STATEMENT OF ACCOUNTS
2022/23

Draft subject to final audit opinion and certification

Hammersmith & Fulham Council

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The Director of Finance's Narrative Report, the Council's Statement of Accounts for the Year Ended 31 March 2023 and the Council's Annual Governance Statement are set out on the following pages.

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 2022/23 accounts.

CERTIFICATION BY CHAIR OF THE AUDIT COMMITTEE

Certificate to follow pending Committee approval of final 2022/23 accounts.

THE DIRECTOR OF FINANCE'S NARRATIVE REPORT

Introduction from the Director of Finance

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. For over a decade, national and local public finances have been under significant pressure whilst demand for our services has increased.

Whilst 2022/23 saw continued recovery from the health pandemic, from a financial point-of-view, the year will most likely be marked by the cost-of-living crisis and the inflationary and interest rate pressures faced by the Council and its residents from the national economic turbulence. These challenges reinforce the importance of finding ever more efficient ways to make our resources go further.

The Council's continued focus on financial resilience, embedded through the medium-term financial strategy and programme to deliver savings has enabled it to mitigate against the financial challenges and manage the financial resources effectively. The Council has remained within budget during the year and earmarked reserves continue to be proportionate at £165m given the current strategic operating environment. Capital investment for the financial year was £140m.

Looking ahead to 2023/24, the Council has set a balanced budget and continues its commitment to investment through an ambitious capital programme.

The strategic operating environment of the Council remains significantly challenging with the continuing macro-economic pressures with inflation remaining a particular concern. The Council will continue to act prudently to maintain adequate levels of one-off reserves to manage financial risk and to maintain the investment to deliver the Council priorities and complete the Building Homes and Communities Programme and the major Regeneration Schemes including Civic Campus. The Council will continue to deliver services in line with the six values and especially being 'ruthlessly financially efficient'.

Priorities and Performance

The Council has established the following values in its vision:

- 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

The Council is updating the Corporate Plan and Business Objectives and performance is robustly monitored at a corporate, departmental and service level and reported to the Strategic Leadership Team (SLT) and Cabinet.

Organisational Overview and External Environment

As a unitary authority Hammersmith & Fulham has responsibility for the delivery of a broad range of services including:

- Adult Social Care
- Children Services
- Collection of Revenues (Council Tax and Business Rates)
- Social and Affordable Housing and Homelessness
- Economic Regeneration and Development
- Welfare Benefits Administration
- Community Services (Libraries, Parks, Leisure Centres)
- Planning and Building Control
- Public Health
- Regulatory Services (including Trading Standards, Food Safety, Environment Health, HMOs)
- Highways and Transport
- Waste Management and Recycling

Additional details of our services are available on our website.

Governance

The Council operates the Leader/Cabinet system with 50 councillors in total representing 21 Wards. The Council's governance arrangements are explained in detail in the Annual Governance Statement (AGS) and this is published as part of these financial statements. 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 residents. 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 2022/23 financial year was as follows:

Acting Chief Executive	Sharon Lea
Strategic Director of Economy	Jonathan Pickstone
Strategic Director of Environment	Bram Kainth
Strategic Director of Social Care	Lisa Redfern
Interim Director of Corporate Services	David Tatlow
Strategic Director of Children's Services	Jacqui McShannon
Acting Director of Finance	Sukvinder Kalsi

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 2,324 people in full time and part-time contracts (excluding schools). The workforce generally reflects the diversity of residents across the Borough. The table below sets out a Departmental breakdown of the Council's employees by age, disability, gender and ethnicity.

Age

Age group	Childrens Services	Finance	Corporate Services	Social Care	The Economy	The Environment
<20	1%	0%	0%	0%	1%	1%
20-24	3%	4%	3%	2%	1%	3%
25-29	9%	12%	10%	3%	7%	6%
30-34	16%	14%	9%	9%	12%	6%
35-39	13%	10%	14%	10%	11%	8%
40-44	10%	10%	10%	13%	13%	13%
45-49	11%	11%	11%	12%	11%	13%
50-54	14%	14%	14%	15%	13%	15%
55-59	12%	13%	15%	17%	13%	17%
60-64	9%	10%	12%	17%	14%	15%
>65	2%	2%	2%	2%	4%	3%
Grand Total	100%	100%	100%	100%	100%	100%

Disability

Disability	Childrens Services	Finance	Corporate Services	Social Care	The Economy	The Environment
Disabled	6.9%	7.0%	4.0%	7.4%	6.2%	4.9%
Non-disabled	93.1%	93.0%	96.0%	92.6%	93.8%	95.1%
Grand Total	100%	100%	100%	100%	100%	100%

Gender

Department	Female Employees	Female Employees	Male Employees	Male Employees
Social Care	163	70.0%	70	30.0%
Children's Services	341	81.0%	80	19.0%
Finance	96	55.8%	76	44.2%
Corporate Services	114	57.9%	83	42.1%
The Economy	297	46.6%	340	53.4%
The Environment	304	45.8%	360	54.2%
Grand Total	1,315	56.6%	1,009	43.4%

The Council, like other large employers, publishes its gender pay gap information. To see our gender pay results and those of other organisations you can visit: https://gender-pay-gap.service.gov.uk/

Ethnicity

Ethnicity	Childrens Services	Finance	Corporate Services	Social Care	The Economy	The Environment
Asian	8%	14%	16%	4%	9%	13%
Black	23%	26%	23%	33%	23%	27%
Mixed	6%	5%	6%	4%	5%	8%
No data provided	2%	0%	0%	1%	1%	1%
Other	1%	1%	2%	1%	2%	1%
Prefer not to say	15%	14%	8%	12%	20%	8%
White	45%	40%	45%	45%	40%	42%
Grand Total	100%	100%	100%	100%	100%	100%

Risks and Opportunities

The Council's risk management framework involves an ongoing process to identify the risks to our policies, aims and objectives and to prioritise them according to likelihood and impact. The Council maintains a comprehensive suite of risk registers which are regularly reviewed by the Audit Committee. This is published as part of the relevant committee papers which can be accessed on our website.

