from taxation demands and monies received or paid in advance. Further analysis of PFI and Finance Lease liabilities is given in Notes 14 and 15.

21. Financial Instruments (cont'd)

(ii) Income, Expense, Gains and Losses

	2019/20				2018/19			
	Financial Liabilities at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Measured at Fair Value through Profit and Loss £000	Total £000	Financial Liabilities at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for Sale Assets £000	Total £000
Interest expense	11,296	-	-	11,296	11,653	-	-	11,653
Losses on derecognition	-	-	-	-	-	-	147	147
Total expense in Surplus or Deficit on the Provision of Services	**11,296**	**-**	**-**	**11,296**	**11,653**	**-**	**147**	**11,800**
	-	-	-	-	-	-	-	-
Interest income	-	(2,304)	-	(2,304)	-	(2,213)	-	(2,213)
Total income in Surplus or Deficit on the Provision of Services	**-**	**(2,304)**	**-**	**(2,304)**	**-**	**(2,213)**	**-**	**(2,213)**
Net gain/(loss) for the year	**11,296**	**(2,304)**	**-**	**8,992**	**11,653**	**(2,213)**	**-**	**9,587**

21. Financial Instruments (cont'd)

(iii) Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term investments are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Public Works Loan Board (PWLB) loans have been valued using the standard new loan rates published by the Debt Management Office (DMO) on 31 March 2020.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months the carrying amount is assumed to approximate to fair value.
- The fair value of trade debtors and creditors are taken to be the invoiced amounts.
- The fair value of cash, overdrafts and other cash equivalents is taken to be the carrying value.

£0.1m of the long-term investment at 31 March 2020 (£0.1m at 31 March 2019) shown in section (i) relates to the Council's investment in the GLE Group matched by the long-term creditor of the same amount. Again, as any difference in values would be insignificant the fair value is taken to be the carrying value for both the investment and the liability.

The fair values calculated for the remaining instruments which consist of the Council's borrowings and investments (excluding any Cash or Cash Equivalents) are as follows:

	31 March 2020		31 March 2019	
	Carrying Amount £000	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
Financial Liabilities				
Borrowings				
PWLB Debt	(245,843)	(298,925)	(215,502)	(289,376)
Total	**(245,843)**	**(298,925)**	**(215,502)**	**(289,376)**
Financial Assets				
Loans and receivables				
Money market loans less than one year	162,545	162,545	260,998	260,998
Money market loans greater than one year	195	195	7,000	7,037
Available for Sale less than one year	-	-	-	-
Available for Sale greater than one year	-	-	-	-
Total	**162,740**	**162,740**	**267,998**	**268,035**

The fair value for financial liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. The commitment to pay interest above current market rates increases the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans. The calculation above uses the PWLB certainty rate as the discount factor, if the premature repayment rate were to be used the fair value would be **£298.925m** as at 31 March 2020 (£332.351m at 31 March 2019.)

The fair value for financial liabilities has been determined by reference to the PWLB redemption rules and prevailing PWLB standard new loan rates at each Balance Sheet date. They include accrued interest.

At 31 March 2020, all money market loans and receivables are repayable within two years. Therefore, the carrying amount is assumed to be approximate fair value; the figure for both years includes accrued interest. The prevailing comparator market rates have been taken from indicative investment rates at the Balance Sheet date. In practice rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures and the difference is not likely to be material.

21. Financial Instruments (cont'd)

Nature and Extent of Risks Arising from Financial Instruments

The Council’s activities expose it to a variety of financial risks as follows:

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

Overall Procedures for Managing Risk

The Council’s overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and the associated regulations. These require the Council to comply with CIPFA’s Prudential Code and Code of Practice on Treasury Management in the Public Services together with investment guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice on Treasury Management in the Public Services;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting the Council’s:
    - overall borrowing;
    - maximum and minimum exposures to fixed and variable rates;
    - maximum and minimum exposures for the maturity structure of its debt;
    - maximum annual exposures to investments maturing beyond a year; and
- by approving an investment strategy for the forthcoming year that sets criteria for both investing and selecting investment counterparties in compliance with the Government guidance.

These are required to be reported and approved at or before the Council’s Council Tax is set and Revenue Budget approved. These items are reported within the Annual Treasury Strategy, which outlines the detailed approach to managing risk in relation to the Council’s financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

These policies are implemented by the treasury team. The Council maintains written principles for overall risk management and written policies (Treasury Management Practices – TMPs) covering specific areas such as interest rate risk, credit risk and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed regularly.

Credit Risk

Credit risk arises from deposits with banks and financial institutions as well as credit exposure to the Council’s customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The Annual Investment Strategy also considers maximum amounts in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria. Additional selection criteria are also applied following the application of the initial credit criteria.

The Council’s maximum exposure to credit risk in relation to its investments in banks 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. A risk of irrecoverability applies to all of the Council’s deposits, but there was no evidence at the 31 March 2020 that this was likely to crystallise.

No breaches of the Council’s counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any counterparty in relation to outstanding deposits or non-investment activity related financial instrument.

Liquidity Risk

The Council manages its liquidity position through the risk management procedures set out above and through cash flow management procedures required by the Code of Practice on Treasury Management in the Public Services. This seeks to ensure that cash is available when needed.

21. Financial Instruments (cont'd)

The Council has ready access to borrowings from the money markets to cover any day-to-day cash flow needs, while the PWLB provides access to longer term funds, it also acts as a lender of last resort to local authorities (although it will not provide funding to an authority whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. Thus, there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

Exposure to customers is assessed by reference to past experience, age of debt, and stage of recovery process. Details of these debts are reported in **Note 16**. The sums shown are net of a prudent allowance for their impairment amounting to **£3.54 million** at 31 March 2020 (£3.83 million at 31 March 2019). The Council does not normally allow credit for its customers.

The past due but not impaired amount can be analysed by age as follows:

	31 March 2020 £000	31 March 2019 £000
Less than three months	22,068	29,895
Three to six months	7,225	152
Six months to one year	773	637
More than one year	3,152	630
	33,218	**31,314**

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. While the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer-term financial liabilities and longer-term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments for greater than one year in duration are the key parameters used to address this risk. The Council's treasury and investment strategies address the main risks and the treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs and spread of longer-term investments provide stability of maturities and returns in relation to the longer-term cash flow needs.

The maturity analysis of **financial liabilities** is as follows:

	31 March 2020 £000	31 March 2019 £000
Less than one year	(11,410)	(9,699)
Between one and two years	-	(11,410)
Between two and five years	(19,968)	(4,279)
Between five and ten years	(21,395)	(37,084)
More than ten years	(190,369)	(150,369)
Total	**(243,142)**	**(212,841)**

21 Financial Instruments (cont'd)

The maturity analysis of **financial assets** is as follows:

	31 March 2020 £000	31 March 2019 £000
Less than one year	162,000	260,500
Between one and two years	195	7,000
Between two and three years	-	-
More than three years		
Total	**162,195**	**267,500**

The above tables exclude trade payables and receivables and cash and cash equivalents all of which are due to be paid/received within one year.

Market risk

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

- *Borrowing at variable rates*: the interest expense charged to the Comprehensive Income and Expenditure Statement will rise.
- *Borrowing at fixed rates*: the fair value of the borrowing liability will fall (no impact on revenue balances)
- *Investments at variable rates*: the interest income credited to the Comprehensive Income and Expenditure Statement will rise.
- *Investments at fixed rates*: the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings do not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments is posted to the Surplus or Deficit on the Provision of Services and affects the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. The Strategy sets a treasury indicator that provides maximum and minimum limits for fixed and variable interest rate exposure. The treasury team monitors market and forecast interest rates within the year and adjusts exposure appropriately. For instance, during periods of falling interest rates and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long-term returns, similarly the drawing of longer-term fixed rate borrowing would be postponed.

Price risk: the Council, excluding the Pension Fund, does not generally invest in equities or marketable bonds.

Foreign exchange risk: the Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movement in exchange rates.

22a. Cash Flow Statement - Net Cash Flow from Operating Activities

	2019/20 £000	2018/19 £000
Adjustment for items included elsewhere in the Cash Flow Statement:		
Capital Grants	(49,414)	(13,668)
Adjustment for 'non-cash' items included in the Income and Expenditure Statement:		
Depreciation and Amortisation of non-current assets	34,111	35,295
Impairments and revaluations	21,221	29,798
Value of non-current assets derecognised on disposal	2,281	9,255
Value of 'Assets Held for Sale' derecognised on disposal	-	-
Assets transferred to/(from) Assets Held for Sale	-	-
Net adjustment made in respect of IAS 19 (Pensions)	32,243	20,442
Revaluations of Available for Sale Financial Assets		5
Amortisation of Premia and Discounts	5	4
Movement in non-cash assets and liabilities:		
(Increase)/decrease in short-term Debtors*	(7,178)	(9,272)
add/less: (Increase)/decrease in Capital Debtors	453	(65)
(Increase)/decrease in Long-term Debtors	(6,003)	-
Increase/(decrease) in short-term Creditors*	(61,140)	42,840
add/less: Increase/(decrease) in Capital Creditors	3,276	(805)
Assets transferred to 'Assets Held for Sale'	-	-
(Increase)/decrease in Inventories	11	(18)
Increase/(decrease) in Provisions	5,370	18,194
Increase/(decrease) in Grants and Contributions Receipts in Advance	8,484	9,146
Adjustments to net surplus or deficit on the provision of services for non-cash movements	**(16,280)**	**141,151**

*Excluding movements in the Collection Fund Debtors/Creditors with precepting authorities and the short-term element of Finance Leases and PFI's which are included on the face of the cashflow statement.

22b. Cash Flow Statement - Operating Activities

The cash inflows/(outflows) for operating activities include the following:

	2019/20 £000	2018/19 £000
Interest Received	2,405	1,970
Interest Paid	(11,304)	(11,705)

22c. Reconciliation of Liabilities Arising from Financing Activities

2019/20	Opening Balance	Cash (Inflow)/ Outflow	Transfers between ST and LT	Other Non-Cash changes	Closing Balance
	£000	£000	£000	£000	£000
Long-Term Borrowing	(203,406)	(40,000)	11,410	(5)	**(232,001)**
Short-Term Borrowing	(12,096)	9,699	(11,410)	(36)	**(13,843)**
Lease Liabilities	(125)	105	-	-	**(20)**
PFI	(7,660)	308	-	-	**(7,352)**
Total	**(223,287)**	**(29,888)**	**-**	**(41)**	**(253,216)**
2018/19					
Long-Term Borrowing	(213,101)	-	9,699	(4)	**(203,406)**
Short-Term Borrowing	(7,040)	4,564	(9,699)	79	**(12,096)**
Lease Liabilities	(225)	100	-	-	**(125)**
PFI	(7,932)	272	-	-	**(7,660)**
Total	**(228,298)**	**4,936**	**-**	**75**	**(223,287)**

23. Agency Services

The Council acts as agent under agreements with various bodies and receives financial reimbursement for the costs of such services from the bodies concerned. In some cases, the Council makes a small surplus or deficit on these agreements through commission or reimbursement of costs. These surpluses or deficits are included within the relative service lines in the Comprehensive Income and Expenditure Statement. Bodies with whom we have these agency agreements include Thames Water, Transport for London, West London Housing and Business Improvement Districts.

24. Members' Allowances

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

	2019/20	2018/19
		£000
Members' Allowances	855	820

25. Officers' Remuneration

This note shows the remuneration as paid through the Council's payroll to the Council's Chief Executive, Statutory Chief Officers, members of the Strategic Leadership Team (i.e. those reporting to the Chief Executive) and employees with salaries over £150,000.

Role	In Post	Notes	FY	Salary, Fees and Allowances	Bonuses	Expenses Allowances	Compensation for Loss of Office	Pension Contribution	Total
				£	£	£	£	£	£
Chief Executive	Kim Smith		**2019/20**	**182,580**	**12,781**	**1,846**	**0**	**27,935**	**225,142**
			2018/19	179,000	0	0	0	28,756	207,756
Strategic Director for the Economy Department	Joanne Rowlands		**2019/20**	**157,080**	**15,708**	**0**	**0**	**25,104**	**197,892**
			2018/19	154,000	10,780	0	0	24,740	189,520
Strategic Director of Social Care	Lisa Redfern	1	**2019/20**	**147,900**	**0**	**0**	**0**	**22,629**	**170,529**
			2018/19	142,007	0	1,240	0	22,813	166,060
Director of Public Service Reform	Rachael Wright-Turner	1	**2019/20**	**0**	**0**	**0**	**0**	**0**	**0**
			2018/19	42,578	0	0	0	6,375	48,953
Strategic Director, Finance and Governance (Section 151 Officer)	Hitesh Jolapara		**2019/20**	**157,080**	**6,284**	**0**	**0**	**24,033**	**187,397**
			2018/19	147,000	0	310	0	23,616	170,926
Director for the Environment Department	Nicholas Austin	2	**2019/20**	**0**	**0**	**0**	**0**	**0**	**0**
			2018/19	58,094	0	0	42,609	8,888	109,591
Director of Corporate Services	Mark Grimley	3	**2019/20**	**23,542**	**0**	**0**	**0**	**4,765**	**28,307**
			2018/19	134,600	0	0	0	19,431	154,031
Director of Children's Services	Jacqui McShannon	4	**2019/20**	**59,208**	**0**	**0**	**0**	**9,059**	**68,267**
	Stephen Miley		**2019/20**	**79,097**	**0**	**0**	**0**	**12,102**	**91,199**
			2018/19	133,300	0	0	0	21,415	154,715
Borough Solicitor (Monitoring Officer)	Rhian Davies	5	**2019/20**	**50,269**	**3,600**	**68**	**0**	**7,691**	**61,628**
			2018/19	0	0	0	0	0	0

2018/19 disclosures have been restated where elements of remuneration relating to that year were finalised in 2019/20.

*The bonuses as disclosed for senior officers eligible under the contractual Performance Related Pay (PRP) scheme for 2019/20 are based on estimates only and will be subject to the completion of the PRP process. This may result in eventual payments being less or greater than those disclose

Notes

1	The role of Director of Public Service Reform was absorbed under the Strategic Director of Social Care, Lisa Redfern, from July 2018. Rachael Wright-Turner left the Council in July 2018.
2	Nicholas Austin left the Council in September 2018, and the role of Director of Resident Services (now Strategic director of the Environment department) has since been occupied on an interim basis and therefore the postholder is not an employee of the Council.
3	Mark Grimley left the Council in May 2019; this post has now been removed from the structure.
4	Stephen Miley retired as Director of Children's Services in year and was replaced by Jacqui McShannon on 4th November 2019.
5	Rhian Davies has been directly employed by the Council as Borough Solicitor and Monitoring Officer since 4 November 2019. She was previously seconded to the Council from Westminster City Council.

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions and including redundancy payments) were paid the following amounts. These numbers do not include senior employees shown in the previous table:

Remuneration Band	2019/20 Number of Employees	2018/19 Number of Employees
£130,000 - £134,999	1	0
£125,000 - £129,999	2	0
£120,000 - £124,999	0	1
£115,000 - £119,999	0	0
£110,000 - £114,999	2	1
£105,000 - £109,999	8	3
£100,000 - £104,999	3	4
£95,000 - £99,999	6	4
£90,000 - £94,999	13	8
£85,000 - £89,999	16	6
£80,000 - £84,999	20	16
£75,000 - £79,999	23	24
£70,000 - £74,999	18	22
£65,000 - £69,999	38	19
£60,000 - £64,999	41	31
£55,000 - £59,999	106	68
£50,000 - £54,999	150	140
Total	**447**	**347**

Of the 447 employees listed above in 2019/20, 150 (34%) were employees where pay decisions rest with the School Governing Body and not the Council. The corresponding figure for 2018/19 was 102 (29%).

Exit Packages

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of packages by cost band		Total cost of exit packages in each band	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
£0 - £20,000	36	15	31	-	67	15	537,158	99,044
£20,001 - £40,000	7	3	3	-	10	3	318,778	85,101
£40,001 - £60,000	1	2	3	-	4	2	187,973	141,502
£60,001 - £80,000	-	2	-	-	-	2	-	143,606
£80,001 - £100,000	-	2	1	-	1	2	96,507	188,238
Over £100,001	6	-	-	-	6	-	896,247	-
Total	**50**	**24**	**38**	**-**	**88**	**24**	**2,036,663**	**657,491**

This includes exit packages agreed by School Governing Bodies. Exit packages include the accrued cost of added years (the pension strain). These costs are not paid to individuals but reflect the cost to the Council of the employee retiring early, without actuarial reduction of their pension.

26. Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Teachers' Pensions on behalf of the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2019/20, the Council paid £4.89 million to Teachers' Pensions in respect of teachers' retirement benefits, representing 20.73% of pensionable pay. The figures for 2018/19 were £3.74 million and 16.51%. There were no contributions remaining payable at the year-end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. During 2019/20 the costs arising from additional benefits amounted to £321.2k (2018/19: £320.1k).

27. Defined Benefit Schemes

Participation in Pension Schemes

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

The Council participates in the following post-employment schemes:

- The Local Government Pension Scheme administered locally by London Borough of Hammersmith and Fulham (LBHF LGPS).
- The Local Government Pension Scheme administered by London Pensions Fund Authority (LPFA LGPS).

The schemes are funded defined benefit salary schemes, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The scheme to 31 March 2014 provided benefits based on final salary and length of service on retirement. Changes to the LGPS came into effect on 1 April 2014 and any benefits accrued from this date will be based on career average revalued salary, with various protections in place for those members in the scheme before the changes took effect.

In general, participating in a defined benefit pension scheme means that the Council is exposed to a number of risks:

- Investment risk. The Fund holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.
- Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.
- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.
- Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

In addition, as many unrelated employers participate in the Pension Funds, there is an orphan risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers. All of the risks above may also benefit the Council e.g. higher than expected investment returns.

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, and cash has to be generated to meet actual pension payments when they eventually fall due.