The Council's key risks are summarised below:

Highest-Level Risks	Impact and Mitigation
Financial Sustainability/ Medium-Term Financial Management Planning.	The Council's financial operating environment remains challenging with the expected pressure on public finances and the impact on services from the current high inflation levels and interest rates. This will increase all operating costs and also impact of services especially homelessness and other welfare services. The Council has a well-developed and established medium-term financial planning process (for revenue, capital and treasury management) and strong in-year financial governance arrangements (from Finance SLT to DMTs) to help mitigate these risks.
Management of complaints and requests for information from residents	Mishandling of queries and complaints potentially resulting in underlying issues not being addressed and/or escalation to regulatory authorities. An improvement plan is in place and being overseen by SLT. Regular reporting to SLT and controls are in place and action being taken to address areas of concern.
Failure to maintain services to residents in the event of IT systems being compromised and affecting service resilience.	The Council continues to monitor and mitigate external risks which may affect its IT systems, including attempts to breach our network through cyber-attacks, on-going security patching, the robustness of our supplier chain and overall disaster recovery provision against a backdrop of increasing costs. In 2022/23 mitigations included risk-mitigation workshops run buy digital services, enhancements to email security and participation by Digital Services in an expert led cyber security workshop.
Delivering the Civic Campus Programme in a timely way.	Assurance is provided through the more strategic Civic Campus Executive Board (CCB), the Civic Campus Design Board and the Civic Campus Working Group (CCWG). The CCB will provide a steer to the operational leads where required. Key programme milestones, workstream progress, budgets and risks and issues continue to be reported to the Executive Board and to SLT Programme meetings.
High needs safety-valve agreement delivery	The education High-Needs budget continues to face pressure, impacting on provision of services for vulnerable young residents. Mitigations include Early Intervention to schools and other providers, the SEND transformations programme and a robust savings plan with pipeline savings modelled for 2024/25 and 2025/26

Opportunities

Regarding opportunities, the Council continues to progress and explore a number of regeneration schemes and development schemes. In addition, the Industrial Strategy – **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 effect of the pandemic and the cost-of-living crisis 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 and as a result, the Industrial Strategy has entered into Upstream, a partnership between the Council and Imperial College London. Upstream's vision is for Hammersmith & Fulham to have an inclusive, thriving ecosystem of ambitious science, tech and creative organisations, with the White City innovation district a global beacon of growth through innovation.

The strategy also includes:

- how we will make it easier for 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 **Building Homes and Communities Programme** 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 land for housing. The Council also has London Plan commitments to deliver new housing.

The Council has approved the **HRA Asset Management Compliance Strategy and Capital Programme**. The programme prioritises work to deliver Fire Safety Plus, other health and safety compliance works and other pre-agreed works to ensure the safety and welfare of all residents through investment decisions about the housing stock.

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.

In 2019, H&F Council declared a climate and ecological emergency. We have set ambitious targets for emissions by 2030 for our borough. You can find out more about what the Council is doing to tackle this emergency on our website: https://www.lbhf.gov.uk/environment/climate-and-ecological-emergency.

Some of our key environmental achievements during the last 12 to 18 months are set out below:

- The Clean Air Neighbourhoods (CAN) is being developed and two CAN zones have been implemented.
- The Council were judged to have London's best climate emergency plan by independent charity Climate Emergency UK, the highest concentration of electric vehicle charging points in Britain, and the highest concentration of air quality monitors in Europe. UK Divest also found that our pension fund has the best record of any local authority in the country of divesting from fossil fuels.
- More than 1,000 local young people have received cycle training from our expert tutors over the past year.
- The Council has installed 50 new air quality sensors to help track and reduce air pollution near schools.
- "Adopt a tree" and tree giveaway schemes were launched;
- The Hammersmith and Fulham "Library of Things" was launched offering a range of useful household, DIY and gardening items, available to rent from only a few pounds a day;
- The roll-out of electric charge-points has continued apace and in the year the milestone of 3,000 points in the Borough was passed.

Finance Strategy, Performance and Outlook

Strategy and Resource Allocation

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 long-term reduction in government funding.

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. In brief, the 2022/23 budgets included:

- Investment of £7.4m to meet the costs of statutory obligations, demographic, service and demand pressures and key resident priorities;
- Savings of £4.9m required to balance the budget and off-set cost pressures; and
- Measures to strengthen the Council's future financial resilience by contributing one-off resources of £2.9m to general balances and setting aside an additional one-off contingency of £1.5m regarding Covid-19 financial pressures.

This resulted in a gross budget of £534m (and net revenue budget requirement of £125.7m) funded from council tax, the local share of business rates and revenue support grant from government.

The 2022/23 Budget Strategy recognised that the pandemic had heightened the financial risks facing the Council and recommended that the range for the optimal level of general balances be increased to between £19m-£25m. The actual general balances carried forward at the end of 2022/23 were £21.3m.

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 2022-26 capital programme included:

- A housing and regeneration programme of £390m
- Hammersmith Bridge stabilisation
- The Civic Campus Programme including refurbishment of Hammersmith Town Hall
- The continuation of the Council's rolling programmes for Disabled Facilities Grants, Planned Building Maintenance, Footways and Carriageways.

Financial Performance

The revenue outturn for 2022/23 shows a year end underspend of £0.3m after adjustments to and from reserves across a range of services and to take into account anticipated risks on our finances from the continuing macro-economic turbulence together with technical timing impacts on the Collection Fund. This net underspend will be added to the General Fund balance. At the end of the year, the General Fund Balance stands at £21.3m and earmarked reserves were £165m for both the general fund and the HRA.

The draft Statement of Accounts for 2022/23 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**
Social Care including Public Health	68.2	68.2	0
Children's Services	53.8	53.4	(0.4)
The Economy Department	(16.6)	(16.4)	0.2
The Environment Department	75.2	76.6	1.4
Controlled Parking Account	(34.1)	(34.1)	-
Finance	2.5	2.1	(0.4)
Resources	9.1	9.2	0.1
Centrally Managed Budgets (including unallocated contingency)	1	(0.2)	(1.2)
Gross Operating Expenditure	**159.1**	**158.8**	**(0.3)**
Technical and Financial Accounting Adjustments	21.7	21.7	-
Non-Ring-fenced Revenue Grants	(53.7)	(53.7)	-
Net Contribution to/(from) Earmarked Reserves	(6.9)	(6.9)	-
Total Net Expenditure	**120.2**	**119.9**	**(0.3)**

Funded by:			
Localised Business Rates	(53.2)	(53.2)	-
Council Tax	(67)	(67)	-
Total Funding	**(120.2)**	**(120.2)**	**-**
Final Position	**0**	**(0.3)**	**(0.3)**

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 has been significantly higher than the funding provided by central government. The Council holds a cumulative DSG deficit of £14.5m, which in line with statutory accounting requirements is held in an unusable reserve and will remain unchanged through the statutory determination period (2021-2024). This deficit reserve is matched by a discretionary usable earmarked reserves to ensure that the Council is able to fund this deficit on the expiration of the statutory provisions.

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 £10.0m with associated Earmarked Reserves of £11m. This reflects a budgeted use of reserves during 2022/23. The HRA is facing some significant financial challenges in increasing costs, particularly in housing repairs and to fund capital investment in health and safety. As a result, there is a continued need to identify significant efficiencies in future years to ensure that the HRA is sustainable. Further details for 2022/23 are set out in the HRA Statement of Accounts.

The Council's **Balance Sheet** as at 31 March 2023 is summarised below.

Summary Balance Sheet	**31-Mar-23 £m**	**31-Mar-22 £m**
Long Term Assets	2,171	2,127
Current Assets	333	388
Current Liabilities	(230)	(255)
Net Pension Liabilities	(90)	(477)
Other Long-Term Liabilities	(316)	(307)
Net Assets	**1,868**	**1,476**
Represented by:		
Usable Reserves	(301)	(282)
Unusable reserves	(1,567)	(1,194)
Total Reserves	**(1,868)**	**(1,476)**

The breakdown of the usable reserves is set out below:

Summary Usable Reserves	**31-Mar-23 £m**	**31-Mar-22 £m**
General Fund Balance	(21)	(20)
General Fund Earmarked Reserves	(154)	(161)
HRA Balance and Earmarked Reserves	(21)	(26)
Schools Reserves	(7)	(10)
Capital Reserves (Receipts and Grants)	(98)	(65)
Total	**(301)**	**(282)**

Capital

In 2022/23, the actual capital expenditure (outturn) totalled £140.1m and the table below summarises capital expenditure by service area:

Department	**2022/23 £m**	**2021/22 £m**
Adult Social Care	1.8	1.5
Children's Services	0.9	0.7
The Environment Department	26.9	10.5
Finance	1.0	0.5
The Economy Department - General Fund Schemes	43.7	26.3
The Economy Department – Housing and Regeneration	12.9	16.0
The Economy Department - Housing Revenue Account	52.9	39.6
Total	**140.1**	**95.1**

The 2022/23 capital programme was financed as follows:

Capital Financing	**2022/23 £m**	**2021/22 £m**
Capital Receipts	6.3	7.6
Increase in Capital Finance Requirement (CFR)	77.1	43.6
Capital Grants and Contributions	35.2	26.1
Major Repairs Reserve (MRR)	17.8	17.0
Council and School Reserves	0.2	0.1
Revenue Contributions to Capital	3.5	0.7
Total	**140.1**	**95.1**

The capital additions during the year included:

- £39.6m investment in the Council's social housing stock and fire safety measures
- £22.7m on the Civic Campus development
- £17.1m on affordable housing schemes
- £10.5m on the borough's highways and infrastructure schemes

Financial Outlook

The Council's 2023/24 budget proposals were approved in February 2023 to tackle the cost-of-living crisis and delivery of resident priorities. The ongoing cost-of-living crisis has led to an increase in demand for services whilst the upturn in both interest rates and inflation, alongside the resetting of the public finances, at a national level, has placed a further strain on local authorities. The 2023/24 budget was set with the need to strengthen the Council's financial resilience as mitigation against this increased financial risk and preserve front line services valued by residents, visitors and businesses.

General government grant funding has increased by an estimated £7.8m from 2022/23 to 2023/24. Although an increase on 22/23 funding levels, this is still below the increase in the Council's costs due to inflation, demographic pressures and wider economic challenges.

The key summary of the 2023/24 revenue budget is as follows:

- Investment of £10.7m was provided to meet the costs of statutory obligations, demographic, service and demand pressures and key resident priorities. Budget provision is also made regarding the ongoing consequences of the pandemic;
- Savings of £2.9m were put forward to balance the budget;
- The budget proposals included measures to strengthen the Council's future financial resilience by contributing resources of £5.3m to contingencies. In addition, a one-off contingency of £1.0m was set aside to support residents for cost-of-living and further develop the Council Tax Support scheme;
- Overall, this produced a net revenue budget requirement of £132.6m funded from council tax, the local share of business rates and revenue support grant from government.

The Council faces significant future financial risk with particular uncertainty regarding the ongoing impact of the pandemic, future government funding allocations, the sharp upturn in inflation and cost of living crisis, the impact of Brexit, the impact of the war in Ukraine and increasing demand for services.

The 2023-27 capital programme was also approved in February 2023. The programme for this period totals £506.8m. The gross anticipated spend for 2023/24 is £202.5m, comprising the General Fund (GF) Programme of £85.4m and the Housing Revenue Account (HRA) Programme of £117.1m.

The General Fund capital programme includes:

- The Civic Campus Programme/Refurbishment of Hammersmith Town Hall
- Hammersmith Bridge Stabilisation
- The Council's rolling programmes for Planned Building Maintenance and Footways and Carriageways
- The Schools Maintenance Programme.

The Grade II* Listed 134-year-old Hammersmith Bridge (the Bridge) was closed to motor vehicles in April 2019 and to all users in August 2020 on public safety grounds. Following detailed cost-analysis the Council has approved a stabilisation construction project for the Bridge at an estimated value of £8.9m (including indirect costs, preliminaries and contingencies). This work is to be completed expeditiously so that users can continue to use the Bridge safely.

A further £8.5m budget has been approved with regards to pre-restoration works. Further work towards the Phase 2 full strengthening and restoration of the Bridge and its re-opening to motor vehicles is now required in line with the Strategic Transport aspirations of the DfT, TfL and the Council. This will ensure that the future project to strengthen the Bridge can be undertaken with greater expediency, effectiveness, and minimisation of technical risks.

In line with government announcements, central government (Department for Transport (DfT)) and Transport for London (TfL) are expected to fund two-thirds of the total project costs and this is expected to be formalised in a proposed Memorandum of Understanding (MoU). The Council will fund its share of the stabilisation project costs through borrowing. This funding split is assumed within the capital programme.

The Council is continuing to develop an outline business case for a full strengthening and restoration programme which will see the Bridge re-opened to motor vehicles. This is exploring options to fund the Council's contribution to both stabilisation and strengthening and restoration through a road charge or toll.

The capital programme will be updated in accordance with the decisions made regarding the Bridge.

The Council has approved a 12-year HRA Asset Management Capital Strategy which details the spending priorities for the twelve-year period between 2022/23 and 2033/34 and will be investing almost £730m. The aim of the Strategy is to direct capital investment to where it will make the biggest impact on residents' quality of life, health and wellbeing with the following key spend areas:

- Fire Safety
- Structural Safety
- Asset Replacement
- Disabled Adaptations
- Stock Condition Survey findings
- Climate Emergency
- Estate Improvements
- White City Estate
- Charecroft Estate Phase 2
- West Kensington Estate

The 2023-27 HRA capital programme includes spend of £234.5m regarding the 12-year strategy and the delivery of the strategy will inform every subsequent annual revision of the capital programme budget.