27. Defined Benefit Schemes (cont'd)

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

	LBHF Local Government Pension Scheme		**LPFA Local Government Pension Scheme**	
	2019/20 £000	**2018/19 £000**	**2019/20 £000**	**2018/19 £000**
Comprehensive Income and Expenditure Statement				
Cost of Services:				
• current service costs	31,445	28,781	123	132
• past service costs including curtailments	8,511	149	213	-
• (gain)/ loss from settlements	714	(2,898)		-
• administration expenses	304	278	63	59
• unfunded pension payments	(2,259)	(2,355)	(27)	(33)
• employer's pension contributions adjustment		-		-
Financing and				
• net interest expense / (income)	14,737	16,205	(70)	(7)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**53,452**	**40,160**	**302**	**151**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability				
• Return on plan assets (excluding the amount included in the net interest expense)	42,855	(25,165)	1,251	(3,613)
• Actuarial gains and losses arising on changes in demographic assumptions	(47,013)	(86,281)	813	(1,513)
• Actuarial gains and losses arising on changes in financial assumptions	(126,855)	66,335	(2,887)	2,144
• Experience loss/ (gain) on defined benefit obligation	11,611	-	(177)	-
• Other actuarial gains/ (losses)	(38,473)	-	2,298	-
• Impact of asset ceiling		-	(932)	2,406
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(104,423)**	**(4,951)**	**668**	**(425)**
Movement in Reserves Statement				
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(53,452)	(40,160)	(302)	(151)
Actual amount charged against the General Fund Balance for pensions in the year:				
• employers' contributions payable to scheme	21,434	19,866	77	3

27. Defined Benefit Schemes (cont'd)

Assets and Liabilities in Relation to Post-Employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	LBHF Local Government Pension Scheme		LPFA Local Government Pension Scheme	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
Opening balance 1 April	**1,508,899**	**1,507,470**	**45,012**	**45,367**
Current service cost	31,445	28,781	123	132
Interest cost	35,875	37,797	1,007	1,128
Remeasurement (gains) and losses:				
- Change in financial assumptions	(126,855)	66,335	(2,887)	2,144
- Change in demographic assumptions	(47,013)	(86,281)	813	(1,513)
- Experience	11,611	-	(177)	-
Liabilities	5,879	(6,174)	-	-
Estimated	(43,884)	(42,284)	(2,631)	(2,237)
Past service costs, including curtailments	8,511	149	213	-
Contributions by Scheme participants	6,028	5,461	23	24
Unfunded pension payments	(2,259)	(2,355)	(27)	(33)
Closing balance at 31 March	**1,388,237**	**1,508,899**	**41,469**	**45,012**

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

	LBHF Local Government Pension Scheme		LPFA Local Government Pension Scheme	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
Opening balance 1 April	**884,546**	**858,300**	**48,095**	**45,616**
Interest on assets	21,138	21,592	1,077	1,135
Remeasurement gain/ (loss):				
- Return on assets less interest	(42,855)	25,165	(1,251)	3,613
- Other actual gains/ (losses)	38,473	-	(2,298)	-
Administration expenses	(304)	(278)	(63)	(59)
Contributions	23,693	22,221	104	36
Contributions by scheme participants	6,028	5,461	23	24
Estimated	(46,143)	(44,639)	(2,658)	(2,270)
Settlement prices received/ (paid)	5,165	(3,276)	-	-
Closing balance at 31 March	**889,741**	**884,546**	**43,029**	**48,095**

Pension Assets and Liabilities Recognised in the Balance Sheet

	31 March 2020 £000	31 March 2019 £000
Present Value of Liabilities		
LBHF Local Government Pension Scheme (Funded)	1,359,976	1,476,709
LBHF Local Government Pension Scheme (Unfunded)	28,261	32,190
LPFA Local Government Pension Scheme (Funded)	41,309	44,817
LPFA Local Government Pension Scheme (Unfunded)	160	195
Fair Value of Assets		
LBHF Local Government Pension Scheme	(889,741)	(884,546)
LPFA Local Government Pension Scheme	(43,029)	(48,095)
Impact of Asset Ceiling		
LBHF Local Government Pension Scheme		-
LPFA Local Government Pension Scheme	1,474	2,406
Net liability arising from defined benefit obligation		
LBHF Local Government Pension Scheme	498,496	624,353
LPFA Local Government Pension Scheme	(86)	(677)
Total	**498,410**	**623,676**

27. Defined Benefit Schemes (cont'd)

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total net liability of £498.4m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficits on both local government schemes will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- finance is only required to be raised to cover discretionary benefits when pensions are actually paid.

Local Government Pension Scheme Assets

The return on the Funds (on a bid value to bid value basis) for the year 31 March 2020 is estimated to be -2% for LBHF Local Government Pension Scheme and 0% for LPFA Local Government Pension Scheme. The actual return on Fund assets over the year may be different. The asset allocations are set out below:

	LBHF Local Government Pension Scheme			
	31 March 2020		**31 March 2019**	
	£000	**%**	**£000**	**%**
Equities	363,906	41%	446,161	50%
Cash Plus Funds	259,591	29%	168,252	19%
Cash	71,556	8%	92,455	10%
Property	97,034	11%	86,884	10%
Inflation Opportunity Funds	97,654	11%	90,794	10%
Total	**889,741**	**100%**	**884,546**	**100%**

	LPFA Local Government Pensions Scheme			
	31 March 2020		**31 March 2019**	
	£000	**%**	**£000**	**%**
Equities	23,224	54%	26,165	54%
Target Return Portfolio	11,086	26%	12,826	27%
Infrastructure	3,135	7%	2,898	6%
Property	4,271	10%	4,523	9%
Cash	1,313	3%	1,683	4%
Total	**43,029**	**100%**	**48,095**	**100%**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The LBHF Local Government Pension Scheme and LPFA Local Government Pension Scheme have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2019. The principal assumptions used by the actuary have been:

	LBHF Local Government Pension Scheme		LPFA Local Government Pension Scheme	
	2019/20	**2018/19**	**2019/20**	**2018/19**
Mortality Assumptions				
Life expectancy from age 65 - retiring today				
Men	21.8	23.4	20.8	19.9
Women	24.4	24.8	23.7	23.0
Life expectancy from age 65 - retiring in 20 years				
Men	23.2	25.0	22.3	21.7
Women	25.8	26.6	25.3	24.7
Financial Assumptions				
Rate of Inflation - RPI	2.7%	3.4%	2.85%	3.5%
Rate of Inflation - CPI	1.9%	2.4%	1.95%	2.5%
Rate of Increase in Salaries	2.9%	3.9%	2.95%	4.0%
Rate of Increase in Pensions	1.9%	2.4%	1.95%	2.5%
Discount Rate	2.35%	2.4%	2.3%	2.3%

*Pension increases are linked to CPI inflation, therefore the impact analysis is equivalent.

27. Defined Benefit Schemes (cont'd)

These assumptions are set with reference to market conditions at 31 March 2020.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes all the other assumptions remain constant. The projected service costs for 2020/21 are £29.336m (LBHF) and £0.115m (LPFA).

	Impact on the Projected Service Cost of the Scheme			
	LBHF Local Government Pension Scheme		**LPFA Local Government Pension Scheme**	
	Increase in Assumption	Decrease in Assumption	Increase in Assumption	Decrease in Assumption
	£000	£000	£000	£000
Adjustment to:				
Discount Rate (+/-0.1%)	28,656	30,033	113	117
Long term salary increase (+/-0.1%)	29,350	29,322	115	115
Pension increases & deferred revaluation* (+/-0.1%)	30,021	28,666	117	113
Mortality age rating assumption (+/- 1 year)	30,238	28,461	119	111

*Pension increases are linked to CPI inflation, therefore the impact analysis is equivalent.

Impact on the Council's Cash Flows

Contributions are set every 3 years as a result of the actuarial valuation of the Fund required by Regulations. The actuarial valuation of the fund was carried out as at 31 March 2019 and will set contributions for the period from 1 April 2020 to 31 March 2023. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a level of funding of 100% using the actuarial valuation assumptions. LBHF have agreed a strategy with the scheme's actuary to achieve a funding level of 100% over a 22-year period.

The total contributions expected to be made by the Council in the year to 31 March 2021 are £18.079m to the LBHF Local Government Pension Scheme. The LPFA Local Government Pension Scheme was certified to pay a minimum of 24.5% employer pension contributions and total contributions are expected to be immaterial.

The actuary's estimate of the duration of the Employer's liabilities is 19 years for LBHF Local Government Pension Scheme and 13 years for LPFA Local Government Pension Scheme.

28. External Audit Costs

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

	2019/20	**2018/19**
	£000	**£000**
		(Restated)
Fees payable to the External Auditor with regard to external audit services carried out by the appointed auditor for the year	152	140
Fees payable to External Audit for the certification of grant claims and returns for the year	30	47
Non-Audit Services	13	-
Audit Refunds	-	(14)
Total	**195**	**173**

Non-Audit Services consists of a CFO Insights subscription of £12,500.

29. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the Council's area. DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the schools budget funded by DSG receivable for 2019/20 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total 2019/20 £000	Total 2018/19 £000
Final DSG for 2019/20 before Academy Recoupment			142,654	139,832
Academy figure recouped for 2019/20			(63,639)	(62,780)
Total DSG after Academy recoupment for 2019/20			79,015	77,052
Plus: Brought forward from 2018/19			(13,616)	(7,033)
Less: Carry-forward to 2019/20 agreed in advance			13,616	7,033
Agreed initial budgeted distribution in 2019/20	9,432	69,583	79,015	77,052
In year adjustments		(21)	(21)	(452)
Final budgeted distribution for 2019/20	9,432	69,562	78,994	76,600
Less: Actual central expenditure	(10,060)		(10,060)	(8,607)
Less: Actual ISB deployed to schools		(74,437)	(74,437)	(74,577)
Plus Local authority contribution for 2018/19				
(Drawdown from)/Contribution to DSG Reserve	**(628)**	**(4,875)**	**(5,503)**	**(6,584)**
Early Years Funding Reserve				
Carry Forward to 2020/21			**(19,119)**	**(13,616)**

The DSG has a cumulative deficit of £19.1 million and has been accounted for as a reserve. In light of the continuing pressures and in the event that the deficit recovery plan is unable to recover the current cumulative position, the Council has set aside another reserve to match the deficit making the overall DSG reserve nil. This is shown in Note 4.

30. Grant Income

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

	2019/20 £000	2018/19 £000
Credited to Taxation and Non Specific Grant Income		
New Homes Bonus	(7,472)	(7,200)
Covid-19 Support Grant	(6,408)	-
S31 Grant - Business Rates Retention Scheme Relief	(6,394)	(1,068)
Section 106 Non-ringfenced	(1,650)	(2,387)
Adult Social Care Support Grant	(1,569)	(574)
Housing Benefit and Council Tax Support Admin Subsidy	(1,276)	(1,459)
Levy Account Surplus Grant	(1,141)	-
Winter Pressures Grant	(918)	(918)
Independent Living Grant	(772)	(796)
Prison Social Care	(219)	(210)
Other Non-ringfenced government grants	(703)	(462)
Capital grants and contributions	(16,918)	(9,778)
Total	**(45,440)**	**(24,852)**

	2019/20 £000	2018/19 £000
Credited to Services		
Housing & Council Tax Benefit Subsidy	(100,787)	(106,301)
Dedicated Schools Grant	(78,994)	(83,184)
Public Health Grant	(23,214)	(22,924)
Developer Contributions (inc Section 106)	(15,089)	(2,516)
Improved Better Care Fund	(8,814)	(7,051)
Sixth Form Grant	(5,263)	(5,905)
Pupil Premium Grant	(3,784)	(3,879)
Adult Learning	(3,101)	(2,846)
Flexible Homelessness Grant	(2,705)	(3,271)
Unaccompanied Asylum Seeking Children	(1,602)	(691)
PFI Grants	(1,429)	(1,429)
Transport for London / Surface Transport	(1,177)	(2,183)
Teachers Pension Employer Contribution Grant	(1,137)	-
Infant Free School Meals	(1,077)	(999)
Troubled Families	(1,143)	(622)
Disabled Facilities Grant	(724)	(694)
Children's Social Care Innovation Grant	(580)	(185)
Teachers Pay Grant	(578)	-
Step Up to Social Work Grant	(440)	(747)
DfE Capital Grants	(147)	(384)
NDR and BRS Cost of Collection Allowance	(592)	(595)
Preventing Homelessness Grant	-	(414)
Other grants and contributions	(5,205)	(4,307)
Total	**(257,582)**	**(251,127)**

30. Grant Income (cont'd)

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are:

	2019/20 £000	2018/19 £000
Grants and Contributions Receipts in Advance (Current)		
Learning & Skills Council - revenue	(542)	(777)
Flexible Homelessness Support Grant	(320)	(220)
Private Rented Sector Access Fund	(250)	-
Strategic Investment Pot	(247)	-
Step Up to Social Work Grant	(211)	(330)
Out of School-Settings Project Grant	(83)	(146)
Public Health Grant	-	(2,025)
Levy Account Surplus Grant	-	(933)
New Homes Bonus Grant	-	(475)
Supporting Families Against Crime	-	(144)
National Assessment and Accreditation System Grant	-	(139)
Other grants - revenue	(860)	(984)
Total	**(2,513)**	**(6,173)**

	2019/20 £000	2018/19 £000
Grants and Contributions Receipts in Advance (Non-Current)		
Developer contributions (inc. section 106)	(38,163)	(26,110)
Basic Needs Grant	(1,271)	-
TfL	(1,187)	(2,161)
Disabled Facilities Grant	(626)	-
Winterbourne Grant	(300)	(300)
Social Care Grant	-	(638)
Other capital grants	(769)	(964)
Total	**(42,316)**	**(30,173)**

31. Related Parties

The Council is required to disclose material transactions with related parties. These are bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council.

Central Government

Central government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates and provides the majority of its funding.

Grants received from government departments are set out in Note 30.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2019/20 is shown in Note 24.

Information regarding reportable transactions has been collated by requiring all Members and Chief Officers to declare any related party transactions. A review was also carried out of the Council's Register of Declarations of Interests and of the Register of Pecuniary and Non-Pecuniary Interests of Councillors drawn up from declarations made at Committee and other meetings.

During 2019/20, the Council engaged in various transactions with related parties to the value of £1.969m. The most significant transactions are to charitable organisations as listed below.

Name of body	2019-20 £000	2018-19 £000
Action on Disability	377	0
Flame Charity	0	5
Groundwork London	445	194
Hammersmith & Fulham Community Law Centre	127	102
Hammersmith and Fulham Citizen Advice Bureau	651	663
Hammersmith and Fulham Law Centre	(15)	(12)
Hammersmith and Fulham Volunteer Centre	145	122
Hammersmith United Charities	(2)	0
Lygon Alms House	(3)	(4)
Peabody Trust	244	249
Total	**1,969**	**1,319**

In addition to the above, many Members have relationships or hold positions with other public bodies and voluntary organisations with which the Council does not have a financially material relationship, but with which the Council has a financial or influential relationship. These include the Western Riverside Waste Authority and schools.

Pension Fund

The Council is the administering authority of the Pension Fund. The Council owed the Pension Fund a net amount of £941k at the year end. The Council incurred costs of £365k expenses in relation to administering the fund. A detailed summary of the Pension Fund Accounts is included within this Statement of Accounts in the Supplementary Financial Statements section.

Other Public Bodies

The Council has a pooled budget arrangement with Central London Clinical Commissioning Group for the provision of community equipment. This is included in Note 32.

Shared Services

The Council has some remaining joint working arrangements with the City of Westminster and the Royal Borough of Kensington and Chelsea. The nature of these arrangements does mean that each borough influences the others however, each borough remains sovereign.

32. Better Care Fund Pooled Budget

The Council has entered into a pooled budget arrangement with the Hammersmith and Fulham Clinical Commissioning Group for the provision of Adult Social Care services to older people, people with physical or learning disabilities, people with mental health problems and services to safeguard adults.

The aim is to meet the needs of people living in the area of the London Borough of Hammersmith & Fulham. Expenditure funded from this budget includes the provision of care in residential settings, community services enabling people to remain in their own homes and a community independence service which supports the reablement of residents.

The arrangement is made in accordance with Section 75 of the National Health Service Act 2006 and any surplus or deficit generated will be the responsibility of the respective partner to whom it is attributed.

The pooled budget includes all income and expenditure relating to the Better Care Fund (BCF), whether funded by the local authority or the health service.

It is hosted by the London Borough of Hammersmith and Fulham, however, not all transactions pass through the Borough's accounting system.

The pooled budget for Joint Equipment has now been absorbed within the Better Care Fund.

Since 2017-18, the Better Care Fund has been widened to encompass funding known as the Improved Better Care Fund (IBCF). This funding is received direct from the Ministry of Housing, Communities and Local Government (MHCLG). One of its key purposes is to manage the level of delayed transfers of care from acute settings to those in the community.

In 2019-20, the Better Care Fund was widened again to incorporate the Winter Pressures Funding (WP). This funding is received direct from the Department of Health (DoH) and is used to build resilience and capacity during the winter months when hospital admissions amongst the elderly are at their highest. The funding allows for additional resources to be planned and implemented to ensure appropriate packages of care or placements are available on discharge.

The following table summarises the position for 2019/20:

	2019/20 £000's	2018/19 £000's
Contributions to the Pooled Budget:		
London Borough of Hammersmith & Fulham	(17,644)	(15,514)
Hammersmith and Fulham Clinical Commissioning Group	(29,678)	(32,447)
Total Contributions	**(47,322)**	**(47,961)**
Expenditure Met by the Pooled Budget:		
Costs relating to the reablement of residents	5,592	6,863
Costs relating to care provided in residential settings or in community settings	40,055	38,934
Support Services and programme management relating to the BCF	1,814	1,457
Total Expenditure	**47,461**	**47,254**
Net (surplus)/deficit arising on the pooled budget in the year	139	(706)
Net (surplus)/deficit split by:		
Share of the net (surplus)/deficit due to the London Borough of Hammersmith & Fulham (Includes capital resources)	19	(84)
Share of the net (surplus)/deficit due to the Hammersmith & Fulham Clinical Commissioning Group	120	(622)

33. Interest in Companies

The Council has an involvement with a number of associated companies which are set out below. The assets and liabilities of these companies are not included in the Council's accounts as the materiality of the relationship does not justify such consolidation. Information is provided as to the general purpose of the company, its financial position, and any other material financial issues affecting the Council.

(i) Lyric Theatre Hammersmith Limited

This is a company limited by guarantee and a registered charity. Its main business is the promotion and encouragement of lively arts and theatre management. The Council supplies funding under a funding agreement to enable the company to carry out its charitable objectives. The revenue contributions by the Council were £172.5k in 2019/20. The latest audited accounts available, those relating to 2018/19, show net assets of £10,807k (£9,979k in 2017/18) and net income on its activities in that year of £828k (deficit of £212k in 2017/18). The Funding agreement also provides the financial arrangements and responsibilities of the Council and Theatre respectively as a consequence of the Company occupying its premises on the basis of a sub under lease from the Council. Copies of the accounts may be obtained from the Executive Director, Lyric Theatre, King Street, London W6 0QL.

(ii) Urbanwise London Ltd

This charity is a charitable company limited by guarantee and was set up in 1983. Its objectives are the advancement of environmental education at all levels, particularly in the London Borough of Hammersmith and Fulham. The Council is the main source of grant funding for the charity. The contributions by the Council were £8.7k in 2019/20. The charity's latest audited accounts available, those relating to 2018/18 show net assets worth £76k, (£68k in 2017/18). A net gain of £7.6k has been reported for 2018/19 (net gain £4k in 2017/18). Copies of the accounts may be obtained from the Company Secretary, Urbanwise.London Ltd, The Lilla Huset, 191 Talgarth Road, London, W6 8BJ.

(iv) Housing Joint Ventures

HFS Developments LLP is a Joint venture between the Council (50%) and Stanhope Plc (50%) which was incorporated on 27 March 2014. The partners decided to set up a new joint venture company to take the opportunity forwards and the LLP will sell the opportunity to the new company in due course.

New Company HFS Development 2 Limited is a Joint venture between the Council (50%) and Stanhope Plc (50%) which was incorporated on 19 July 2016. This offers unique opportunities to the public and private sector to work together to deliver appropriate forms of housing. The latest audited accounts available, those relating to 2018/19 show loss for the period amounted to £454k (loss £1,226k in 2017/18).

(v) LBHF Ventures Limited

LBHF Ventures Limited is a company wholly owned by the Council which was incorporated 9 June 2016. The Council invested £95,000, by way of share capital in LBHF Ventures Limited. The latest unaudited accounts available, those relating to 2018/19 show net assets worth £26k (£27k in 2017/18). A net loss for the period reported amounted to (£69k), (loss £68k in 2017/18).

(vi) LBHF Joint Ventures Limited

LBHF Joint Ventures Limited is a Limited Company owned 51% of shares by the Council and owned 49% of shares by Intrum Uk Limited, which was incorporated on 9 June 2017.

(vii) LBHF Family Support Services Limited

LBHF Family Support Services Limited is a Limited Company wholly owned by the Council, which was incorporated on 18 August 2017. The latest Accounts available, those relating to 2018/19, show net assets worth £54k and a net gain for the period of £54k.

(viii) West King Street Renewal LLP

West King Street Renewal LLP was incorporated in March 2020 as a joint venture between the Council and A2 Dominion Developments Limited.

34. Contingent Assets and Contingent Liabilities

Contingent Assets

Discounted Market Sale Units

The Council has historically negotiated various Section 106 agreements which deliver affordable housing. These agreements allow the Council to retain an equity share of 30% or more on properties that are being sold at a discount at various sites in the borough. The total number of such properties currently stands at 563 units with an estimated valuation of £293.7m. This represents a potential asset to the Council of £167m based on the its equity share, however, this is subject to market fluctuations. The owners of such properties can request to buy the retained equity share from the Council, such a purchase would realise additional capital resources for the Council which can be invested in affordable housing projects, but the level and timing of such resources is uncertain.

Contingent Liabilities

Litigations and claims

The council is involved in a number of litigations and claims that were ongoing as at the 31st March 2020 but their outcome is not yet determined.

	2019/20 £000
Total litigations and claims	**10,000**

The Council is involved in a number of claims. These cases remain as Contingent Liabilities. If the Council is unsuccessful in these claims, then it may be liable to pay damages, interest and costs. All the above litigations are prudent estimates of the potential cost to the Council. It is not possible, due to considerations of legal privilege to either provide further information or to give an assessment of the likelihood of success of any of the litigations.

35. Trust Funds

The Mayor and Burgesses of the Council are the Trustees of the Wormwood Scrubs Charitable Trust. The Trust's objective is to hold Wormwood Scrubs Open Space "upon trust for the perpetual use thereof the inhabitants of the Metropolis for exercise and recreation" as defined by the Wormwood Scrubs Act of 1879. The table below shows the operating costs and income of the Trust:

	2019/20 £000	2018/19 £000
Balance at 1st April	**(5,747)**	**(5,515)**
Income	(1,167)	(1,060)
Sub total	**(6,914)**	**(6,575)**
Less:		
Expenditure and Transfers	1,035	828
Balance at 31 March	**(5,879)**	**(5,747)**

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council'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
Non Current Assets subject to valuations and Investment Properties	Asset valuations are periodically reviewed to ensure that the Council does not materially misstate its non-current assets and investment properties. However, the valuation of property will inevitably be an estimate and property values can be volatile. Should evidence emerge in 2020/21 that causes the Council to amend these estimates, the estimated fair value of its property and dwellings could change.	A reduction in estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement (CIES). For example, a 10 per cent reduction in the net book value of Council Dwellings (total NBV £1.316 billion) would result in a reduction of £131.6 million (Revaluation Reserve of £24.3 million and a £107.3 million charge to the CIES). Conversely, an increase in value would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the CIES and / or gains being recorded as appropriate in the CIES. Depreciation charges for operational buildings will change in direct proportion to the change in estimated fair value. The net book value of non-current assets subject to potential revaluation is £1.782 billion.
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.	If the useful life of assets is reduced, depreciation charges would increase. For example it is estimated that the annual depreciation charge for Council dwellings would increase by £0.29m for every year that useful lives had to be reduced. The net book value of non-current assets subject to potential changes is £1.116 billion.
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 Council's assets and liabilities. Where Level 1 inputs are not available, the Council 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 Council's assets and liabilities is disclosed in Note 38.	The Council 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 could result in a significantly lower or higher fair value measurement for the investment properties and financial assets. Any significant change would however largely be between asset values and the corresponding adjustment accounts - as such this would be unlikely to significantly affect the Council's revenue position or usable reserves.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	"Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. There is further uncertainty arising from a legal challenge to the Government's transitional arrangements following the public sector pension reforms in 2015. "	"The effects on the net pensions liability of changes in individual assumptions are considered in detail in Note 27. The McCloud case was upheld by the Court of Appeal in December 2018 which found the transitional arrangements to be discriminatory on the grounds of age and gender. The Government was refused appeal to the Supreme Court in June 2019 and now it is for the Scheme Advisory Body to determine how this matter is to be resolved. The impact of this is that an allowance of £8.8m (0.6% of total liabilities) has been included within past service costs based on the actuarial assumptions. "

37. Events after the Reporting Period

The Statement of Accounts have been prepared up to 31 March 2020. There are no material adjusting events after the balance sheet date to report.

38. Statement of Accounting Policies

i. GENERAL PRINCIPLES

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) supported by International Financial Reporting Standards (IFRS).

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020.

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. 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 Council'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.

iii. ACCRUALS OF INCOME AND EXPENDITURE

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

- Revenue from the sale of goods is recognised when the Council 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 Council.
- Revenue from the provision of services is recognised when the Council 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 Council.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where the exact amount of a debtor or creditor was not known at the time of closing the accounts then an estimated amount has been used.

Any known uncollectable debts are written off and where there is uncertainty over debt recovery, an allowance for doubtful debt is made. In both instances a charge is made to revenue.

iv. OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to services as agreed in the annual budget.

v. 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 Council when there is reasonable assurance that:

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

38. Statement of Accounting Policies (cont'd)

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

Monies advanced as grants and contributions 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 & Expenditure (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital 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.

Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to help pay for facilities and community services such as: transport including roads, schools/colleges, medical/health services, sports and open spaces.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a proportion of the charge may be used to fund revenue expenditure.

vi. CHARGES TO REVENUE FOR NON-CURRENT ASSETS

Services, support services and trading accounts are debited with the following amounts to record the cost of holding property, plant and equipment 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.
- amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. 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 Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund balance through a Minimum Revenue Provision (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

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

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

38. Statement of Accounting Policies (cont'd)

viii. 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 Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

ix. 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 Council 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.

The threshold for capital expenditure has been set at £10,000.

Measurement

Assets are initially measured at cost, comprising:
- the purchase price.
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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 Council). 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 Council.

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 (EUV-SH).
- council offices - current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV), except for a few offices that are situated close to the Council's housing properties, where there is no market for office accommodation, and that are measured at depreciated replacement cost (instant build) as an estimate of current value.
- school buildings, sports centres and libraries – are deemed of a specialist nature and 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).

Depreciated Replacement Cost is used as an estimate of current value where there is no market-based evidence of current value because of the specialist nature of an asset, for example schools.

Depreciated Historical Cost basis is used as a proxy for current value where non-property assets have short useful lives or low values (or both).

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

All items of property, plant and equipment, except Council Dwellings, are revalued on a four-year rolling programme. Council Dwellings are revalued annually.

38. Statement of Accounting Policies (cont'd)

Where decreases in value are identified, they are accounted for by:

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

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

Impairment

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

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- 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, where material, for depreciation that would have been charged if the loss had not been recognised.

Depreciation

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

The estimated life is determined at the time of acquisition or when the asset has been revalued. Assets are depreciated from the year after their acquisition or completion, and are depreciated in the year of disposal. Depreciation is calculated on a straight-line basis with no residual value.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, leading to a significantly different depreciation profile, the components are depreciated separately.

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 assessed 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 previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

38. Statement of Accounting Policies (cont'd)

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. 75% of receipts relating to Right to Buy disposals (net of statutory deductions and allowances) is payable to the Government, except where receipts have been retained under the 1-4-1 replacement scheme.

The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund balance in the Movement in Reserves Statement.

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

x. HERITAGE ASSETS

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

Valuation Policy

The Council discloses Heritage Assets on a market valuation basis on the balance sheet. Heritage assets are accounted for in accordance with the Council's accounting policies on property, plant and equipment, except where it is not practical to obtain a valuation. Valuations may be made by any method that is appropriate and relevant. There is no requirement for valuations to be carried out or verified by external valuers, nor is there any prescribed minimum period between valuations.

Depreciation, amortisation and impairment policy

The Council has a policy of not charging depreciation or amortisation on heritage assets which have indefinite lives. The carrying amount of a heritage asset shall be reviewed where there is evidence of impairment; for example, where an asset has suffered physical deterioration or breakage or new doubts arise as to its authenticity.

The Council has reported four categories of heritage assets:

(i) Art Collections
This category consists of pictures and works of art including historical paintings, sketches and other artwork including the Cecil French Bequest and is reported in the balance sheet at market valuation.

(ii) Books & Printed Materials
This category consists of books, and other printed material such as press, pictures, drawings and prints.

(iii) Ceramics & Glass
This category consists of ceramics and glass.

(iv) Other Heritage Assets
This category consists of clocks, watches, coins, general items, jewellery, silver items, vertu, other decorative arts and the Mylne Bequest.

These valuations are reviewed periodically as appropriate. These are deemed to have indeterminate lives and high residual values. Hence the Council does not deem it appropriate to charge depreciation for these assets.

xi. 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.

38. Statement of Accounting Policies (cont'd)

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. 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.

xii. LEASES

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

38. Statement of Accounting Policies (cont'd)

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:
- a charge for the acquisition of the interest in the property - applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the 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.

xiii. PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor.

As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. For the Council's existing PFI scheme (which provides services for vulnerable older people in the borough) the liability was written down by an initial capital contribution of £2.9m.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into the following elements:
- fair value of the services received during the year - debited to Adult Social Care service in the Comprehensive Income and Expenditure Statement
- finance cost - an interest charge between 8-17% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

38. Statement of Accounting Policies (cont'd)

- contingent rent - increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability - applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).

xiv. INTANGIBLE ASSETS

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost.

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.

The depreciable amount of an intangible asset is amortised over its useful life, usually 4 years but ranging between 3 to 10 years, 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.

xv. INVENTORIES

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the 'First-in, First-out' (FIFO) costing formula.

xvi. CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents are investments that, having originally been invested for no longer than three months, are repayable on demand or readily convertible to known amounts of cash with an insignificant risk of change in value. Fixed Deposits are not considered to be readily convertible since they are only repayable at the point of maturity and cannot be traded or redeemed without penalty.

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

Cash and Cash Equivalents are held to meet the daily cash flow needs of the Council. These are distinct from investments that are held for the purposes of capital protection or appreciation and/or earning a return.

xvii. FINANCIAL INSTRUMENTS

Financial Liabilities

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

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

38. Statement of Accounting Policies (cont'd)

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

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow 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 Council'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 Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

However, the Council has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain 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.

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

38. Statement of Accounting Policies (cont'd)

xviii. 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 wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and 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 Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in 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 Council are members of the following pension schemes:

- Under the provisions of the Local Government Pension Scheme: the London Borough of Hammersmith and Fulham Pension Fund, administered by London Borough of Hammersmith and Fulham.
- Also under the Local Government Pension Scheme: the London Pensions Fund Authority (LPFA) Pension Fund, administered by the LPFA.
- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).

All schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees who worked for the Council.

However, the arrangements for the Teachers' Pension Scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

Pension funds under the Local Government Scheme are accounted for as defined benefits schemes.

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

Liabilities are discounted to their value at current prices, using a discount rate of 2.40% (2.55% in 2017/18). The discount rate derived is such that the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the Merrill Lynch AA-rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point). The approach has changed from the 'spot rate' approach adopted at the previous accounting date.

38. Statement of Accounting Policies (cont'd)

The assets of the Funds attributable to the Council are included in the Balance Sheet at their fair value:
- quoted securities and pooled investment vehicles - current bid price
- fixed interest securities net market value based on current yields at the balance sheet date
- unquoted securities - professional estimate
- unitised securities - current bid price
- property - market value.

The change in the net pensions liability is analysed into the following components:
- **Service Cost** comprising:
  - **current service cost**: the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - **past service cost**: the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier year - debited to the Surplus or Deficit on the Provision of Services line in the Comprehensive Income and Expenditure Statement as part of Centrally Managed Budgets.
  - **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.
- **Remeasurement** comprising:
  - **Re-measurement of 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) debited to the Pensions Reserve.
  - **Contributions paid to the Funds**: cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued 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.

xix. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

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

38. Statement of Accounting Policies (cont'd)

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 Council settles the obligation.

Contingent Liabilities

A contingent liability arises where:
(a) an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council, or
(b) 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 if the sums involved are likely to be material.

Contingent Assets

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts if the sums involved are likely to be material.

xx. RESERVES

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year 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 in order to manage the accounting processes for non-current assets (e.g. Revaluation Reserve), financial instruments, retirement (e.g. Pensions Reserve) and employee benefits and do not represent usable resources for the Council - these reserves are explained in the relevant policies.

xxi. INTERESTS IN COMPANIES AND OTHER ENTITIES

Where the Council has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities it is required to prepare group accounts.

The Council has interests in a number of companies and other entities however, based on consideration of criteria to determine what constitutes a material interest, the Council has determined that Group Accounts is not required for 2019/20. Companies in which the Council has an interest are detailed in Note 36 to the Core Financial Statements.

xxii. EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

xxiii. FOREIGN CURRENCY TRANSLATION

Where the Council 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 a 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.

38. Statement of Accounting Policies (cont'd)

xxiv. 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.

xxv. EXCEPTIONAL ITEMS

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

xxvi. FAIR VALUE MEASUREMENT

The Council measures some of its assets and liabilities at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date.

The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:
a) in the principal market for the asset or liability, or
b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council uses external valuers to provide a valuation of its assets and liabilities in line with the highest and best use definition within the accounting standard. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant. Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council 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.

39. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 38, the Council 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:

Accounting for Schools - Recognition of Schools
Further to the Council's policy on the recognition of Property Plan and Equipment (Note 38 ix, "Recognition") The Council has been required to take a view on which school assets are recognised on the Council's balance sheet. Following review of the relevant circumstances of school assets, the Council has recognised Community schools and Voluntary Controlled schools. The Council has not recognised Voluntary Aided, Free, or Academy Schools as it is of the view that these school assets are - to varying degree - beyond the control of the Council.

Accounting for Schools - Transfer of Capital Grants
With respect to the policy on Government Grants and Contributions (Note 38 v), when an unconditional capital grant is passed to a school within the Council's accounting boundary, and remains unspent at the year-end, the Council has taken a view to account for this within Schools' Reserves as opposed to Capital Grants Unapplied.

Group Accounts
With respect to the policy on Interest in Companies and Other Entities (Note 38. xxi), the group boundaries have been estimated using the criteria associated with the Code of Practice. In line with the Code the Council has not identified any companies within the group boundary that would require it to complete Group Accounts on grounds of materiality.

40. Accounting Standards not yet adopted

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities. CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2021. The impact of this code on the accounts is not known at this time.
- IAS 19 Employee Benefits will require the remeasurement of net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 1st April 2020 and, since this could result in positive, negative or no movement in the net pension liability, no prediction can be made of the possible accounting impact.