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.

<u>Structure of the Statement of Accounts and Basis of Preparation</u>

The Statement of Accounts sets out the Council's income and expenditure for the financial year 2022/23 and its Balance Sheet as at 31 March 2023. 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 2022/23, 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 Supplementary Financial Statements (also with 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 2023. 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 pension fund at 31 March 2023 (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 during the year.

Materiality and Group Accounts

Group Accounts have not been included in the 2022/23 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' understanding. 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 36 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 2022/23 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 2020 (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 2021/22.

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 2022/23 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; and
- 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; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

CERTIFICATE OF THE DIRECTOR OF FINANCE

I confirm that the Statement of 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 2023 and income and expenditure for the financial year 2022/23.

Sukvinder Kalsi
Director of Finance
Date:

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) 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 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 2021		**(19,307)**	**(171,533)**	**(10,103)**	**(17,562)**	**(12,640)**	**(50,092)**	**-**	**(6,999)**	**(878)**	**(289,114)**	**(915,564)**	**(1,204,678)**
Movement in Reserves during 2021/22													
Total Comprehensive Income and Expenditure		26,534	-	-	(16,743)	-	-	-	-	-	9,791	(280,787)	(270,996)
Adjustments between accounting basis & funding basis under regulations	3	(16,929)	-	-	20,788	-	(3,221)	(554)	(2,562)	-	(2,478)	2,478	-
Transfer to/(from) Earmarked Reserves		(10,706)	10,772	(66)	(2,047)	2,047	-	-	-	-	-	-	-
(Increase)/Decrease in 2021/22		**(1,101)**	**10,772**	**(66)**	**1,998**	**2,047**	**(3,221)**	**(554)**	**(2,562)**	**-**	**7,313**	**(278,309)**	**(270,996)**
Balance at 31 March 2022		**(20,408)**	**(160,761)**	**(10,169)**	**(15,564)**	**(10,593)**	**(53,313)**	**(554)**	**(9,561)**	**(878)**	**(281,801)**	**(1,193,873)**	**(1,475,674)**
Movement in Reserves during 2022/23													
Total Comprehensive Income and Expenditure		(15,826)	-	-	40,583	-	-	-	-	-	24,757	(416,820)	(392,063)
Adjustments between accounting basis & funding basis under regulations	3	24,654	-	-	(35,471)	-	(16,405)	554	(17,998)	878	(43,788)	43,788	-
Transfer to/(from) Earmarked Reserves		(9,769)	6,949	2,820	432	(432)	-	-	-	-	-	-	-
(Increase)/Decrease in 2022/23		**(941)**	**6,949**	**2,820**	**5,544**	**(432)**	**(16,405)**	**554**	**(17,998)**	**878**	**(19,031)**	**(373,032)**	**(392,063)**
Balance at 31 March 2023		**(21,349)**	**(153,812)**	**(7,349)**	**(10,020)**	**(11,025)**	**(69,718)**	**-**	**(27,559)**	**-**	**(300,832)**	**(1,566,905)**	**(1,867,737)**

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 2021	(200,943)	(30,202)	(231,145)
Balance as at 31 March 2022	(191,339)	(26,157)	(217,496)
Balance as at 31 March 2023	(182,511)	(21,045)	(203,556)

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

		Year Ended 31 March 2023			Year Ended 31 March 2022		
	Notes	**Gross Expenditure**	**Gross Income**	**Net Expenditure**	**Gross Expenditure**	**Gross Income**	**Net Expenditure**
		£000	£000	£000	£000	£000	£000
Children's Services		181,203	(128,598)	52,605	174,024	(122,203)	51,821
Social Care		121,018	(64,300)	56,718	113,465	(66,325)	47,140
Economy		57,136	(45,933)	11,203	57,455	(45,392)	12,063
Local Authority Housing (HRA)		93,182	(85,549)	7,633	86,453	(82,794)	3,659
Local Authority Housing (HRA) - Dwelling Revaluation	5	36,473	-	36,473	(13,996)	-	(13,996)
Environment (including Parking)		110,156	(75,123)	35,033	110,842	(69,250)	41,592
Finance		8,645	12	8,657	10,647	(1,288)	9,359
Resources		27,366	(7,507)	19,859	29,670	(7,693)	21,977
Centrally Managed Budgets		104,671	(98,581)	6,090	117,836	(119,132)	(1,296)
Cost of Services		**739,850**	**(505,579)**	**234,271**	**686,396**	**(514,077)**	**172,319**
Other Operating Expenditure	6	4,454	(7,522)	(3,068)	6,352	8,710	15,062
Financing and investment income and expenditure	7	24,666	(18,729)	5,937	25,577	(5,324)	20,253
Taxation and non-specific grant income and expenditure	8	18,620	(231,003)	(212,383)	17,209	(215,052)	(197,843)
(Surplus) or Deficit on Provision of Services				**24,757**			**9,791**
(Surplus) or deficit on revaluation of non-current assets				10,714			(56,944)
(Surplus) or deficit on revaluation of available for sale financial assets				-			-
Remeasurements of the net defined benefit liability	27			(427,534)			(223,843)
Other Comprehensive Income and Expenditure				**(416,820)**			**(280,787)**
Total Comprehensive Income and Expenditure				**(392,063)**			**(270,996)**

*Note: Previous year balances between services may have changed as result of restructures and aligning the CIES with the management accounts. The Total Cost of Services remained the same.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves, unusable reserves, are those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

	Note No.	31 March 2023 £000	31 March 2022 £000
Property, Plant and Equipment	9	2,020,092	1,994,114
Heritage Assets	11	8,023	8,023
Investment Property	10	85,478	81,131
Intangible Assets		745	545
Investments in Associates and Joint Ventures	33	33,213	15,679
Long Term Debtors	21 & 33	22,897	14,502
Long Term Assets		**2,170,448**	**2,113,994**
Assets Held for Sale	12	-	13,229
Short Term Investments	21	120,625	124,658
Short Term Debtors	16	61,290	53,954
Inventories		58	98
Cash and Cash Equivalents	17	151,525	208,855
Current Assets		**333,498**	**400,794**
Short Term Borrowing	21	(6,846)	(2,581)
Short Term Creditors	18	(183,107)	(215,541)
Provisions	20	(16,120)	(26,071)
Grants and Contributions Receipts in Advance	30	(24,017)	(10,374)
Current Liabilities		**(230,090)**	**(254,567)**
Long Term Borrowing	21	(267,737)	(272,011)
Long Term Creditors	21	(100)	(100)
Provisions	20	(6,000)	(6,000)
Other Long Term Liabilities	19	(100,880)	(483,224)
Grants and Contributions Receipts in Advance	30	(31,402)	(23,212)
Long Term Liabilities		**(406,119)**	**(784,547)**
NET ASSETS		**1,867,737**	**1,475,674**
Usable Reserves	3b	(300,832)	(281,802)
Unusable Reserves	3c	(1,566,905)	(1,193,872)
TOTAL RESERVES		**(1,867,737)**	**(1,475,674)**