SUPPLEMENTARY FINANCIAL STATEMENTS

Collection Fund Account

Housing Revenue Account (HRA)

Pension Fund Accounts

Collection Fund Account

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

	2019/20			2018/19			
	Business Rates	**Council Tax**	**Total**	**Business Rates**	**Council Tax**	**Total**	Notes
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	
Income							
Council Tax Collectable	-	(94,527)	(94,527)	-	(82,584)	(82,584)	1
Business Rates Collectable	(262,459)	-	(262,459)	(242,304)	-	(242,304)	2
Business Rate Supplement Collectable	(8,270)	-	(8,270)	(7,758)	-	(7,758)	
Transitional Protection Payment	(2,165)	-	(2,165)	(9,520)	-	(9,520)	
Total Income	**(272,894)**	**(94,527)**	**(367,421)**	**(259,582)**	**(82,584)**	**(342,166)**	
Expenditure							
Precepts and Demands:							
Central Government (MHCLG)	59,044	-	59,044	-	-	-	
LB Hammersmith & Fulham	113,365	60,395	173,760	148,968	56,664	205,632	
Greater London Authority	63,768	25,403	89,171	83,794	22,908	106,702	
Business Rate Supplement							
Payment to the Greater London Authority	8,258	-	8,258	7,745	-	7,745	2
Cost of collection	12	-	12	13	-	13	
Charges to Collection Fund							
Write-offs of uncollectable amounts	385	707	1,092	856	711	1,567	
Increase/ (Decrease) in Allowance for Doubtful Debts	5,287	2,665	7,952	1,210	(282)	928	
Increase/ (Decrease) in Provision for Appeals	22,693	-	22,693	13,117	-	13,117	
Distribution/(Recovery) of prior year surplus/(deficit)	21,328	312	21,640	(42,657)	2,603	(40,054)	
Cost of collection	580	-	580	582	-	582	
Total Expenditure	**294,720**	**89,482**	**384,202**	**213,628**	**82,604**	**296,232**	
Movement on Fund balance	**21,826**	**(5,045)**	**16,781**	**(45,954)**	**20**	**(45,934)**	
(Surplus)/Deficit as at 1 April	(28,437)	(2,894)	(31,331)	17,517	(2,914)	14,603	
(Surplus)/Deficit as at 31 March	**(6,611)**	**(7,939)**	**(14,550)**	**(28,437)**	**(2,894)**	**(31,331)**	3

Notes to the Collection Fund Account

1. Income from Council Tax

Council Tax Income is the amount payable by council tax payers, inclusive of changes arising during the year for successful appeals against valuation banding, new properties, disabled relief and exempt properties. The Council's tax base is based on the number of chargeable dwellings in each valuation band, adjusted for dwellings where discounts apply, converted to an equivalent number of Band D dwellings. For 2019/20 it was calculated as follows:

Band	Number of Dwellings 2019/20	Total after Exemptions, Disregards and Disabled Relief	Ratio to Band D	Band D Equivalent Properties	Adjustments for New Properties, other exemptions etc.	Adjustments for Council Tax Support	Total Band D equivalents 2019/20	Band D equivalents 2018/19
A	3,827	2,950	1	1,967	(1)	(500)	1,466	1,400
B	6,415	4,900	1	3,811	197	(1,114)	2,894	2,669
C	14,251	12,212	1	10,855	29	(2,529)	8,355	8,205
D	24,844	22,148	1	22,148	16	(3,319)	18,845	18,359
E	15,995	14,601	1	17,846	(67)	(2,026)	15,753	15,649
F	9,722	8,973	1	12,961	(41)	(900)	12,020	11,816
G	11,195	10,562	2	17,603	(3)	(476)	17,124	17,114
H	2,492	2,412	2	4,824	24	(16)	4,832	4,640
Total	**88,741**	**78,758**		**92,015**	**154**	**(10,880)**	**81,289**	**79,852**

The 2019/20 Council Tax Base after allowing for adjustments for non collection was 79,257

The Council set a 2019/20 Band D charge of £762.02 (£727.81 in 2018/19) inclusive of the Adult Social Care Precept will set at 2% and forming £14.55 of the Hammersmith & Fulham Band D charge. The GLA's Band D charge for 2019/20 was £320.51 (£294.23 in 2018/19) making a total Band D Council Tax charge for 2019/20 of £1,082.53 (2018/19 of £1,022.04.).

2. National Non-Domestic Rates (NNDR)

NNDR is organised and administered on a national basis, however for 2019/20 the Council, again, participated in a pooled arrangement with all other London Authorities. The council collects non-domestic rates for its area that are based on local rateable values multiplied by a uniform rate (set by the Government). The National Non Domestic Rateable Value at 31 March 2020 was £585.615m (£591.210m as at 31 March 2019). The standard NNDR multiplier for 2019/20 was 50.4 pence (49.3. pence in 2018/19). The Small Business Rate Relief multiplier for 2019/20 was 49.1 pence (48.0 pence in 2018/19).

In 2019/20 H&F participated in a business rates retention pilot for London. Through this pilot business rates have been pooled across the 33 London Boroughs and Greater London Authority (GLA). The pilot for 2019/20 meant that London retained 75% of business rates (100% in 2018/19).

The council is also required to collect a Business Rate Supplement (BRS) from NNDR taxpayers. This BRS is then paid over to Greater London Authority (GLA) who have responsibility for applying it to the Crossrail project across London.

3. Collection Fund Balance

A proportion of the Collection Fund balance above is properly attributable to the GLA or the MHCLG and thus should not be wholly taken to the net worth component of the Council's Balance Sheet. Only an element calculated pro rata to the precepts above therefore appears as a balance in the net worth section of the Council's Balance Sheet with the remainder treated as an accrual to the other Authorities.

	2019/20			2018/19		
	Business Rates	Council Tax	Total	Business Rates	Council Tax	Total
	£000	£000	£000	£000	£000	£000
London Borough of Hammersmith and Fulham	(4,310)	(5,589)	(9,899)	(9,652)	(2,040)	(11,692)
Greater London Authority	(2,425)	(2,350)	(4,775)	(10,489)	(854)	(11,343)
Central Government (MHCLG)	125	-	125	(8,296)	-	(8,296)
	(6,610)	**(7,939)**	**(14,549)**	**(28,437)**	**(2,894)**	**(31,331)**

Housing Revenue Account (HRA)

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

	Notes	2019/20 £000	2018/19 £000
Income			
Dwelling Rents		(66,137)	(67,133)
Non-dwelling rents		(40)	(105)
Charges for services and facilities		(11,531)	(16,297)
Contributions towards expenditure		(1,774)	(1,344)
		(79,482)	**(84,879)**
Expenditure			
Repairs and maintenance and management			
Repairs and maintenance		15,335	16,345
Supervision and management		49,556	37,857
Rents, rates, taxes and other charges		624	463
Depreciation and impairment of non-current assets	6	15,163	21,127
Depreciation and impairment of non-current assets - dwelling revaluation	6	(21,313)	13,267
Debt management costs		150	114
Movement in the allowance for bad debts		361	1,728
		59,876	**90,901**
Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement		**(19,606)**	**6,022**
HRA services' share of Corporate and Democratic Core		-	-
HRA services' share of Non Distributed Costs		1,048	(210)
Net (Income)/Cost for HRA Services		**(18,558)**	**5,812**
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:			
(Gain)/loss on sale of HRA non-current assets		(6,702)	(3,206)
Net (gains)/losses from fair value adjustments on investment properties		2,242	(1,795)
Income and expenditure in relation to investment properties		(3,001)	(3,322)
Interest payable and similar charges		8,386	8,761
Interest and investment income		(292)	(340)
Net interest on the net defined benefit liability (asset)		1,612	1,459
Capital grants and contributions		(495)	(196)
(Surplus)/deficit for the year on HRA services		**(16,808)**	**7,173**

Movement on the HRA Statement

	Notes	2019/20 £000	2018/19 £000
Balance on the HRA at the end of the previous year		**(11,890)**	**(9,946)**
(Surplus)/deficit for the year on the HRA Income and Expenditure Statement		(16,808)	7,173
Adjustments between accounting basis and funding basis under statute	1	31,096	(9,289)
Net (increase)/decrease before transfers to/(from) reserves		14,288	(2,116)
Transfers to/(from) reserves			
Major Repairs Reserve		-	-
Earmarked Reserves**		(26,977)	172
(Increase)/decrease in year on the HRA		**(12,689)**	**(1,944)**
Balance on the HRA at the end of the current year		**(24,579)**	**(11,890)**

** For movements in HRA earmarked reserves refer to note 4 of the Core Financial Statements.

Notes to the Housing Revenue Account

1. Adjustments between accounting basis and funding basis under statute

	2019/20 £000	2018/19 £000
Charges for depreciation of non-dwellings	(206)	(254)
Charges for depreciation of dwellings	14,957	15,850
Reversal of Major Repairs Allowance credited to the HRA	(14,751)	(15,596)
Impairment/Revaluation gains, losses (charged to the I&E)	21,313	(18,289)
Revenue expenditure funded from capital under statute (REFCUS)	(1,867)	(623)
Capital Funding	3,555	8,138
Gain or loss on sale of HRA non-current assets	11,756	3,331
HRA share of contributions (to)/from the Pensions Reserve	(3,661)	(1,846)
Total	**31,096**	**(9,289)**

2. Housing Stock

The Council has overall responsibility for managing the housing stock. The average number of dwellings during 2019/20 was 12,081. The stock movement during the year was as shown in the table below. The figure for hostels is based on dwelling equivalents.

	Dwellings Number	Hostels Number	Equity Share Number	Total Number
Number at 1 April 2019	12,138	67	13	12,218
Additions	3	-	-	3
Transfers	(93)	-	-	(93)
Disposals	(25)	-	-	(25)
Number at 31 March 2020	**12,023**	**67**	**13**	**12,103**

3. Stock Valuation

The net balance sheet value of land, housing dwellings and other assets within the HRA is as follows:

	2019/20 £000	2018/19 £000
Operational Assets		
Housing Dwellings	1,316,092	1,259,477
Other Land and Buildings	8,728	8,532
Vehicles, Plant, Equipment	348	217
Intangible Assets	11	15
Non Operational Assets		
Surplus Assets	8,360	-
Investment Properties	53,577	55,429
	1,387,116	**1,323,670**

The open market, vacant possession fair value of houses and flats within the HRA as at 31 March 2020 was £5.24 billion. This compares to the balance sheet value of £1.31 billion for the Council's dwelling stock and hostels as at 31 March 2020. This is an indication of the economic and social cost of providing Council housing at less than full market rents.

4. Capital Expenditure Financing

	2019/20 £000	2018/19 £000
Borrowing	10,912	4,098
Major Repairs Reserve	13,159	8,172
Other Grants and Contributions	8,957	4,330
Capital Receipts	7,685	3,672
Total	**40,713**	**20,272**

5. Capital Receipts

During the year the following net capital receipts from disposals were received:

	2019/20 £000	2018/19 £000
Dwelling & Hostels	(6,441)	(4,603)
Non-Dwellings	(1,978)	(4,071)
Total	**(8,419)**	**(8,674)**

6. Depreciation and Impairment

The total charge for depreciation and impairment within the Council's HRA is shown below:

	2019/20 £000	2018/19 £000
Operational Assets		
Depreciation		
Dwellings	14,957	15,850
Other Land and Buildings	158	206
Vehicles, Plant, Equipment and Intangible Assets	47	18
Surplus Assets	-	31
Impairment		
Revaluation (Gain) / Loss - non-dwellings	17,815	5,022
Sub-total depreciation and impairment of non-current assets	32,977	21,127
Revaluation (Gain) / Loss - dwellings	(39,128)	13,267
Total	**(6,151)**	**34,394**

7. Rent Arrears and Allowance for Doubtful Debts

Gross rent arrears were as follows:

	2019/20 £000	2018/19 £000
Main Council Stock	6,057	5,708
Hostels	674	672
Total	**6,731**	**6,380**

Allowances for Doubtful Debts at 31 March were:

	2019/20 £000	2018/19 £000
Main Council Stock	(5,295)	(4,875)
Hostels	(669)	(661)
Total	**(5,964)**	**(5,536)**

Pension Fund Accounts

Fund Account

Net Assets Statement

Notes to the Pension Fund

Fund Account

	Note	2019/20		2018/19	
		£000	£000	£000	£000
Dealings with members, employers and others directly involved in the scheme					
Contributions					
From Employers	7	26,135		25,074	
From Members	7	7,408	33,543	7,157	32,231
Transfers In from other Pension Funds			4,326		2,934
Other Income			-		1,221
Benefits					
Pensions	8	(34,916)		(32,912)	
Commutation & Lump Sum Retirement Benefits	8	(8,502)		(8,167)	
Payment in respect of tax		(898)	(44,316)	-	(41,079)
Payments to and on account of leavers					
Transfers Out to other Pension Funds			(7,225)		(7,726)
Refunds to members leaving service			(119)		(41)
Net Additions (Withdrawals) from dealings with members			**(13,791)**		**(12,460)**
Management expenses	9		**(5,866)**		**(6,199)**
Returns on Investments					
Investment Income	10		13,911		11,967
Other Income	10		731		-
Profit and losses on disposal of investments and changes in value of investments	12		(36,172)		49,142
Net Return on Investments			**(21,530)**		**61,109**
Net Increase (Decrease) in the net assets available for benefits during the year			**(41,187)**		**42,450**
Opening Net Assets of the Scheme			**1,052,073**		**1,009,623**
Closing Net Assets of the Scheme			**1,010,886**		**1,052,073**

Net Assets Statement

	Note	31 March 2020 £000	31 March 2019 £000
Investment Assets			
Equities	12	150	150
Pooled Property Vehicles	12	58,881	55,558
Pooled Investment Vehicles	12	817,356	902,851
Private Equity / Infrastructure	12	70,555	76,442
Cash Deposits	12	59,524	12,843
Other Investment Balances			
Investment Income Due	12	26	34
Net Investment Assets	12	**1,006,492**	**1,047,878**
Current Assets	20	3,897	2,723
Current Liabilities	21	(1,178)	(1,201)
Cash Balances (held directly by Fund)		1,675	2,673
Net assets of the Fund available to fund benefits at the period end		**1,010,886**	**1,052,073**

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed in Note 18a.

Notes to the Pension Fund Accounts

NOTE 1. DESCRIPTION OF HAMMERSMITH AND FULHAM PENSION FUND

a) General

The Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Hammersmith and Fulham Council (the Council). It is a contributory defined benefits scheme established in accordance with statute, which provides for the payment of benefits to employees and former employees of Hammersmith and Fulham Council and the admitted and scheduled bodies in the Fund. These benefits include retirement pensions and early payment of benefits on medical grounds and payment of death benefits where death occurs either in service or in retirement. Teachers are excluded from this scheme as they are administered under the Teachers' Pension Scheme.

The benefits payable in respect of service from 1 April 2014 are based on an employee's career average revalued earnings (CARE) and the number of years of eligible service. The benefits payable in respect of service prior to 1 April 2014 are based on an employee's final salary and the number of years eligible service. Pensions are increased each year in line with the Consumer Price Index.

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

- The LGPS Regulations 2013 (as amended)
- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) and
- The LGPS (Management and Investment of Funds) Regulations 2016.

The Fund is financed by contributions from employees, the Council, the admitted and scheduled bodies and from investment returns on the Fund's investment assets. Contributions from employees are made in accordance with the Local Government Pension Scheme Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2020. Employer contributions are set based on the triennial actuarial funding valuation, as detailed in Note 18.

b) Pensions Sub Committee

The Council has delegated the investment arrangements of the scheme to the Audit and Pensions Committee, which in December 2014 formed a Pensions Sub-Committee (the Sub-Committee) and delegated all pensions responsibilities to it. The Sub-Committee decides on the investment strategy most suitable to meet the liabilities of the Fund and has responsibility for the investment strategy. The Sub-Committee is made up of five members, four of whom are elected representatives of the Council with voting rights and one co-opted member. Members of the admitted bodies and representatives of the Trade Unions may attend the Sub-Committee meetings but have no voting rights.

The Sub-Committee reports annually to the Audit and Pensions Committee and has full delegated authority to make investment decisions. The Sub-Committee obtains and considers advice from the Director of Finance, and as necessary from the Fund's appointed actuary, investment managers and adviser.

c) Pension Board

In line with the provisions of the Public Service Pensions Act 2013, the Council has set up a Local Pension Board to oversee the governance arrangements of the Pension Fund. The Board meets twice a year and has its own Terms of Reference. Board members are independent of the Pensions Sub-Committee.

d) Investment Principles

In accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 the Sub-Committee approved an Investment Strategy Statement on 11 February 2020 (available on the Council's website). The Statement shows the Council's compliance with the Myner's principles of investment management.

The Sub-Committee has delegated the management of the Fund's investments to regulated investment managers (see note 11), appointed in accordance with the regulations, and whose activities are specified in detailed investment management agreements and monitored on a quarterly basis.

e) Membership

Membership of the LGPS is voluntary, and whilst employees are auto enrolled into the scheme, they are free to choose whether to stay in or leave the scheme, or make their own personal arrangements outside the scheme.

Organisations participating in the Hammersmith & Fulham Pension Fund include:

- Scheduled bodies, which are local academies 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 and private contractors undertaking a local authority function following outsourcing to the private sector.

The deferred member numbers include 1,018 undecided leavers, who are no longer paying contributions or in receipt of benefits.

	31 March 2020	31 March 2019
Number of Active Employers	50	58
Contributing employees	3,635	4,332
Pensioners receiving benefit	5,081	5,111
Deferred members	7,112	6,840
Total members	**15,828**	**16,283**

Details of the scheduled and admitted bodies are included in the Fund's Annual Report.

NOTE 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Statement of Accounts summarise the Fund's transactions for 2019/20 and its position at year end as at 31 March 2020. The accounts been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector.

The accounts have been prepared on an accruals basis, apart from transfer values which have been accounted for on a cash basis.

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 consider the actuarial present value of promised retirement benefits. The Code gives administering 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 Council has opted to disclose this information in a note to the accounts (Note 18).

The Hammersmith & Fulham Pension Fund is a statutory, state back Local Government Pension Scheme (LGPS) that is 98% funded on a conservative basis and backed by an administering authority with tax raising powers. As such, the Pension Fund Accounts have been prepared on a going concern basis.

It is recognised that the current environment gives rise to a risk of uncertainty and volatility in investment markets and the Fund has reviewed fund manager assessments and no material uncertainty has been identified. The Fund continues to monitor cashflows and invests in a diverse range of investment vehicles including availability to liquid assets.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – Revenue Recognition

a) Contribution Income

Normal contributions, both from active members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the actuary in the payroll period to which they relate. Employer deficit funding contributions are accounted for on the due dates on which they are due under the schedule of contributions set by the actuary or on receipt if earlier than the due date.

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

c) Investment Income

Investment income arising from the underlying investments of the Pooled Investment Vehicles is either reinvested within the Pooled Investment Vehicles and reflected in the unit price or taken as a cash dividend to support the Fund's outgoing cash flow requirements.

Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

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. Where the amount of an income distribution has not been received from an investment manager by the balance sheet date, an estimate based upon the market value of their mandate at the end of the year is used.

Changes in the value of investments are recognised as income and comprise all realised and unrealised profits and 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. Lump sums are accounted for in the period in which the member becomes a pensioner. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

e) Taxation

The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. As the Council is the administering authority for the Fund, VAT input tax is recoverable on all Fund activities including expenditure on investment expenses. Where tax can be reclaimed, investment income in the accounts is shown gross of UK tax. 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) VSP, MSP and lifetime allowance

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

g) 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".

> **Administrative expenses** – All staff costs of the pension administration team are charged directly to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.
>
> **Oversight and governance –** All staff costs associated with governance and oversight are charged directly to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund. The cost of obtaining investment advice from the external advisor is included in oversight and governance costs.
>
> **Investment management expenses –** The Sub-Committee has appointed external investment managers to manage the investments of the Fund. Managers are paid a fee based on the market value of the investments they manage, and/or a fee based on performance.

Where an investment manager's fee note has not been received by the Balance Sheet date, an estimate based upon the market value of the mandate as at the end of the year is used for inclusion in the fund account.

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 asset 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 value of the asset are recognised in the Fund account.

The values of investments as shown in the net asset statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see Note 14a).

i) Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes (see Note 14a).

j) 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 the 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.

k) Cash and Cash Equivalents

Cash comprises cash in hand and deposits with financial institutions which are repayable on demand without penalty.

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 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 in the fund account as part of the Change in Value of Investments.

Other financial liabilities classed as amortised costs are carried at amortised cost i.e. the amount carried in the net asset statement is the outstanding principal repayable plus accrued interest. Any interest charged is accounted for on an accruals basis and included in administration costs.

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 International Accounting Standard (IAS) 19 and relevant actuarial standards. As permitted under the Code, the fund has opted to disclose the actuarial present value of retirement benefits by way of a note to the Net Assets Statement (Note 18a).

n) Additional Voluntary Contributions (AVCs)

AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed for information in Note 22. There are also some residual policies with Equitable Life, which are disclosed in Note 22, but it is not open for new members.

o) Recharges from the General Fund

The LGPS (Management and Investment of Funds) Regulations 2016 permit the Council to charge administration costs to the Fund. A proportion of the relevant Council costs have been charged to the Fund based on actual time spent on Pension Fund business. Costs incurred in the administration and the oversight and governance of the Fund are set out separately in Note 9.

NOTE 4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The accounts contain certain estimated figures that are based on assumptions made by the Council and other bodies about the future or that are otherwise uncertain. Estimates are made because they are required to satisfy relevant standards or regulations and are based on best judgement at the time, derived from historical experience, current trends and other relevant factors. As a result, actual results may differ materially from those assumptions.

The items for which there is a significant risk of material adjustment are:

a) Pension Fund Liability

The Pension Fund liability is calculated every three years by the appointed actuary with annual updates in the intervening years. The methodology used follows generally agreed guidelines and is in accordance with IAS 19. These assumptions are summarised in Note 18a. The estimates of the net liability to pay pensions depends on several judgements and assumptions. In particular, those relating to the discount rate, the rate at which salaries are projected to increase, change in retirement ages, mortality rates and expected returns on the Fund's assets.

b) COVID 19 Impact

The ongoing impact of the COVID-19 pandemic has created uncertainty around the valuations of illiquid assets. As such, the Pension Fund's property and infrastructure allocations as at 31 March 2020 have been difficult to value according to the preferred accounting policy. Professional valuers have not been able to actively value many similar sized assets in the market due to the current lockdown environment to obtain a reliable fair value for the Pension Fund's assets. As a result, the values have been largely based on the previously reported period with an estimate included as at 31 March 2020.

The current response to COVID-19 means pooled property valuations are reported on the basis of 'material valuation uncertainty' as set out in VPGA 10 of the RICS Valuation Global Standards. Consequently, less certainty and a higher degree of caution should be attached to the valuations than would normally be the case. As at 31 March 2020, pooled property investments for the Fund totalled £102.7m. The impact of this material valuation uncertainty has been included in the sensitivity analysis in Note 14d.

c) Private equity investments

The fair value of private equity investments is unavoidably subjective. The valuations are based on forward-looking estimates and judgements involving many factors. Unquoted private equity assets are valued by the investment managers in accordance with industry standards. The value of private equity investments at the balance sheet date was £2.2m.

d) Private debt/Infrastructure investments

The fair value of the Partners Group Multi Asset Credit fund and Infrastructure fund is also subject to some 'material valuation uncertainty. Several of the underlying assets are traded in private markets only and therefore judgement needs to be made about value, using factors such as the enterprise value and net debt. Due to the COVID-19 pandemic, the values reflected in these investments may materially differ from the values received upon the actual sales of the underlying investments. As at 31 March 2020, the assets invested with Partners Group were valued at £42.3m (£42.3m in 2018/19).

The same applies to the Aviva Infrastructure which is has a quarterly valuation cycle. As at 31 March 2020, the value of the investment was £26.1m (£30.6m in 2018/19). The impact of the uncertainty surrounding these investments has also been included in the sensitivity analysis in Note 14d.

NOTE 5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF UNCERTAINTY

Preparing financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end and the amounts reported for income and expenditure during the year. Estimates and assumptions are made considering historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual results could differ from the assumptions and estimates.

Description of asset	Uncertainties	Basis of valuation
Actuarial present value of promised retirement benefits (Note 19a)	Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on fund assets. Barnet-Waddingham are engaged to provide the fund with expert advice about the assumptions to be applied.	For instance: • 0.1% increase in the discount rate assumption would result in a decrease in pension liability of £29m • 0.1% increase in assumed earnings would increase the value of the liabilities by approximated £2m • 0.1% increase in pension increases would increase the liability by about £28m • A one-year increase in life expectancy would increase the liability by about £58m

Management has agreed a reasonable set of actuarial assumptions in consultation with the actuary which derives the total pension fund liability. An allowance of £8.8m (0.6% of total liabilities) has been included in the past service cost reflecting the recent McCloud judgement.

NOTE 6. EVENTS AFTER THE BALANCE SHEET

In November 2019, the Pension Fund Sub-Committee agreed to appoint Aberdeen Standard Investments as its new private credit manager with a commitment of £55m. As at the balance sheet date, this investment had not been completed but was finalised in full on 24 April 2020.

The COVID-19 global pandemic in March caused a 2.6% decrease on the Fund’s Investment Assets by year end. As at 30 September 2020 this had fully recovered, increasing by 13.4%.

NOTE 7. CONTRIBUTIONS RECEIVABLE

Employees’ contributions are calculated on a sliding scale based on a percentage of their gross pay. The administering body, scheduled bodies and admitted bodies are required to make contributions determined by the Fund’s actuary to maintain the solvency of the fund.

The table below shows a breakdown of the total amount of employers’ and employees’ contributions.

	Employers' Contributions				Employees' Contributions	
	Normal		Deficit Recovery			
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
Administering Authority	12,674	11,560	8,745	8,302	6,023	5,460
Scheduled Bodies	1,938	1,912	870	857	799	814
Admitted Bodies	1,820	2,268	88	175	586	883
Total	**16,432**	**15,740**	**9,703**	**9,334**	**7,408**	**7,157**
Total Contributions			**26,135**	**25,074**	**7,408**	**7,157**

NOTE 8. BENEFITS PAYABLE

The table below shows a breakdown of the total amount of benefits payable.

	Pensions		Lump sum retirement benefits		Lump sum death benefits	
	2019/20	**2018/19**	**2019/20**	**2018/19**	**2019/20**	**2018/19**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Administering Authority	(32,283)	(30,710)	(6,333)	(6,454)	(977)	(476)
Scheduled Bodies	(399)	(332)	(196)	(124)	(77)	(71)
Admitted Bodies	(2,234)	(1,870)	(878)	(719)	(41)	(323)
Total	**(34,916)**	**(32,912)**	**(7,407)**	**(7,297)**	**(1,095)**	**(870)**
Total Lump Sum Benefits					**(8,502)**	**(8,167)**

NOTE 9. MANAGEMENT EXPENSES

The table below shows a breakdown of the management expenses incurred during the year.

	2019/20	2018/19
	£000	**£000**
Administrative costs	(365)	(334)
Investment management expenses	(4,735)	(5,298)
Oversight and governance costs	(766)	(567)
	(5,866)	**(6,199)**

The table below provides a breakdown of the Investment Management Expenses.

	2019/20	2018/19
	£000	**£000**
Management fees	(4,250)	(4,763)
Performance fees	(36)	(244)
Transaction costs	(421)	(185)
Custody fees	(28)	(106)
	(4,735)	**(5,298)**

NOTE 10. INVESTMENT INCOME

The table below shows a breakdown of investment income.

	2019/20 £000	2018/19 £000
Pooled investments - unit trusts and other managed funds	10,777	8,874
Income from Alternative Investments	3,009	2,995
Interest on Cash Deposits	125	98
Other Investment Income	731	-
Total	**14,642**	**11,967**

NOTE 11. INVESTMENT STRATEGY

During 2019/20, the Fund's investment strategy had the following developments:

- In March 2019, the Pensions Sub-Committee agreed to an investment of £85m into the London CIV (LCIV) Global Bonds Fund (managed by PIMCO). This investment was completed in May 2019, with an additional £20m invested with the fund later that year.
- In July 2019, the Pensions Sub-Committee made a decision to no longer use Legal and General Investment Management's (LGIM) Sterling Liquidity Fund to manage its temporary cash holdings. All temporary cash holdings will be managed through the Fund's custodian, Northern Trust.
- In November 2019, the Fund completed the transition of the LCIV UK Equity Fund (£125m) into the MSCI Low Carbon Fund under the management of LGIM. As at 31 March 2020, the value of the Fund's global equity assets was £411m.
- In December 2019, the Pensions Sub-Committee appointed Aberdeen Standard Investment as the Fund's new private credit manager. This investment would be financed by through the sale of global equity assets which would later be refunded from the proceeds received from the Partners Group Multi Asset Credit (MAC).

As part of the Fund's ongoing investment strategy, pooled investments are used as the primary investment vehicle and these are in the form of unit trusts. A breakdown of all the Fund's investments is included in the table on the following page.

In August 2015, the Fund made a commitment to the Partners Group Direct Infrastructure fund. As at 31 March 2019 €26.4m still remained unfunded.

The private equity investments made some years ago are now in the redistribution phase of the cycle, which will be completed in late 2020. As at 31 March 2020, £2.2m remained to be redistributed back into the Fund.

As shareholders of London LGPS CIV Ltd, (the organisation set up to run pooled LGPS investments in London) the Fund has funded £150,000 of regulatory capital. This is in the form of unlisted UK equity shares. The London CIV is one of eight LGPS investment pools in the UK and is responsible for the selection of managers on behalf of its shareholders. However, the London Borough of Hammersmith & Fulham Pension Fund maintains the overall responsibility of its investment strategy. The Fund has been active in the transfer of assets under management to the London Collective Investment Vehicle (LCIV) to gain efficiencies and fee reductions. As at 31 March 2020, the Fund had £640.8m invested with the London CIV, which accounts for 63.4% of the fund's total assets.

The market value and proportion of investments managed by each fund manager at 31 March 2020 was as follows:

	31 March 2020		31 March 2019	
	Market Value	Total	Market Value	Total
	£000	%	£000	%
Investments managed by the London CIV asset pool				
LGIM - MSCI Low Carbon (Passive)	411,304	40.9%	374,028	35.7%
Ruffer - Absolute Return (Active)	128,526	12.8%	126,636	12.1%
PIMCO - Global Bonds (Active)	100,960	10.0%	-	-
Majedie - UK Equity	-	-	125,154	11.9%
	640,790	**63.7%**	**625,818**	**59.7%**
Investments managed outside of London CIV asset pool				
M & G - Inflation Opportunities	110,996	11.0%	107,834	10.3%
Oak Hill Advisers - Secured Income (Active)	65,570	6.5%	73,203	7.0%
Standard Life - Long Lease Property	58,881	5.9%	55,558	5.3%
Aviva - Private Infrastructure	26,062	2.6%	30,644	2.9%
Partners Group - Infrastructure	23,142	2.2%	25,318	2.4%
Partners Group - Multi Asset Private Credit	19,174	1.9%	16,987	1.6%
Invesco - Private Equity	1,523	0.2%	2,199	0.2%
Unigestion - Private Equity	653	0.1%	1,293	0.1%
Inhouse Cash - Cash	59,551	5.9%	12,867	1.3%
London CIV Ltd	150	0.0%	150	0.0%
LGIM - Sterling Liquidity Fund	-	-	96,007	9.2%
	365,702	**36.3%**	**422,060**	**40.3%**
Total Investments	**1,006,492**	**100.0%**	**1,047,878**	**100.0%**

The table below shows the Fund investments which exceed 5% of net assets. These are all pooled investment vehicles, which are made up of underlying investments, each of which represent substantially less than 5%.

	31 March 2020		31 March 2019	
	Market Value	Total	Market Value	Total
	£000	%	£000	%
LGIM - MSCI Low Carbon (Passive)	411,304	40.7%	374,027	35.7%
Ruffer - Absolute Return (Active)	128,526	12.7%	126,636	12.1%
M & G - Inflation Opportunities	110,996	11.0%	107,834	10.3%
PIMCO - Global Bonds (Active)	100,960	10.0%	-	0.0%
Oak Hill Advisers - Secured Income (Active)	65,570	6.5%	73,203	7.0%
Standard Life - Long Lease Property	58,881	5.8%	55,558	5.3%
Majedie - UK Equity	-	-	125,154	11.9%
LGIM - Sterling Liquidity Fund	-	-	96,007	9.2%

NOTE 12. RECONCILIATION OF MOVEMENT IN INVESTMENTS

The table below shows a reconciliation of the movement in the total investment assets of the Fund by asset class during 2019/20.

Fund Manager	Value at 1 April 2019 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in market value during the year £000	Value at 31 March 2020 £000
Equities	150	-	-	-	**150**
Pooled equity investments	902,851	107,550	(156,592)	(36,453)	**817,356**
Pooled property investments	55,558	39	-	3,284	**58,881**
Private equity/infrastructure	76,442	4,654	(7,316)	(3,225)	**70,555**
Sub-total	**1,035,001**	**112,243**	**(163,908)**	**(36,394)**	**946,942**
Cash Deposits	12,843			238	**59,524**
Investment income due	34			-	**26**
Spot FX contracts	-			(16)	**-**
Totals	**1,047,878**	**112,243**	**(163,908)**	**(36,172)**	**1,006,492**

The equivalent analysis for 2018/19 is provided below:

Fund Manager	Value at 1 April 2018 *restated £000	Purchases during the year and derivative payments £000	Sales during the year and deriative receipts £000	Change in market value during the year £000	Value at 31 March 2019 £000
Equities	150	-	(10)	10	**150**
Pooled equity investments	890,947	836,089	(867,391)	43,206	**902,851**
Pooled property investments	51,933	33	-	3,592	**55,558**
Private equity/infrastructure	55,261	38,866	(20,023)	2,338	**76,442**
Sub-total	**998,291**	**874,988**	**(887,424)**	**49,146**	**1,035,001**
Cash Deposits	6,168			22	**12,843**
Investment income due	35			-	**34**
Spot FX contracts	-			(26)	**-**
Totals	**1,004,494**	**874,988**	**(887,424)**	**49,142**	**1,047,878**

NOTE 13. FAIR VALUE BASIS OF VALUATION

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

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled Investments - Equity funds UK and Overseas Managed Funds	Level 2	The NAV for each share class is calculated based on the market value of the underlying equity assets	Evaluated price feeds	Not required
Unquoted bonds and unit trusts	Level 2	Fixed income securities are priced based on evaluated prices provided by independent pricing services	Evaluated price feeds	Not required
Pooled Long Lease Property Fund	Level 2	The Aberdeen Standard Long Lease Property Fund is priced on a Single Swinging Price	In house evaluation of market data	Not required
Private equity	Level 3	Comparable valuation of similar companies in accordance with International Private and Venture Capital Valuation Guidelines 2012	Earnings before interest, tax, depreciation and amortisation (EBITDA) multiple Revenue multiple	Valuations could be affected by changes to expected cashflows, cost of replacing key business assets, or by any differences between the audited and unaudited accounts
Infrastructure funds	Level 3	Valued by Fund Managers at the lower of cost and fair value.	Managers use their judgement having regard to the Equity and Venture Capital Valuation Guidelines 2012 guidelines noted above	Upward valuations are only considered where there is validation of the investment objectives and such progress can be demonstrated Downward valuations are enacted where the manager considers there is an impairment to the underlying investment

NOTE 14a. VALUATION OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

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

Level 1 – Fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Examples are quoted equities, quoted index linked securities and unit trusts. All level 1 investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2 – Quoted prices are not available for financial instruments at this level. The valuation techniques used to determine fair value use inputs that are based significantly on observable market data.

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

The values of the private equity investments are based on valuations provided by the General Partners to the private equity funds. The Partners Group Multi Asset Credit and Infrastructure funds are closed ended and therefore not tradable. The valuation is based on market prices where available for some underlying assets and on estimates of prices in secondary markets for others.

	31 March 2020			31 March 2019		
	Quoted Market Price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Quoted Market Price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000
Financial Assets						
Designated at fair value through profit and loss	-	876,237	70,555		958,409	76,592
Total Financial Assets	**-**	**876,237**	**70,555**	**-**	**958,409**	**76,592**
Financial Liabilities						
Designated at fair value through profit and loss	-	-	-	-	-	-
Total Financial Liabilities	**-**	**-**	**-**	**-**	**-**	**-**
Net Financial Assets	**-**	**876,237**	**70,555**	**-**	**958,409**	**76,592**
			946,792			**1,035,001**

NOTE 14b. TRANSFERS BETWEEN LEVELS 1 AND 2

In 2019/20, the Fund's operational activity resulted in no transfers between Levels 1 and 2.

NOTE 14c. RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

	Market Value as at 31 March 2019	Purchases	Sales	Unrealised gains / (losses)	Realised gains / (losses)	Market Value as at 31 March 2020
Overseas Infrastructure	20,480	4,654	(1,855)	744	1,296	25,319
UK Infrastructure	30,644	-	-	(4,582)	-	26,062
Private Credit	25,318	-	(5,461)	(683)	-	19,174
London LGPS CIV	150	-	-	-	-	150
Total	**76,592**	**4,654**	**(7,316)**	**(4,521)**	**1,296**	**70,705**

NOTE 14d. SENSITIVITY OF ASSETS VALUED AT LEVEL 3

The Pension Fund has analysed historical data and current trends in consultation with independent investment advisors to determine the accuracy of the valuations of its Level 3 investments. Due to the uncertainty cause by the global response to the COVID-19 pandemic, the Fund's pooled property, infrastructure and private credit mandates' valuations may materially differ. The potential impact on the reported valuations as at 31 March 2020 has been estimated to be accurate within the following ranges:

Description of assets	Assessed Valuation Range (+/-)	Value at 31 March 2020	Value on increase	Value on decrease
		£000	£000	£000
Pooled Property*	10.00%	102,724	112,997	92,452
Aviva Infrastructure	8.50%	26,062	28,277	23,847
Partners Group Infrastructure	10.00%	23,142	25,456	20,828
Partners Group Multi Asset Credit	10.00%	19,174	21,091	17,257
Total		**68,378**	**74,825**	**61,931**

* Pooled property includes the Aberdeen Standard Long Lease property (£58.9m) and approximately 40% of the M&G Inflation Protection Fund (£43.8m)

NOTE 15a. CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table analyses the carrying amounts of financial assets and liabilities split by UK and Overseas, by category and net assets statement heading as at the balance sheet date. All investments are quoted unless stated.