Cash Flow Statement

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

	Notes	**2022/23 £000**	**2021/22 £000**
Net surplus or (deficit) on the provision of services		(24,757)	(9,791)
Adjustments to net surplus or deficit on the provision of services for non-cash movements	22a	(3,681)	87,691
Adjust for items in the net deficit on the provision of services that are investing or financing activities		(26,124)	(14,836)
Net cash flows from Operating Activities		**(54,562)**	**63,064**
Investing Activities			
Purchase of Property, plant and equipment, investment property and intangible assets		(110,451)	(81,547)
Proceeds from sale of property, plant and equipment, investment property and intangible assets		26,124	14,836
Net proceeds/payments from short-term and long-term investments		(13,501)	33,765
Other receipts from investing activities		46,665	26,681
Net cash flows from Investing Activities		**(51,163)**	**(6,265)**
Financing Activities			
Net Cash receipts of short and long term borrowing		1,867	142
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		(628)	(455)
Other proceeds/payments for financing activities		47,156	9,802
Net cash flows from Financing Activities		**48,395**	**9,489**
Net increase or (decrease) in cash and cash equivalents		**(57,330)**	**66,288**
Cash and cash equivalents at the beginning of the reporting period		208,855	142,567
Cash and cash equivalents at the end of the reporting period	17	**151,525**	**208,855**

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.

2022/23	**As reported for resource management**	**Adjustments to arrive at Net Expenditure chargeable to GF and HRA Balances**	**Net Expenditure chargeable to GF and HRA Balances**	**Adjustments between Accounting and Funding Basis**	**Comprehensive Income and Expenditure Statement (CIES)**
	£000	**£000**	**£000**	**£000**	**£000**
Children's Services	53,395	(9,675)	43,720	8,885	52,605
Social Care	68,190	(13,983)	54,207	2,511	56,718
Economy	(16,422)	22,491	6,069	5,134	11,203
Local Authority Housing (HRA)	-	(18,364)	(18,364)	62,470	44,106
Environment (including Parking)*	42,456	(28,450)	14,006	21,027	35,033
Finance	2,131	5,390	7,521	1,136	8,657
Resources	9,163	7,887	17,050	2,809	19,859
Centrally Managed Budgets	(198)	11,123	10,925	(4,835)	6,090
	158,715	**(23,581)**	**135,134**	**99,137**	**234,271**
Other income and expenditure not charged to services	(38,838)	(82,356)	(121,194)	(88,320)	(209,514)
(Surplus) or Deficit on Provision of Services before planned use of Earmarked Reserves	**119,877**	**(105,937)**	**13,940**	**10,817**	**24,757**
Opening Balance of General Fund/ HRA Balances			(217,495)		
add: (Surplus) or Deficit on Provision of Services			13,940		
Closing Balance of General Fund/ HRA Balances			(203,555)		

2021/22	**As reported for resource management**	**Adjustments to arrive at Net Expenditure chargeable to GF and HRA Balances**	**Net Expenditure chargeable to GF and HRA Balances**	**Adjustments between Accounting and Funding Basis**	**Comprehensive Income and Expenditure Statement (CIES)**
	£000	**£000**	**£000**	**£000**	**£000**
Children’s Services	55,810	(14,554)	41,256	10,565	51,821
Social Care	58,246	(13,876)	44,370	2,770	47,140
Economy	(6,564)	14,949	8,385	3,678	12,063
Local Authority Housing (HRA)	-	(21,531)	(21,531)	11,194	(10,337)
Environment (including Parking)*	49,468	(29,040)	20,428	21,164	41,592
Finance	1,532	6,600	8,132	1,227	9,359
Resources	8,871	10,183	19,054	2,923	21,977
Centrally Managed Budgets	17,566	(18,136)	(570)	(726)	(1,296)
	184,929	**(65,405)**	**119,524**	**52,795**	**172,319**
Other income and expenditure not charged to services	(56,809)	(49,065)	(105,874)	(56,654)	(162,528)
(Surplus) or Deficit on Provision of Services before planned use of Earmarked Reserves	**128,120**	**(114,470)**	**13,650**	**(3,859)**	**9,791**
Opening Balance of General Fund/ HRA Balances			(231,145)		
add: (Surplus) or Deficit on Provision of Services			13,650		
Closing Balance of General Fund/ HRA Balances			(217,495)		

* Please note Parking Services is disclosed on a separate line in the management reporting.

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). 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 are set below

	2022/23				2021/22			
	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	(987)	(7,898)	-	**(8,885)**	(1,861)	(8,704)	-	**(10,565)**
Social Care	(146)	(2,365)	-	**(2,511)**	(204)	(2,566)	-	**(2,770)**
Economy	(3,186)	(1,948)	-	**(5,134)**	(1,333)	(2,345)	-	**(3,678)**
Local Authority Housing (HRA)	(54,025)	(8,445)	-	**(62,470)**	(2,462)	(8,732)	-	**(11,194)**
Environment (including Parking)*	(15,706)	(5,321)	-	**(21,027)**	(15,510)	(5,654)	-	**(21,164)**
Finance	(16)	(1,120)	-	**(1,136)**	(16)	(1,211)	-	**(1,227)**
Resources	(676)	(2,133)	-	**(2,809)**	(675)	(2,248)	-	**(2,923)**
Centrally Managed Budgets	988	3,817	30	**4,835**	-	218	508	**726**
Net Cost of Services	**(73,754)**	**(25,413)**	**30**	**(99,137)**	**(22,061)**	**(31,242)**	**508**	**(52,795)**
Other income and expenditure not charged to services - General Fund	32,406	(13,036)	41,949	**61,319**	(4,931)	(9,902)	39,505	**24,672**
Other income and expenditure not charged to services - HRA	27,111	(1,968)	1,858	**27,001**	30,880	(1,925)	3,027	**31,982**
(Surplus) or Deficit on Provision of Services	**(14,237)**	**(40,417)**	**43,837**	**(10,817)**	**3,888**	**(43,069)**	**43,040**	**3,859**

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.