	31 March 2020			31 March 2019		
	Designated at fair value through profit & loss £000	Financial assets at amortised cost £000	Financial Liabilities at amortised cost £000	*Designated at fair value through profit & loss £000	Financial assets at amortised cost £000	Financial Liabilities at amortised cost £000
FINANCIAL ASSETS						
Index Linked Securities						
Pooled Investment Vehicles:						
UK equity funds	650,817			733,642		
UK property funds	58,881			55,558		
UK infrastructure	26,062			30,644		
UK fixed income fund	120,144			25,318		
Overseas fixed income fund	65,570			73,203		
Overseas infrastructure	23,142			16,987		
Overseas venture capital	2,176			3,493		
London LGPS CIV	150			150		
UK cash funds	-			96,007		
Investment income due	26			34		
Cash deposits with managers		59,524		-	12,843	
Debtors		3,897		-	2,679	
Cash balances (held by fund)		1,675		-	2,673	
	946,968	65,096	-	1,035,036	18,195	-
FINANCIAL LIABILITIES						
Creditors			(1,178)			(1,185)
	-	-	(1,178)	-	-	(1,185)
GRAND TOTALS	**946,968**	**65,096**	**(1,178)**	**1,035,036**	**18,195**	**(1,185)**
			1,010,886			**1,052,046**

*Figures as at 31 March 2019 have been re-categorised on the individual line items within this note. The carrying value is the same as the fair value for all financial instruments held by the Fund.

NOTE 15b. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

This table summarises the net gains and losses on financial instruments classified by type of instrument.

	2019/20 £000	2018/19 £000
Financial Assets		
Fair value through profit and loss	(36,393)	49,146
Loans and receivables	238	23
Financial Liabilities		
Fair value through profit and loss	(17)	(27)
	(36,172)	**49,142**

NOTE 16. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities. The Fund's liabilities are sensitive to inflation through pension and pay increases, interest rates and mortality rates. The assets that would most closely match the liabilities are a combination of index-linked gilts, as the liabilities move in accordance with changes in the relevant gilt yields and changes in inflation.

The Pension Fund Sub-Committee maintains a Pension Fund risk register and reviews the risks and appropriate mitigating actions at every meeting.

a) Market Risk
In order to meet the Fund's objective of being fully funded within 22 years of the 2016 actuarial valuation, the fund managers have been set differing targets appropriate to the types of assets they manage. The ongoing economic uncertainty that has been caused by the global response to COVID-19 presents an increased risk to the Fund achieving these targets. As such, the Fund continues to invest its assets in a broad range of asset classes in terms of geographical and industry sectors and individual securities which are expected to produce returns above their benchmarks over the long term, albeit with greater volatility. This diversification reduces exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level.

The aim of the investment strategy is to maximise the opportunity for gains across the whole Fund's portfolio within a tolerable level of risk of an overall reduction in the value of the Fund. Responsibility for the Fund's investment strategy rests with the Pensions Sub-Committee and is reviewed on a regular basis.

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

The Fund is exposed to price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities represent a risk of loss of capital. The maximum risk resulting from financial instruments (with the exception of the derivatives where the risk is currency related) is determined by the fair value of the financial instruments. The Fund's investment managers aim to mitigate this price risk through diversification and the selection of securities and other financial instruments.

All assets except for cash, forward foreign exchange contracts, other investment balances, debtors and creditors are exposed to price risk. The table below shows the value of these assets at the balance sheet date (and the prior year) and what the value would have been if prices had been 10% higher or 10% lower.

Assets exposed to price risk

	Value	+ 10%	- 10%
	£000	£000	£000
At 31st March 2020	950,071	1,045,079	855,064
At 31st March 2019	1,035,001	1,138,501	931,501

c) Interest Rate Risk
The Fund invests in financial assets for the primary purpose of obtaining a return on its investments. Fixed Interest securities and cash 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 recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits.

Fixed income investments, cash and some elements of the pooled investment vehicles are exposed to interest rate risk. The table below shows the value of these assets at 31 March 2020 and what the value would have been if interest rates had been 1% higher or 1% lower.

Assets exposed to interest rate risk

	Value	+ 1%	- 1%
	£000	£000	£000
At 31st March 2020	247,290	235,493	259,086
At 31st March 2019	225,147	226,318	230,307

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

The Fund recognises that a strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits.

In order to mitigate the risk, one of the Fund's investment managers enters into forward foreign exchange contracts (accounted for as derivatives) to hedge the currency risk which arises from undertaking non-sterling transactions. In addition, several of the pooled investment vehicles partially or fully hedge the currency back into sterling. These actions reduce the overall currency risk the Fund is exposed to.

Assets exposed to currency risk

	Value	+ 10%	- 10%
	£000	£000	£000
At 31st March 2020	464,646	511,111	418,182
At 31st March 2019	424,737	467,211	382,263

e) Credit Risk
Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

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

f) Liquidity Risk
Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that there are adequate cash resources to meet its commitments. This will particularly be the case for cash to meet the pensioner payroll costs, and cash to meet investment commitments. The Fund has immediate access to its cash holdings.

The only assets in the Fund which cannot be liquidated within a month are detailed in the table below. These amounted to 10.23% of the Fund's Net Assets at 31 March 2020 (9.67% at 31 March 2019). The remaining assets can all be liquidated within days.

Manager	Portfolio	31 March 2020	31 March 2019
		£000	£000
Standard Life	Property	58,881	55,558
Partners Group	Infrastructure	23,142	16,987
Partners Group	Multi Asset Credit	19,174	25,318
Invesco	Private Equity	1,523	2,199
Unigestion	Private Equity	653	1,293
		103,373	**101,355**

NOTE 17. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

The Fund had the following commitments at the balance sheet date:

	31 March 2020 £000	31 March 2019 £000
Aberdeen Standard Multi Sector Private Credit	55,000	-
Partners Group Direct Infrastructure Fund 2015	23,623	29,098
	78,623	**29,098**

In December 2019, the Pensions Sub-Committee appointed Aberdeen Standard Investment as the Fund's new private credit manager. This investment is expected to be fully funded in Q1 2020/21.

The Partners infrastructure commitment is expected to be fully funded by December 2020.

NOTE 18. FUNDING ARRANGEMENTS

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the London Borough of Hammersmith & Fulham Pension Fund is able to meet its liabilities to past and present contributors and to review employer contribution rates.

The latest full triennial valuation of the London Borough of Hammersmith and Fulham Pension Fund was carried out by Barnett Waddingham, the Fund's actuary, as at 31 March 2016 in accordance with the Funding Strategy Statement of the Fund and the Local Government Pension Scheme Regulations 2013. The results were published in the triennial valuation report dated 30 March 2017. This valuation set the employer contribution rates from 1 April 2017 through to 31 March 2020. The next valuation will take place as at 31 March 2019.

The 2016 valuation certified a common contribution rate of 15.5% of pensionable pay (13.6% as at March 2013) to be paid by each employing body participating in the Fund, based on a funding level of 88% (83% as at March 2013). In addition, each employing body must pay an individual adjustment to reflect its own particular circumstances and funding position within the Fund. Details of each employer's contribution rate are contained in the Statement to the Rates and Adjustment Certificate in the triennial valuation report.

The actuary's smoothed market value of the scheme's assets at 31 March 2016 was £851m and the actuary assessed the present value of the funded obligation at £965m indicating a net liability of £114m (£147m 2013).

The actuarial valuation, carried out using the projected unit method, is based on economic and statistical assumptions, the main ones being:

Financial Assumptions	March 2019	March 2016 £000
Consumer Price Index (CPI) increases	2.60%	2.40%
Salary Increases	3.60%	3.90%
Pension Increases	2.40%	2.40%
Discount Rate	5.00%	5.40%

Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Barnett Waddingham LLP, an independent firm of actuaries. Estimates for the Pension Fund are based on the full valuation of the scheme as at 31 March 2016; the latest valuation as at 31 March 2019 will be reflected in the 2020/21 accounts. The next actuarial valuation of the Fund will be carried out as at 31 March 2022 and will set contribution rates for the period 1 April 2023 to 31 March 2026.

The contribution rate is set on the basis of the cost of future benefit accrual, increased to bring the funding level back to 100% over a period of 22 years, as set out in the Funding Strategy Statement. It is set to be sufficient to meet the additional annual accrual of benefits allowing for future pay increases and increases to pension payments when these fall due, plus an amount to reflect each participating employer's notional share of value of the Fund's assets compared with 100% of their liabilities in the Fund in respect of service to the valuation date.

The next actuarial valuation of the Fund will be as at 31 March 2019 and will be published in 2020.

NOTE 18a. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

The table below shows the total net liability of the Fund as at 31 March 2020. The figures have been prepared by Barnett Waddingham, the Fund's actuary, only for the purposes of providing the information required by IAS26. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

In calculating the required numbers, the actuary adopted methods and assumptions that are consistent with IAS19.

	31 March 2020	31 March 2019
	£000	£000
Present Value of Promised Retirement Benefits*	(1,527,085)	(1,651,279)
Fair Value of Scheme Assets (bid value)	1,013,015	1,052,073
Net Liability	**(514,070)**	**(599,206)**

* Present Value of Promised Retirement Benefits comprises of £1,509.4m (£1,617.1m at 31 March 2019) and £17.7m (£34.1m at 31 March 2019) in respect of vested benefits and non-vested benefits respectively as at 31 March 2020.

The assumptions applied by the actuary are set out below:

Financial Assumptions	31 March 2020	31 March 2019
Salary increases	2.90%	3.90%
Pension increases	1.90%	2.40%
Discount Rate	2.35%	2.40%

Demographic Assumptions

The post mortality tables adopted are the S3PA tables with a multiplier of 110% for males and 105% for females. The base tables are projected using the CMI 2018 Model, allowing for a long-term rate of improvement of 1.25% p.a. The assumed life expectancies from age 65 are:

Life Expectancy from age 65		31 March 2019	31 March 2018
Retiring today	Males	21.8	23.4
	Females	24.4	24.8
Retiring in 20 years	Males	23.2	25.0
	Females	25.8	26.6

Other Assumptions:

- Members will exchange half of their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age;
- 5% of active members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

NOTE 19. CURRENT ASSETS

Debtors	31 March 2020 £000	31 March 2019 £000
Contributions due - employers	1,073	1,030
Contributions due - employees	486	453
London Borough of Hammersmith and Fulham	941	941
Sundry debtors	1,397	299
	3,897	**2,723**

Analysis of debtors	31 March 2020 £000	31 March 2019 £000
Local authorities	941	941
Other entities and individuals	2,956	1,782
	3,897	**2,723**

NOTE 20. CURRENT LIABILITIES

Creditors	31 March 2020 £000	31 March 2019 £000
Unpaid Benefits	(541)	(527)
Management Expenses	(375)	(461)
Sundry creditors	(262)	(213)
	(1,178)	**(1,201)**

Analysis of creditors	31 March 2020 £000	31 March 2019 £000
Other entities and individuals	(1,178)	(1,201)
	(1,178)	**(1,201)**

NOTE 21. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

The Fund’s AVC providers are Zurich Assurance and the Equitable Life Assurance Society. AVCs are invested separately from the Pension Fund and their valuations are showing in the table below. The same valuations as at 31 March 2019 have been carried forward to this year due to the uncertainty in obtaining accurate valuations as at 31 March 2020.

	31 March 2020	31 March 2019
Zurich Assurance	**£000s**	**£000s**
Market Value at 31st March	908	908
Contributions during the year	7	7
Number of members at 31st March	51	51
Equitable Life Assurance		
Market Value at 31st March	191	191
Contributions during the year	-	-
Number of members at 31st March	27	27

In accordance with Regulation 4(1)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 2009 the contributions paid and the investments are not included in the Pension Fund Accounts.

The AVC providers secure benefits on a money purchase basis for those members electing to pay AVCs. Members of the AVC schemes each receive an annual statement confirming the amounts held in their account and the movements in the year. The Fund relies on individual contributors to check that deductions are accurately reflected in the statements provided by the AVC provider.

NOTE 22. RELATED PARTIES

London Borough of Hammersmith and Fulham
The Pension Fund is administered by the London Borough of Hammersmith and Fulham. The Council incurred costs of £0.447m in 2019/20 (£0.334m in 2018/19) in relation to the administration of the Fund and were reimbursed by the Fund for the expenses.

Governance Arrangements
One member of the Pensions Sub-Committee is a deferred member of the Hammersmith and Fulham Pension Fund. Members of the Sub-Committee are required to make a declaration of interests at the beginning of each meeting.

Key management personnel
The key management personnel of the Fund are the Members of the Pensions Sub-Committee, the Director of Finance, the Tri-Borough Director of Treasury and Pensions and the Assistant Director, People & Talent (reporting to Director of Resources). Total remuneration payable to key management personnel in respect of the administering authority is set out below:

	31 March 2020	31 March 2019
	£000	**£000**
Short-term benefits	30	29
Post-employment benefits	255	42
	285	**71**

NOTE 23. EXTERNAL AUDIT COSTS

The external audit fee payable to Fund’s external auditors, Grant Thornton UK LLP, was £25,000 (£16,170 in 2018/19).

OTHER INFORMATION

Annual Governance Statement

Glossary of Terms

DRAFT ANNUAL GOVERNANCE STATEMENT

Introduction

Our Vision is to be the Best Council. This is the Council's stated purpose, which also sets out what we will do to achieve this against a background of shrinking public sector finances while at the same time, planning for a sustainable future. It is essential that all users of our services and all who pay for them, together with our suppliers and partners, have confidence in our governance arrangements - that our ways of working enable us to provide the right services effectively and efficiently and on a consistent basis, and that we take informed, transparent and lawful decisions. They must also be assured that we properly account for the money we receive and spend.

Our H&F Vision sets out six council priorities, which includes being 'ruthlessly financially efficient'. We have a fantastic record of keeping council tax and charges to residents low, while spending more on vital services such as adult social care. We have developed more efficient practices, cut waste, and sought innovative ways to achieve savings. We want to maintain that record, ambition, and ethos under increasingly severe and ongoing government funding reductions and the increasing financial pressures on the borough, and the wider economy, arising from the response to the COVID-19 pandemic.

In the context of further reductions in government funding and the risk to other Council funds, from a reduction in council tax receipts, fees and charges from the expected economic downturn as a result of the COVID-19 pandemic, the Council will continue to prioritise and maintain strong governance arrangements, focusing on the purpose of the Council and on outcomes for residents, borough businesses, people who work in our borough and visitors. It will do this by engaging with residents and stakeholders and demonstrating the values of good governance by upholding high standards of conduct and behaviour. Further to this, proactive risk and assurance management arrangements have been enhanced to support good governance and the efficient delivery of the Council's key objectives.

The Business Plan sets out the Council's main priorities for the next two years. This is an ambitious programme that builds on the success that has already set Hammersmith & Fulham Council apart as a leader and innovator in compassionate yet efficient local government.

Our Priorities are:

- ***Doing things with residents, not to them***
- ***Being ruthlessly financially efficient***
- ***Building shared prosperity***
- ***Creating a compassionate council***
- ***Taking pride in H&F***
- ***Rising to the challenge of the climate and ecological emergency***

What is Corporate Governance?
Corporate governance refers to the processes by which the Council is directed, controlled, led and held to account. It is also about culture and values, the way that councillors and employees think and act.

The Council's corporate governance arrangements aim to ensure that it does the right things for the right people in the right way, i.e. timely, inclusive, open, honest and accountable.

What this Statement tells you
This Statement describes the extent to which the Council has, for the year ended 31 March 2020, complied with its Governance Code and the requirements of the Accounts and Audit Regulations. It also describes how the effectiveness of the governance arrangements have been monitored and evaluated during the year and sets out any changes planned for the 2020-21 period.

The Statement has been prepared in accordance with guidance produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) - the 'Delivering Good Governance in Local Government Framework'. It embraces the elements of internal control required by the 'Code of Practice on Local Authority Accounting in the United Kingdom'.

The Council's Governance Responsibilities
The Council is responsible for ensuring it conducts its business in accordance with the law and to proper standards and that public money is properly accounted for and is used economically, efficiently and effectively. It also has a duty to continuously improve the way that it functions, having regard to effectiveness, quality, service availability, fairness, sustainability, efficiency and innovation. A key part of the Council's code of governance is the role of Cabinet (Executive) as part of decision-making.

The Council's Governance Code, renewed in 2020 in accordance with the governance guidance produced by CIPFA and SOLACE, states the importance to the Council of good corporate governance and sets out its commitment to the principles involved.

The Governance Framework

The governance framework consists of the systems and processes, and culture and values, by which the Council is directed and controlled and through which it accounts to, engages with and leads the community.

It enables us to monitor the achievement of our objectives and to consider whether these have led to the delivery of appropriate, cost effective services. As the Council improves the way it provides services, it is important that the governance arrangements are robust and flexible enough to manage this.

Our Constitution

Our Constitution sets out how the Council operates, how decisions are made and the procedures for ensuring that the Council is efficient, transparent and accountable to local people. It contains the basic rules governing the Council's business, and a section on responsibility for functions, which includes a list of functions which may be exercised by officers. It also contains the rules, protocols and codes of practice under which the Council, its Members and officers operate.

The Constitution sets out the functions of key governance officers, including the statutory posts of 'Head of Paid Service' (Chief Executive), 'Monitoring Officer' (Borough Solicitor) and 'Section 151 Officer' (Director of Finance (Strategic Director, Finance and Governance during 2019/20)) and explains the role of these officers for ensuring that processes are in place for enabling the Council to meet its statutory obligations and also for providing advice to Members, officers and committees on staff management, financial, legal and ethical governance issues.

The three pillars of the governance framework are set out below:

Corporate Governance	Management Team	Services are delivered economically, efficiently & effectively
• Constitution (including statutory officers, scheme of delegation, financial management and contract standing orders) • Audit and Pensions Committee • Standards Committee • Internal Audit and External Audit • Independent external sources • Council, Cabinet and Policy and Accountability Committees • Medium Term Financial Strategy • Compliants system • Human Resources policies and procedures • Whistleblowing and other countering fraud arrangements • Risk management framework • Performance management system • Codes of conduct	• The role of Chief Officers • Delivery of the Council's aims and objectives • Corporate planning • Delivery, Financial, Service Improvement and Commissioning Plans • Officer codes of conduct • Performance appraisal • The role of the Chief Financial Officer • The role of the Head of Internal Audit • Roles and responsibilities of Members and Officers • Timely production of the Statement of Accounts • Completion of External and Internal reports recommendations • Strategic Leadership Team review of Corporate Governance	• Management of risk • Effectiveness of internal controls • Democratic engagement and public accountability • Budget and financial management arrangements • Standards of conduct and behaviour • Compliance with laws and regulations, internal policies and procedures • Action plans dealing with significant issues are approved, actioned and reported on • Local Government Ombudsman reports • Electoral Commission reports • Policy and accountability reviews • Effectiveness reviews of Audit and Pensions Committee, Policy and Accountability Committees and Internal Audit • Employee performance • Compliance with procurement regulations • Stakeholder engagement • Evaluation of benefits gained from investments and projects

Local Code of Corporate Governance

The Council has in place a Local Code of Corporate Governance. The Code identifies the principles of good governance and transparency to which the Council subscribes and identifies the structures, systems and processes that the Council has established to ensure that it achieves good governance in practice. This was most recently reviewed in 2020.

Policy and Accountability Committees (Scrutiny)

The scrutiny function is provided through six Policy and Accountability Committees (PACs). PACs are committees of the Council rather than the Cabinet. They are aligned to the Cabinet Portfolios, as follows:

• Children and Education Policy and Accountability Committee
• Community Safety and Environment Policy and Accountability Committee
• The Economy, Housing and the Arts Policy and Accountability Committee
• Finance, Commercial Revenue and Contracts Policy & Accountability Committee
• Health, Inclusion and Social Care Policy and Accountability Committee.
• Public Services Reform Policy and Accountability Committee

In 2019/20, the Committees had cross cutting remits designed to reflect the Council's key priorities and objectives. They each comprised five elected non-executive Members. Committees were also able to co-opt members who had a particular expertise or direct knowledge of the service user perspective to assist with their work. Co-optees were usually non-voting although the parent governor and diocesan representatives on the Education and Children's Services PAC are entitled to vote on education matters.

Each Committee received the list of Key Decisions (a rolling list of key decisions which the Cabinet planned to take in the coming months), which assists in the development of work programmes and the identification of forthcoming key executive decisions deserving closer scrutiny and input.

PACs also have a wider role in policy development, originating topics of interest. The PACs were established as part of the Council's commitment to public engagement and working with residents in developing policy and strengthening the Council's decision-making process. They work hand-in-hand with residents to shape the future of the borough. They feedback their views to the Cabinet and individual Cabinet Members, officers, external partners and service providers. A large number of non-executive Members participate in scrutinising Cabinet business, external organisations such as the NHS, the Police and other statutory bodies.

Review of effectiveness
In order to review the effectiveness of the governance framework, assurances are provided to, and challenged by, the Audit and Pensions Committee, the Standards Committee, Policy and Accountability Committees, the Council's Strategic Leadership Team and/or Council as appropriate.

Our achievements and external assurances

Children's social care services:
The Inspection of local authority's children's services (ILACS) is the Ofsted framework for inspecting local authority services for children in need of help and protection, children in care and care leavers.

The ILACS inspection in September 2019 was the first full inspection since H&F disaggregated most social care services for children from the joint arrangements with Kensington and Chelsea, and Westminster. The Ofsted inspection concluded that the direct work with children is strong and the overall experiences of children and their families in receipt of services continue to be Good. The H&F Children's Social Care services were commended for having strong and effective partnerships with partner agencies, and for our commitment to improve the quality of work with children and families.

Adult social care services:
ADASS Safeguarding Adults Peer Review – June 2019
Adults achieved a Very Good peer review outcome, with Outstanding for its leadership of the service. The reviewers were very impressed and complimentary about our work, given the review took place only eighteen months post disaggregation from the three-borough service, so, understood how challenging it would have been to set up a new, single borough service.

The Community Independence Service & Rivercourt short-breaks services were both Care Quality Commission (CQC) rated as Outstanding services. Achieving the highest level of CQC rating is incredibly difficult to achieve and means these services go that extra mile in terms of quality of care outcomes for H&F's residents. This is the second time that H&F's Rivercourt service has been awarded an outstanding rating. It's manager is now a peer reviewer for CQC and has been asked to join CQC's advisory team and assists other councils.

The community independence service is in the top 4% of reablement services in the country. Again, this is not only a tremendous achievement - it also enables people to live independent lives.

Fire Safety:
The Housing Asset Strategy and Fire Safety Management System documents, approved by Cabinet, set out a clear strategy for the Council as a landlord to enhance fire safety across its 17,000 plus homes based on property type, risk and occupancy, aligning the Council with the recommendations of the Hackitt review.

Fire risk assessments are in place for all buildings, with those for properties six storeys and above published on the Council's website. All actions are monitored weekly via the Council's compliance IT system, Geometra, including, for example, testing and maintenance of dry/wet risers and automated opening vents. The fire safety plus initiative continues, with over 900 homes having their electrical appliances checked.

Works to upgrade fire doors in buildings 10 storeys and above, sheltered and hostels; new dry risers, and enhancing fire detection in street-based homes is being commissioned. In addition, upgrading emergency lighting and lightning conductors has also been approved by Cabinet for implementation.

Work to further enhance building safety through the development of Building Information Management (BIM) and cloud-based asset management systems and reviewing the condition of building stock and its assets is underway.

Managing Risk

The Council's Risk Management Framework is fundamental to the system of internal control and forms part of a sound business operating model. It involves an ongoing process to identify the risks to our policies, aims and objectives and to prioritise them according to likelihood and impact. It also requires the risks to be managed efficiently, effectively and economically.

All Members and managers are responsible for ensuring that risk implications are considered in the decisions they take. This is especially important as the Council reshapes its services to meet its financial challenges. Members and senior management identify the principal risks to the Council achieving the outcomes set out in the Council Business Plan. These, together with the significant risks to planning and delivering services are recorded in a corporate risk register, which also record the controls necessary to manage the risks.

The register is reviewed quarterly and challenged by senior management and the Audit and Pensions Committee. Thematic or programme risk registers are created in respect of emerging risk areas, e.g. Brexit and COVID-19, and are kept under review.

Specific assurance is sought concerning those risks associated with the key elements of the Governance Framework and that any necessary improvements to controls have been implemented.

The Governance Framework cannot eliminate all risk of failure to meet the targets in our policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

Audit and Audit Assurances

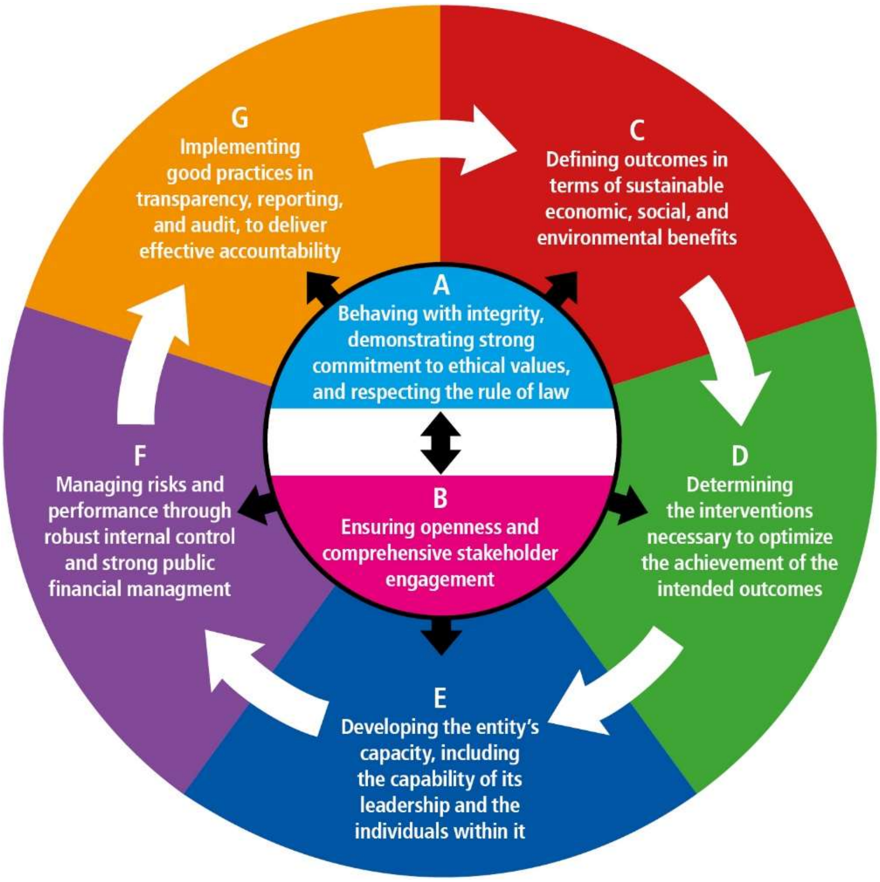
The Council is externally audited. In accordance with statutory requirements, the annual audit includes examining and certifying whether the financial statements are 'true and fair', and assessing our arrangements for securing economy, efficiency and effectiveness in the use of resources. In 2019 the External Auditor gave an unqualified audit opinion on the financial statements.

The Internal Audit service is a key means of assurance. It is responsible for reviewing the adequacy of the controls throughout all areas of the Council and is managed and delivered in accordance with the Public Sector Internal Audit Standards (PSIAS).

The Audit and Pensions Committee approve the Internal Audit Charter, which sets out the Internal Audit role and its responsibilities and clarifies its independence, and the planned audit coverage.

Good Governance Principles

The following diagram provides a summary of information on the areas that the review has considered in accordance with Good Governance Principles:



Our new Enhanced Assurance arrangements

The Council's management team, known as the Strategic Leadership Team (SLT), is chaired by the Chief Executive and its membership comprises of the Chief Executive and six directors (five during 2019/20).

Each member of SLT has key areas of responsibility, but together they are jointly responsible (under the Chief Executive) for turning the strategic direction of the Council set by the current administration into operational policy. Over the past 12 months, the Chief Executive, SLT and elected members have continued to build the assurance capability of the Council, providing leadership on standards, expectations and strengthening assurance regimes, ways of working and approaches. This has included embedding risk management throughout the Council, monthly meetings focussed on assurance and conducting reviews of the Council's key risks and opportunities.

The SLT is responsible for the forward-looking approach to delivering services and the Council's transformation programmes - ensuring the Council is best placed to meet the future needs of residents and the community within the funding available. This involves working in new ways with public and voluntary sectors and ensuring services innovate to meet the continuing needs of residents and the demands of new legislation. A Statutory Accountabilities Board, chaired by the Chief Executive, meets to ensure there are appropriate and coordinated governance arrangements in place for the effective delivery of the Council's statutory functions. The Resources Management Board, comprising the Chief Executive, Director of Finance (Strategic Director for Finance and Governance during 2019/20) and Assistant Director of People and Talent, meets monthly to consider the management of staffing resources.

Commissioning and Procurement of Goods and Services

The Council recognises the value of considering different service delivery options in delivering our Business Plan. The effective commissioning and procurement of goods, works and services is, therefore, of strategic importance to our operations, while robust contract management helps to provide value for money and ensure that outcomes and outputs are delivered.

Operational procedures for tendering, the use of the Council's e-tendering system, contract letting, contract management and the use of consultants are included in the Contract Standing Orders which form part of the Council's Constitution.

The systems and processes that comprise the Council's governance arrangements have been evaluated for effectiveness for 2019/2020 and include:

Financial Management:
There are robust arrangements for effective financial control through our accounting procedures, key financial systems and the Financial Regulations. These include established budget planning procedures, which are subject to risk assessment, and periodic budget and actual reports to Members. Our Treasury Management arrangements, where the Council invests and borrows funds to meet its operating requirements, follow professional practice and are subject to regular review and scrutiny by the Audit and Pensions Committee.

In order to meet a year on year reduction in grants from Government and the impact of COVID-19, our Being Ruthlessly Financially Efficient priority aims to improve efficiency in our services whilst maintaining our commitment to the most vulnerable and Creating a Compassionate Council. This involves taking a fundamental look at all areas of the Council's work, considering different ways of delivering services and working more effectively. The Medium-Term Financial Strategy sets out a strategic approach to meeting the financial challenges. Internal and external auditors periodically undertake reviews of the Council's finances.

Stakeholder Engagement and Business Planning: The Council and its partners have comprehensive arrangements for identifying and prioritising stakeholders' needs. The Council's Annual Budget and Medium-Term Financial Strategy were robustly developed through a series of challenge events, including review by the Policy and Accountability Committees. A Business Plan for 2018-22 is in place and this is the culmination of the Council's strategic delivery targets and actions. The plan is monitored regularly by SLT and this plan forms the basis for the production of Directorate / Service Plans, following similar reviews of their performance and identification and prioritisation of their statutory duties and stakeholder needs.

Conduct: Our Codes of Conduct set out the standards of conduct and behaviour required of our Members and our Employees. They are regularly reviewed and updated as necessary. These include the need for Members to register personal interests and the requirements for employees concerning gifts and hospitality, outside commitments and personal interests. The requirements of these codes are included in induction training, are expected of employees, provided to both members and employees and both groups are regularly reminded of the codes. Over the past year we have reviewed the Anti-bribery and Corruption Policy, Anti-Money Laundering Policy, Fraud Response Plan and are refreshing the risk assessment to inform our work.

Performance: The Council has established arrangements for the management of its objectives and for ensuring that they represent the best use of resources and value for money. A corporate performance framework is in place, with quarterly performance reports to Strategic Leadership Team on progress against the business plan, major programmes and transformational activities, corporate risks, priority areas and service delivery. These reports, together with associated management arrangements, enable the Council to review data on delivery progress against the agreed performance objectives.

Resident Led Commissions: Over the course of the past year the Council has set up and managed six resident-led commissions to help to inform policy and practice. The Policing and Crime Commission has been running since November 2018 and will report in Autumn 2020. The Arts Commission was launched in 2019 and will report later in 2020. The Climate and Ecological Emergency Commission was launched in December 2019 and will be informing the delivery of the Council's commitment to meet a net carbon zero target by 2030. The Parks Commission and the Women's Equality Commission were both launched in January 2020 and a new Teaching Commission will be launched in early 2020/21. A Cycling and Walking Commission is also now in operation.

People Strategy: Our people strategy aligns with the Council's vision to be the best by focusing on our ambition to have the best workforce in local government and to have a reputation as the best Council to work for. To achieve this the Council is focusing on employee experience, development, coaching & leadership and organisational culture. The strategy seeks to invest in initiatives and practices which will grow and develop talent in the Council and increase productivity.

In the last year we have restructured and transformed the People and Talent service, launched a Future Leaders development programme and created an innovative culture change movement called the H&F Way to drive internal cultural change, by staff for staff, through a team of staff volunteers. Culture change priorities are aligned to annual staff survey feedback, focussed on improving behaviours, developing a healthy workplace, creating an inclusive workplace, reward and recognition and appraising performance.
We have a workforce efficiency plan in place to drive down costs, including a significant reduction in agency usage driven by a new Resource Management Board, chaired by the Chief Executive. Following an extensive pay consultation exercise with over 100 managers, the senior management performance related pay scheme was removed at the end of the financial year, reducing workforce costs for future years.

We continue to work closely with our recognised Trade Unions and have established regular TU Forums to develop partnership working and a collaborative approach to resolving workforce matters.

Control Systems and Environment: The Council's Internal Audit service carries out a comprehensive programme of review activity consistent with the Audit Strategy and the Public Sector Internal Audit Standards. The work is based around the core risks faced by the Council and includes significant work on the main financial and information management systems, corporate programmes and partnerships. Based upon the programme of work for 2019/20, the Director of Audit, Fraud, Risk and Insurance's opinion on the Council's control environment, governance arrangements and risk management arrangements are that they are satisfactory.

Managing Information: Information is central to the Council and its decision-making processes and it, therefore, needs to be accurate and accessible to those who need it at the time and place that is required. The Council also recognises that it has a responsibility to safeguard the information it holds and to manage it with care and accountability.

Over the past year the Council has been consolidating its staff training regime to ensure that it meets the requirements of the General Data Protection Regulations, which took effect from 25 May 2018. This changed how we can collect, use and transfer personal data.

Information governance policies and standards are in place which provide the Council's Strategic Leadership Team with the necessary assurance about the security of the Council's information assets and data handling procedures. The Senior Information Risk Owner (SIRO) is ultimately accountable for the assurance of information security at the Council. A Caldicott Guardian is responsible for ensuring that health and social care information is managed appropriately, and that our annual new Data Security and Protection Toolkit submission meets the required levels of compliance.

Director and Functional Assurance: Directors have completed statements detailing their confidence in arrangements for managing their recognised core risk areas, which have been subject to independent review. This reflects the directors' responsibilities for both the management of risk and the effectiveness of controls.

Directors with functional responsibility for core risk areas were also required to review and report independently on the effectiveness of the core management systems in each service. The statements received in this regard indicated that overall the management systems were viewed as effective or very effective. Functional assurance can be demonstrated by our Adult Social Care Services approach to governance through examples of Director-led Boards for Budget Management, Performance, Quality Assurance, Recruitment and Staffing and regular Independently chaired quarterly meetings of the Adults Safeguarding Board.

Partnership Governance Arrangements: 'Moving On' refers to the Council's significant transformation and service redesign programme. The first phase was delivered over the course of 2017/18 and implemented sovereign delivery arrangements for the majority of services in Adult Social Care, Children's Services and Public Health, as well as Legal Services. A second phase of Moving On was completed in 2019/20, which disaggregated 35 Environmental services from the shared services arrangements with the Royal Borough of Kensington and Chelsea. This included a range of statutory and essential services for residents including waste collection, waste disposal, street cleaning, parks and open spaces, highways, regulatory services and customer services. The disaggregation was achieved without any reduction in service quality to residents and in a managed and timely way. The new sovereign arrangements have improved the responsiveness of the services to the needs and priorities of H&F residents, provided the Council with greater control and are giving local residents, service users and other stakeholders a stronger voice in service delivery.

2019/20 also saw the completion of the first phase of the major project that established a new way of providing repairs and maintenance services across the Council's housing stock. This followed the Cabinet's decision in October 2018 to terminate the former contract with Mitie Property Services UK Limited. The new Council controlled service was developed with residents and is providing higher quality repairs services to residents of the borough. The new service was launched in mid-April 2019 with Council direct labour to undertake work, a new call centre and more than a dozen contractors to provide specialist repairs and maintenance services from day one. Work continued over 2019/20 in developing the new service and in designing a service model for the longer-term which will be established in 2020/21.

Anti-Fraud and Corruption: The Council has a zero-tolerance approach towards fraud and corruption and has established arrangements for managing the risk of fraud and conducting investigations into specific concerns. The Audit and Pensions Committee receives regular updates on the Council's anti-fraud and corruption arrangements, including how it is responding to emerging fraud risks.