	2022/23 £000	2021/22 £000
Expenditure		
Employee Benefits	233,100	223,032
Other Services Expenses	430,327	440,533
Support Service Recharges	(1,200)	(1,469)
Capital Charges & Revaluations	77,911	24,767
Interest Payments	11,209	11,250
Levies	3,084	2,453
Business rates tariff	17,965	17,148
Payments to the Government Housing Capital Receipts Pool	2,195	3,954
Net interest on the net defined benefit liability (asset)	13,000	13,400
Schools converted to Academy Status	-	467
Total Expenditure	**787,591**	**735,535**
Income		
Fees, Charges and other Service Income	(235,303)	(227,655)
Grants and Contributions	(369,653)	(381,729)
Income from Council Tax and NDR	(138,803)	(127,174)
Interest and Investment Income	(11,518)	2,109
(Gains)/losses on the disposal of non-current assets	(7,557)	8,705
Total Income	**(762,834)**	**(725,744)**
(Surplus) or Deficit on the Provision of Services	**24,757**	**9,791**

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 2022/23 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 funds we hold for capital purposes.

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

2022/23	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)	(30,004)	-	-	-	(10,413)	-	-	-	**(40,417)**
Financial instruments (transferred to the Financial Instruments Adjustments Account)	74	-	-	-	-	-	-	-	**74**
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	23,817	-	-	-	-	-	-	-	**23,817**
Holiday pay (transferred to the Accumulated Absences Reserve)	30	-	-	-	-	-	-	-	**30**
Equal pay settlements (transferred to the Unequal Pay Back Pay Account)	-	-	-	-	-	-	-	-	**-**
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)	(37,640)	-	-	-	(58,511)	-	-	-	**(96,151)**
Transfer in-year Dedicated Schools Grant deficit/(surplus) (to DSG Adjustment Account)	-	-	-	-	-	-	-	-	**-**
Total Adjustments to Revenue Resources	**(43,723)**	**-**	**-**	**-**	**(68,924)**	**-**	**-**	**-**	**(112,647)**
Adjustments between Revenue and Capital Resources									
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	13,780	-	-	-	11,674	-	(26,331)	878	**1**
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	(103)	-	-	-	(116)	-	219	-	**-**
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(2,195)	-	-	-	-	-	2,195	-	**-**
Posting of HRA resources from revenue to the Major Repairs Reserve	-	-	-	-	17,305	(17,305)	-	-	**-**
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	2,225	-	-	-	-	-	-	-	**2,225**
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	3,706	-	-	-	-	-	-	-	**3,706**
Total Adjustments between Revenue and Capital Resources	**17,413**	**-**	**-**	**-**	**28,863**	**(17,305)**	**(23,917)**	**878**	**5,932**
Adjustments to Capital Resources									
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-	-	-	-	6,332	-	**6,332**
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	-	-	17,859	-	-	**17,859**
Application of capital grants to finance capital expenditure	28,950	-	-	3,510	2,734	-	-	-	**35,194**
Transfers of capital grants from revenue to Capital Grants Unapplied	18,059	-	-	(19,915)	1,856	-	-	-	-
Movements in the market value of investment properties	3,955	-	-	-	-	-	-	-	**3,955**
Cash payments in relation to deferred capital receipts	-	-	-	-	-	-	(413)	-	**(413)**
Total Adjustments to Capital Resources	**50,964**	**-**	**-**	**(16,405)**	**4,590**	**17,859**	**5,919**	**-**	**62,927**
Total Adjustments	**24,654**	**-**	**-**	**(16,405)**	**(35,471)**	**554**	**(17,998)**	**878**	**(43,788)**

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

2021/22	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)	(32,411)	-	-	-	(10,657)	-	-	-	**(43,068)**
Financial instruments (transferred to the Financial Instruments Adjustments Account)	74	-	-	-	-	-	-	-	**74**
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	28,562	-	-	-	-	-	-	-	**28,562**
Holiday pay (transferred to the Accumulated Absences Reserve)	510	-	-	-	-	-	-	-	**510**
Equal pay settlements (transferred to the Unequal Pay Back Pay Account)	-	-	-	-	-	-	-	-	**-**
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)	(40,715)	-	-	-	(7,483)	-	-	-	**(48,198)**
Transfer in-year Dedicated Schools Grant deficit/(surplus) (to DSG Adjustment Account)	2,174	-	-	-	-	-	-	-	**2,174**
Total Adjustments to Revenue Resources	**(41,806)**	**-**	**-**	**-**	**(18,140)**	**-**	**-**	**-**	**(59,946)**
Adjustments between Revenue and Capital Resources									
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	47	-	-	-	14,152	-	(14,198)	-	1
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	-	-	-	(110)	-	110	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(3,954)	-	-	-	-	-	3,954	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	-	-	-	17,566	(17,566)	-	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	2,000	-	-	-	-	-	-	-	2,000
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	713	-	-	-	-	-	-	-	713
Total Adjustments between Revenue and Capital Resources	**(1,194)**	**-**	**-**	**-**	**31,608**	**(17,566)**	**(10,134)**	**-**	**2,714**
Adjustments to Capital Resources									
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-	-	-	-	7,572	-	7,572
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	-	-	17,012	-	-	17,012
Application of capital grants to finance capital expenditure	17,621	-	-	8,498	4,293	-	-	-	30,412
Transfers of capital grants from revenue to Capital Grants Unapplied	8,693	-	-	(11,719)	3,027	-	-	-	1
Movements in the market value of investment properties	(243)	-	-	-	-	-	-	-	(243)
Cash payments in relation to deferred capital receipts	-	-	-	-	-	-	-	-	-
Total Adjustments to Capital Resources	**26,071**	**-**	**-**	**(3,221)**	**7,320**	**17,012**	**7,572**	**-**	**54,754**
Total Adjustments	**(16,929)**	**-**	**-**	**(3,221)**	**20,788**	**(554)**	**(2,562)**	**-**	**(2,478)**

3b. Usable Reserves

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

3c Unusable Reserves

	31 March 2023 £000	31 March 2022 £000
Revaluation Reserve	(323,043)	(337,899)
Capital Adjustment Account	(1,340,256)	(1,363,405)
Deferred Capital Receipts Reserve	-	-
Pensions Reserve	89,961	477,078
Financial Instruments Adjustment Account	756	830
Available for Sale Financial Instruments Reserve	-	-
Collection Fund Adjustment Account	(12,132)	11,685
Accumulated Absences Account	3,304	3,334
Dedicated Schools Grant Adjustment Account	14,505	14,505
Total Unusable Reserves	**(1,566,905)**	**(1,193,872)**

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.