External Audit: The Council's external auditors have statutory powers and responsibilities. They are required to review and report on the Council's Financial Statements, providing an opinion on the accounts, and use of resources, concluding on the arrangements in place for securing economy, efficiency and effectiveness in the Council's use of resources (the value for money conclusion). Recommendations arising from these reviews are reported to the Audit and Pensions Committee and implementation is monitored by internal audit. Published in 2019/20 (in respect of financial year 2018/19) were the External Audit Report 2018/19, which proposed unqualified opinions for the Council and pension fund financial statements and Value for Money conclusion, the Annual Audit Letter and the certification of grant claims and returns.

Role of the Chief Financial Officer: The Director of Finance (Strategic Director, Finance and Governance during 2019/20) is responsible for the proper administration of the Council's financial affairs, as required by Section 151 of the Local Government Act 1972, and the Council's financial management arrangements are compliant with the governance requirements set out in the Chartered Institute of Public Finance and Accountancy's 'Statement on the Role of the Chief Financial Officer in Local Government' (2016).
Role of the Monitoring Officer: The Council is required to appoint a Monitoring Officer who monitors and reviews the operation of the Constitution and ensures the aims and principles of the Constitution are achieved. The Director of Resources (Borough Solicitor during 2019/20) is the Monitoring Officer and has been involved in preparing this statement. The Monitoring Officer advises on compliance with the Constitution and ensures that decision making is lawful and advises whether decisions of the Executive are within the agreed budget and policy framework. The Monitoring Officer has legal responsibility to consider matters of potential unlawfulness and has confirmed that there has not been the need to make a report concerning any proposal, decision or omission that would give rise to unlawfulness or maladministration. The Monitoring Officer is satisfied that the arrangements in place are working effectively, decisions have been made in accordance with the budget and policy framework and that no matters of significance have been omitted from this Statement.

The Council's sovereign Legal Services has advised the Council on all legal matters during 2019/20 unless the Borough Solicitor commissioned external legal advice.

Role of the Audit Committee: The Council's Audit and Pensions Committee has a standing brief to review the effectiveness of the Council's risk management arrangements, internal control environment and associated anti-fraud and corruption arrangements. The Committee does this through, amongst other things, overseeing the work of Internal Audit and External Audit.

A review of the effectiveness of the system of internal audit, conducted as a self- assessment, showed that the internal audit service is fully compliant with Public Sector Internal Audit Standards.

Conclusion on the review: We are satisfied that the Council's arrangements continue to be regarded as fit for purpose in accordance with the governance framework. A satisfactory level of Assurance has been achieved following the conclusion of the review. Corporate Governance arrangements operate effectively in supporting the Council in meeting its challenges and responsibilities, but we will continue to monitor these to ensure that they remain effective throughout 2020-21 and into the future. There are always opportunities for improvement and where these have been identified, we will ensure that the necessary actions are taken.

Improving Governance

Table 1: The progress made during 2019-20 on the significant issues identified in our 2018-19 Annual Governance Statement is shown below:

Closed
1. Health and Safety and compliance with statutory inspections Some of the Council's governance processes were found to have been ineffective in response to a failure to meet certain Health and Safety responsibilities.
During 2019-20 the Council completed work around governance and assurance of Health and Safety processes including establishing a new sovereign policy and Health and Safety Board. Work continues to ensure that the new governance arrangements are effectively maintained and that management responsibilities, particularly at operational level, are understood and applied.
2. Governance of Local Authority Trading Companies and other Service Models
This year the Council appointed a new Head of Commercial Sales. Through this appointment the approach to revenue generation has resulted in a shift away from Trading company vehicles and to maximising income through more inexpensive and direct service led models. Monitoring of the Council's Family Support Trading model continues to be undertaken through regular Corporate Revenue Monitoring and close work with commissioners.

Table 2: Based on our review of the governance framework, the following issues are being addressed in 2020-21:

3. Commissioning, Procurement and Contract Management Improvements in practice
A review of commissioning and procurement across the Council was undertaken in the period and the outcomes will be taken forward this coming financial year. New corporate standards for decision making were agreed by Full Council in year. These changes enable additional opportunities for more contract efficiencies to be realised through the Ruthlessly Financially Efficient Priority. Work was delivered through the year including a series of learning and development sessions with contract managers. A new Contracts Assurance Board has been established and will meet during 2020-21.
4. Information Governance Working towards compliance with data protection law (including the General Data Protection Regulation), access to information law (Freedom of Information Act, Environmental Information Regulations) and controlling risks of data breaches.
A strategic review was undertaken to identify areas for improvement and a working group established in year. This will inform the relevant Target Operating Models, policies, processes and guidance. All council suppliers were notified regarding the Council's General Data Protection Regulations policy and requirements for compliance. New on-line training modules were developed to enhance knowledge and awareness and subsequently launched in March 2020 and compliance is being closely monitored.
5. Funding for Schools Funding for pupils with high needs is provided through Dedicated Schools Grant from government.
The Dedicated schools grant is paid in support of local authority schools' budgets, being the main source of income for the schools. In common with other London Boroughs, the High Needs Block element has come under increased pressure in supporting children with special educational needs and spend is significantly higher than the funding provided by central government. A programme of work is underway to reduce the underlying overspend in this area overseen by the High Needs Block Board.
6. Continuing good governance, oversight and fiscal control of significant change programmes through 2020-21.
Regeneration Programmes *Civic Campus* This scheme, reported in last year's statement as King Street West Regeneration, was approved at Cabinet, the budget approved at Full Council and planning permission was resolved in February 2019. Comprehensive officer and member oversight and governance arrangements are in place. The Council's Finance, Commercial Revenue and Contracts Policy and Accountability Committee received updates during the year on the Civic Campus Programme, the redevelopment of Hammersmith Town Hall and West King Street. *New Homes and Community Assets Programme* This programme was approved at Cabinet in July 2020, including the budget and governance process for the development of new affordable housing, and replacement community assets including schools and children's centres. A development board has been established and a gateway process introduced to control delegated spending and manage risks.
7. Pension provider record keeping and administration.
Recent performance reviews of the external provider of pension administration services indicate that the service provided by Surrey County Council for active and deferred LGPS members does not meet required standards for the Council. It has therefore been noted as an emerging risk area, notably the due diligence and data quality processes of our current pension administration and payment provider, Surrey County Council.

SLT has continued over the course of 2019/20 to have close oversight of the Council's major change and transformation activities. SLT's Major Programmes Board meets to agree business cases and assure delivery of a portfolio of major projects and programmes. This has included major change activity in Children's Services, Environment, Economy and corporate initiatives. The Development Board has oversight of major development and regeneration schemes and programmes that are transforming places in the borough and delivering a significant pipeline of affordable housing. These arrangements are supported through regular monitoring of capital programmes and through project and programme level governance.

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

Signed:

Leader of the Council, Councillor Stephen Cowan

Signed:

Chief Executive, Kim Smith

Date:

On behalf of the London Borough of Hammersmith & Fulham

GLOSSARY OF TERMS

ACCOUNTING PERIOD
The timescale during which accounts are prepared. Local authority accounts have an overall accounting period of one year from 1st April to 31st March.

ACCOUNTING POLICIES
Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements. Accounting polices define the process whereby transactions and other events are reflected in financial statements.

ACCOUNTING STANDARDS
A set of rules explaining how accounts are to be kept. By law, local authorities must follow 'proper accounting practices', which are set out in Acts of Parliament and in professional codes and statements of recommended practice.

ACCRUALS BASIS
Accounting for income and expenditure during the financial year in which they are earned or incurred, not when money is received or paid.

ACQUISITIONS
The Council spends funds from the capital programme to buy assets such as land and buildings.

ACTUARIAL VALUATION
The Actuary reviews the assets and liabilities of the Pension Fund and reports to the Council on the fund's financial position and recommended employers' contribution rates every three years.

AGENCY SERVICES
Services provided by or for another local authority or public body where the cost of carrying out the service is reimbursed.

AMORTISATION
The equivalent of depreciation for intangible assets.

APPROPRIATION
The transfer of ownership of an asset, from one Service Area to another at an agreed (usually market or outstanding debt) value.

ASSET REGISTER
A record of Council assets including land and buildings, housing, infrastructure, vehicles equipment etc. This is maintained for the purpose of calculating depreciation charges that are made to service revenue accounts. It is updated annually to reflect new acquisitions, disposals, revaluations and depreciation.

AVAILABLE FOR SALE FINANCIAL INSTRUMENTS RESERVE
The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments.

BALANCES
The amount of money left over at the end of the financial year after allowing for all expenditure and income that has taken place. These are also known as financial reserves. They comprise the General Fund Balance, the Collection Fund balance, the Housing Revenue Account balance and the Education Establishment Account balance.

BUDGET
A forecast of the Council's planned expenditure and income, either over a set period or for a specific project.

CAPITAL ADJUSTMENT ACCOUNT
See Note 3c of the Statement of Accounts.

CAPITAL EXPENDITURE
Expenditure on the acquisition or creation of Council assets such as houses, offices, schools and roads or expenditure that adds to and does not merely maintain the value of an existing asset.

CAPITAL FINANCING
Capital financing is the process which occurs after capital expenditure has been incurred. There are a number of different sources of capital funding such as government capital / revenue grants, non-government grants, contributions from private developers, capital receipts and unsupported borrowing. Various funding sources are applied to capital spend to ensure that a project is fully financed from approved finance sources.

CAPITAL FINANCING REQUIREMENT (CFR)
The Council's total liabilities in respect of capital expenditure financed by credit less the provision made to meet these liabilities.

CAPITALISATION
Costs are capitalised to the extent that they create or improve any property, plant and equipment or intangible asset with a useful economic life greater than one year.

CAPITAL RECEIPTS
Proceeds from the sale of capital assets (e.g. land, buildings and equipment). These receipts are used to pay for additional capital expenditure.

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)
The professional accountancy body for public services which recommends accounting practice for the preparation of local authority accounts.

COLLECTION FUND
The Collection Fund is a separate account kept by every billing authority into which council tax and business rates are paid.

COMMUNITY ASSETS
Assets that the local 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.

CONTINGENT ASSET
A potential asset that is uncertain because it depends on the outcome of a future event.

CONTINGENT LIABILITY
A potential liability that is uncertain because it depends on the outcome of a future event.

CREDITOR
An individual or body to which the Council owes money at the balance sheet date.

CURRENT SERVICE COST
The increase in the present value of pension liabilities expected to arise from employee service in the current period.

DEBTOR
An individual or body that owes money to the Council at the balance sheet date.

DEFERRED CREDITS
This is the term applied to deferred capital receipts and represents capital income still to be received. These transactions arise when property, plant and equipment is sold and the amounts owed by the purchasers are repaid over a number of years. The balance is reduced by the amount repayable in any financial year.

DEFERRED LIABILITIES
An amount owed by the Council that will be repaid over a significant period of time. An example of this is outstanding finance lease obligations.

DEFINED BENEFIT PENSION SCHEME
A pension scheme in which a pensioner's benefits are specified, usually relating to their length of service and either final salary or average earnings.

DEPRECIATION
The measure of the wearing out, consumption, or other reduction in the useful economic life of property, plant and equipment.

EARMARKED RESERVE
See Note 4 of the Statement of Accounts.

EVENTS AFTER THE BALANCE SHEET DATE
Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue. Events arising after the Balance Sheet date should be reflected in the Statement of Accounts if they provide additional evidence of conditions that existed at the balance sheet date and materially affect the amounts to be included.

FAIR VALUE
The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms-length transaction.

FINANCE LEASE
Under this type of lease, the risks and rewards of ownership of the leased goods transfer to the lessee.

FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT
See Note 3c of the Statement of Accounts.

FINANCIAL INSTRUMENTS
Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

GENERAL FUND
The Council's main revenue account that covers the net cost of all services other than the provision of council housing for rent.

GOVERNMENT GRANTS
Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the Council.

GROSS EXPENDITURE
The total cost of providing the Council's services before deducting income from government grants, fees and charges etc.

HISTORICAL COST
The amount originally paid for property, plant and equipment.

HOUSING REVENUE ACCOUNT (HRA)
A statutory account that contains all expenditure and income on the provision of Council housing for rent. The HRA must be kept entirely separate from the General Fund and the account must balance. Local authorities are not allowed to make up any deficit on the HRA from the General Fund.

IAS19
This International Accounting Standard is based on the principle that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future.

IMPAIRMENT LOSS
A loss arising from an event that significantly reduces an asset's value. An example is physical damage or a fall in market value.

INFRASTRUCTURE ASSETS
Class of Property, Plant and Equipment that cannot be taken away or transferred, and whose benefits can only be obtained by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

INTANGIBLE ASSET
Assets that do not have physical substance but are identified and controlled by the Council and bring benefits to the Council for more than one year. Typical examples include software licences, internally developed software and websites developed to deliver services rather than information about services.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
The Accounting standards adopted by the International Accounting Standards Board (IASB). Local Authorities have been required to produce full accounts using IFRS from 1st April 2010.

INVENTORY
The amount of unused or unconsumed stocks held in expectation of future use.

INVESTMENT PROPERTIES
Interest in land and/or buildings in respect of which construction work and development have been completed and which is held for its investment potential, with any rental income being negotiated at arm's length.

LEVIES
Payments to London-wide bodies such as the London Pension Fund Authority. The cost of these bodies is borne by local authorities in the area concerned, based on their council tax base and is met from the General Fund.

MINIMUM REVENUE PROVISION (MRP)
The minimum amount that the Council must charge to the Comprehensive Income and Expenditure Statement each year and set aside as a provision for the repayment of external loans and meeting other credit liabilities.

MINISTRY OF HOUSING. COMMUNITIES AND LOCAL GOVERNMENT (MCCLG)
The government department responsible for local government.

NON-DOMESTIC RATES (NDR)
The rates paid by businesses. The amount paid is based on the rateable value set by the Valuation Office multiplied by a rate in the £ set by the government which is the same throughout the country. The rates are collected by local authorities and shared between central and local government. The rates collected within Hammersmith and Fulham are shared as follows: Ministry of Housing, Communities and Local Government (25%), The London Borough of Hammersmith and Fulham (48%) and the Greater London Authority (27%).

NET BOOK VALUE
The value of an asset as recorded in the accounts. This usually equates to the net current replacement or original cost less any depreciation charged against the asset over its life to date.

NET REALISABLE VALUE
The open market value of the asset less the expenses to be incurred in realising the asset.

OPERATIONAL ASSETS
Property, Plant and Equipment held and occupied, used or consumed by the Council in the direct delivery of services.

OUTTURN
Actual income and expenditure in a financial year.

PAST SERVICE COST
For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvements to, retirement benefits.

PRIVATE FINANCE INITIATIVE (PFI)
Contracts typically involving a private sector entity (the operator) constructing or enhancing property used in the provision of a public service, and operating and maintaining that property for a specified period of time. The operator is paid for its services over the period of the arrangement.

POOLING ARRANGEMENTS (CAPITAL RECEIPTS)
Since 1st April 2004, 75% of 'Right to Buy' (RTB) capital receipts have to be paid to the MHCLG; the remaining element can be used to finance capital expenditure. A proportion of other housing receipts must also be paid over unless it is intended to use the receipts for affordable housing or regeneration projects. Changes introduced in 2013 mean an authority can retain an RTB receipt in its entirety when it can be demonstrated that it will be reinvested in a replacement home (known as the 1-4-1 scheme).

PRECEPT
A precept is a charge raised by another Authority to meet its net expenditure. The precepting Authority for this Council is the Greater London Authority (GLA). The GLA calculates its total spending needs for the year and sets its own council tax in the same way as a London Borough. Each Billing authority then collects the tax for them.

PRIOR PERIOD ADJUSTMENTS
Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors.

PROPERTY, PLANT AND EQUIPMENT
Assets that yields benefits to the Council and the services it provides for a period of more than a year.

PROVISIONS
A provision is an amount set aside in the accounts for liabilities anticipated in the future which cannot always be accurately quantified. IAS37 defines a provision as a present obligation as the result of a past event; where it is probable that the transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of that obligation.

PUBLIC SECTOR AUDIT APPOINTMENTS LTD (PSAA)
The PSAA is responsible for the appointment of local government external auditors and will continue in this role for the 2019/20 audit of accounts.

PUBLIC WORKS LOAN BOARD (PWLB)
A central government agency which provides long and medium-term loans to local authorities at interest rates only slightly higher than those at which the Government itself can borrow. Local authorities are able to borrow a proportion of their requirements to finance capital spending from this source.

RELATED PARTIES
Related parties are those individuals and entities that the Council either has the ability to influence, or to be influenced by. Related parties include the Government, subsidiary and associated companies, the Pension Fund, Councillors and senior officers.

RESERVES
See Note 4 of the Statement of Accounts.

REVENUE CONTRIBUTIONS TO CAPITAL OUTLAY (RCCO)
The use of revenue monies to pay for capital expenditure – also known as Direct Revenue Financing (DRF).

REVENUE EXPENDITURE
Expenditure on day to day items such as salaries, wages and running costs. These items are paid for from service income, Revenue Support Grant, business rates and council tax. Under the Local Government Finance Act all expenditure is deemed to be revenue unless it is specifically classified as capital.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)
Expenditure that is classified as capital expenditure under statutory provisions, but does not result in the creation or enhancement of property, plant and equipment owned by the Council. Such expenditure incurred during the year is treated as revenue expenditure and charged to the relevant service in the Comprehensive Income and Expenditure Statement.

REVENUE SUPPORT GRANT (RSG)
The main grant payable to support local authorities' revenue expenditure. A local authority's RSG entitlement is intended to make up the difference between expenditure and income from the business rates pool and council tax. The Revenue Support Grant is distributed as part of the Formula Grant.

RIGHT TO BUY
The Council is legally required to sell council homes to tenants, at a discount, where the tenant wishes to buy their home. The money received from the sale is a capital receipt of which only 25% can be spent on capital expenditure. The remaining 75% must be paid over to the MHCLG unless as set out in under pooling arrangements.

SUPPORTED CAPITAL EXPENDITURE
This is historic capital expenditure funded by government, either as a one-off capital grant or as part of the annual RSG settlement to cover the financing costs of monies borrowed.

TRANSFER PAYMENTS
A payment to a person or organisation that does not result in a reciprocal benefit or service being provided to the Council. The main examples are housing and council tax benefit. In most cases the cost of transfer payments is either fully or partially reimbursed by Central Government.

USEFUL LIFE
The period over which the Council will benefit from the use of property, plant and equipment.

WRITE-OFFS
Elimination of an asset or liability over a defined period, usually by means of charging or crediting the Comprehensive Income and Expenditure Statement.