	2022/23 £000	2021/22 £000
Balance as 1 April	(337,899)	(294,149)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	10,714	(56,944)
Difference between fair value depreciation and historical cost depreciation	3,088	2,894
Accumulated gains on assets sold or scrapped	1,054	10,300
Amount written off to the Capital Adjustment Account	4,142	13,194
Balance at 31 March	**(323,043)**	**(337,899)**

Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

	2022/23 £000	2021/22 £000
Balance as 1 April	(1,363,405)	(1,340,944)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
• Charges for depreciation non-current assets	19,475	20,220
• Revaluation losses on property, plant and equipment	35,671	(17,628)
• Amortisation of intangible assets	183	190
• Revenue expenditure funded from capital under statute	5,521	5,212
• Reversal of Major Repairs Allowance credited to the HRA	17,061	16,774
• 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	18,240	23,431
	96,151	48,199
Adjusting amounts written out of the Revaluation Reserve	(4,142)	(13,195)
Net written out amount of the cost of non-current assets consumed in the year	**92,009**	**35,004**
Capital financing applied in the year:		
• Use of the Capital Receipts Reserve to finance new capital expenditure	(6,332)	(7,572)
• Use of the Major Repairs Reserve to finance new capital expenditure	(17,860)	(17,012)
• Capital grants and contributions applied	(35,194)	(30,381)
• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(2,225)	(2,000)
• Capital expenditure charged against the General Fund and HRA balances	(3,706)	(743)
	(65,317)	**(57,708)**
Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	(3,955)	**243**
Adjustments between Capital Adjustment Account and Capital Receipts Reserve (Deferred Cost and Loan Repayments)	412	-
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	-	
Balance at 31 March	**(1,340,256)**	**(1,363,405)**

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.

	2022/23 £000	2021/22 £000
Balance as 1 April	477,078	657,853
Remeasurements of the net defined benefit liability/(asset)	(427,534)	(223,843)
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	63,009	63,984
Employer's pensions contributions and direct payments to pensioners payable in the year	(22,592)	(20,916)
Balance as 31 March	**89,961**	**477,078**

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.

	2022/23 £000	2021/22 £000
Balance as 1 April	11,685	40,247
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	(23,817)	(28,562)
Balance as 31 March	**(12,132)**	**11,685**

Accumulated Absences Account

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

	2022/23 £000	2021/22 £000
Balance as 1 April	3,334	3,843
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(30)	(509)
Balance as 31 March	**3,304**	**3,334**

Dedicated Schools Grant Adjustment Account

The DSG Adjustment Account represents the DSG deficit balance. Parliament approved the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020 in November 2020 which amends the 2003 Regulations by establishing new accounting practices in relation to the treatment of local authorities' schools budget deficits which must now be recorded in a separate account established solely for the purpose of recording deficits relating to school's budget.

	2022/23 £000	2021/22 £000
Restated Balance as 1 April	14,505	16,679
In-year Dedicated Schools Grant (surplus)/deficit (to DSG Adjustment Account)	-	(2,174)
Balance as 31 March	**14,505**	**14,505**

4a. 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 2022/23.

		Balance at 31 March 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Movement Between Reserves 2021/22 £000	Balance at 31 March 2022 £000	Transfers Out 2022/23 £000	Transfers In 2022/23 £000	Movement Between Reserves 2022/23 £000	Balance at 31 March 2023 £000
	General Fund									
1	Insurance Fund	(5,937)	689	-	-	**(5,248)**	773	-	-	**(4,475)**
2	Controlled Parking Fund	(476)	275	(521)	-	**(722)**	233	(2,297)	-	**(2,786)**
3	Efficiency Projects Reserve	(1,231)	-	(750)	-	**(1,981)**	-	(750)	-	**(2,731)**
4	Corporate Demand Pressures	(28,590)	3,116	(6,749)	3,856	**(28,367)**	1,922	(3,836)	(7,071)	**(37,352)**
5	Temporary Accommodation	(450)	-	-	-	**(450)**	-	-	-	**(450)**
6	Supporting People Programme	(600)	300	-	-	**(300)**	300	-	-	**-**
7	Troubled Families	(829)	-	(805)	-	**(1,634)**		(82)	-	**(1,716)**
8	C19 Collection Fund Smoothing Reserve	(41,438)	39,701	(19,738)	(1,877)	**(23,352)**	22,094	(2,151)	-	**(3,409)**
9	Partners in Practice	(957)	465	(465)	-	**(957)**	-	-	-	**(957)**
10	Civic Campus	(3,434)	4,968	(816)	(6,215)	**(5,497)**	4,144	-	-	**(1,353)**
11	Managed Services	(1,128)	-	(132)	-	**(1,260)**	-	-	-	**(1,260)**
12	Corporate People Reserve	(150)	-	-	-	**(150)**	-	(1,400)	-	**(1,550)**
13	Corporate Technology & IT	(3,045)	-	(1,911)	-	**(4,956)**	-	(925)	-	**(5,881)**
14	Planning Reserve	-	-	(1,723)	-	**(1,723)**	-	-	-	**(1,723)**
15	Corporate Property Reserve	(650)	150	-	-	**(500)**	221	(400)	-	**(679)**
16a	Dedicated Schools Grant Support Reserve	(16,679)	-	-	4,859	**(11,820)**	-	-	7,071	**(4,749)**
16b	Dedicated Schools Grant High Needs Block	-	-	(2,685)		**(2,685)**		(7,071)	-	**(9,756)**
16c	Dedicated Schools Grant - Schools & Early years Block	(2,173)	1,874	-	-	**(299)**	234	(824)	-	**(889)**
17	Covid Response Support & Unringfenced Reserve	(9,927)	8,721	(6,673)	1,877	**(6,002)**	4,946	(1,000)	-	**(2,056)**
18	NHS contributions for Social Care	-	-	(2,575)	-	**(2,575)**	1,536	-	-	**(1,039)**
19	Homlessness Prevention Reserve	-	-	(750)	-	**(750)**	-	-	-	**(750)**
20	Pre-Development Costs Reserve	-	-	-	(5,000)	**(5,000)**	-	-	-	**(5,000)**
21	Inflation Risk Reserve	-	-	-	-	**-**	-	(4,800)	-	**(4,800)**
22	Other Funds	(7,612)	799	(922)	2,500	**(5,235)**	1,228	(2,537)	-	**(6,544)**
	General Fund Reserves	**(125,306)**	**61,058**	**(47,215)**	**-**	**(111,463)**	**37,631**	**(28,073)**	**-**	**(101,905)**

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

		Balance at 31 March 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Movement Between Reserves 2021/22 £000	Balance at 31 March 2022 £000	Transfers Out 2022/23 £000	Transfers In 2022/23 £000	Movement Between Reserves 2022/23 £000	Balance at 31 March 2023 £000
	General Fund Revenue Grants									
23	S106 - Revenue Schemes	(46,049)	11,666	(14,533)	-	**(48,916)**	(13,603)	11,010	-	**(51,509)**
24	Other Revenue Grants	(178)	4	(208)	-	**(382)**	(15)	-	-	**(397)**
	Revenue Grants Sub-Total	**(46,227)**	**11,670**	**(14,741)**	**-**	**(49,298)**	**(13,618)**	**11,010**	**-**	**(51,906)**
	General Fund Total	**(171,533)**	**72,728**	**(61,956)**	**-**	**(160,761)**	**24,013**	**(17,063)**	**-**	**(153,811)**
	HRA Reserves									
25	HRA Efficiency Reserve	(174)	-	-	-	**(174)**	-	-	-	**(174)**
26	HRA Non-dwellings Impairment Reserve	(4,914)	2,157	-	-	**(2,757)**	-	(755)	-	**(3,512)**
27	HRA Strategic Regeneration and Housing Development	(3,596)	-	-	-	**(3,596)**	-	-	-	**(3,596)**
28	HRA Utilities Reserve	(1,962)	-	-	-	**(1,962)**	-	-	-	**(1,962)**
29	Disrepairs Compensation and Legal costs	-	-	(514)	-	**(514)**	827	(1,122)	-	**(809)**
30	Other HRA Funds	(1,994)	440	(36)	-	**(1,590)**	644	(26)	-	**(972)**
	HRA Sub-Total	**(12,640)**	**2,597**	**(550)**	**-**	**(10,593)**	**1,471**	**(1,903)**	**-**	**(11,025)**
	Total	**(184,173)**	**75,325**	**(62,506)**	**-**	**(171,354)**	**25,484**	**(18,966)**	**-**	**(164,836)**

4b. Earmarked Reserves Description

The main purpose of each earmarked reserve is explained below:

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. In the past, this reserve had to be 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	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.
6	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.
7	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.
8	C19 Collection Fund Smoothing Reserve	This is a COVID 19 reserve to smooth the impact of statutory timing differences between funding and impact business rates deficits.
9	Partners in Practice	This is a reserve for Children's Services social care practice improvement as part of DFE innovation programme.
10	Civic Campus	This is held to fund the costs of implementing the Civic Campus redevelopment.
11	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.
12	Corporate People Reserve	This is the consolidation of various Human Resource related reserves.
13	Corporate Technology & IT	This reserve is used to finance IT projects.
14	Planning Reserve	This reserve is to support funding of CIL related projects.
15	Corporate Property Reserve	This is to be used to cover the one-off costs related to LBHF property management.
16	DSG - Various	16a. DSG Reserve – Deficit Set-Aside This reserve offsets the DSG Unusable 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. Overall the DSG reserve (deficit and deficit set-aside) is nil as the cumulative deficit is matched by the reserve set aside. 16b. DSG High Needs Block Deficit Reserve Parliament has approved the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020 in November 2020 which amends the 2003 Regulations by establishing new accounting practices in relation to the treatment of local authorities' schools budget deficits which must now be recorded in a separate account established solely for the purpose of recording deficits relating to school's budget and account for the cumulative Dedicated Schools Grant deficit in unusable reserves. As the statutory requirement is time limited, it continues to set aside reserves to match the High Needs Block deficit until such time as the cumulative deficit is eliminated. 16c. DSG (Schools & Early years Block) Reserve This reserve

		records the cumulative balance on the Schools and Early years block. Grant deficit to unusable reserves.
17	Covid Response Support & Unringfenced Reserve	This comprises of the Covid LA support and the Local Authority Discretionary Grant Fund transferred to reserve to meet future commitments.
18	NHS contributions for Social Care	This reserve includes funds held as contributions for various health and social care programmes.
19	Homlessness Prevention Reserve	This reserve is used to deliver homelessness prevention outcomes.
20	Pre-Development Costs Reserve	This reserve is to provide for the risk associated with the council's general fund capital strategy and initiatives.
21	Inflation Risk Reserve	This is reserve is to provide for risks associated with inflationary pressures.
22	Other Funds	This comprises a number of smaller reserves, existing to fund various projects and potential future commitments.
23	S106 - Revenue Schemes	These reserves exist to fund various projects and potential future commitments in line with the requirements of the agreements.
24	Revenue Grants	These are grants which have been transferred as an earmarked reserve due to the implementation of International Financial Reporting Standards (IFRS).
25	HRA Efficiency Reserve	This reserve is to provide funding for the one off costs associated with implementing MTFS savings.
26	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.
27	HRA Strategic Regeneration and Housing Development	This reserve is to provide for the risk associated with the council's strategy and regeneration and housing development initiatives.
28	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.
29	Disrepairs Compensation and Legal costs	This is a reserve to provide for the further and continuing impact of Welfare Reform.
30	Other HRA Funds	This reserve is to fund various smaller projects specific to the HRA.

5. Material Items of Income and Expense

Transactions in 2022/23
HRA Dwellings have been revalued downwards in-year. The downward revaluation is approximately 0.97%. The size of the asset base means that this revaluation is a material amount. The gross revaluation decrease recognised in CIES is £36m.

Transactions in 2021/22
HRA Dwellings have been revalued upwards in-year. The upward revaluation is approximately 4.4%. The size of the asset base means that this revaluation is a material amount. The gross revaluation increase recognised in CIES is £14m.

Queensmill School which was a LBHF maintained school converted to Academy status in year, resulting in the transfer of land and buildings with a net book value of £19.9m. This Academy transfer has been reflected as a disposal loss in the Council's accounts and is included in note 6 on the (gains)/losses on disposal line.

Combined gains valued at £10.6m was realised on disposals of Right-to-Buy and Non Right-to-Buy properties made up of net proceeds of £14m less Net Book Value of £3.4m.

6. Other Operating Expenditure

	2022/23 £000	2021/22 £000
Levies	2,429	2,393
Payments to the Government Housing Capital Receipts Pool	2,195	3,954
(Gains)/losses on the disposal of non-current assets	(7,491)	8,705
Other Operating Income and Expenditure	(201)	10
Total	**(3,068)**	**15,062**

7. Financing and Investment Income and Expenditure

	2022/23 £000	2021/22 £000
Interest payable and similar charges	11,209	11,250
Net interest on the net defined benefit liability (asset)	13,000	13,400
Interest receivable and similar income	(6,808)	(290)
Income and expenditure in relation to investment properties	(6,754)	(6,973)
Net (gains)/losses from fair value adjustments on investment properties	(4,710)	2,399
Schools converted to Academy Status	-	467
Total	**5,937**	**20,253**

8. Taxation and non-specific grant income and expenditure

	2022/23 £000	2021/22 £000
Non-domestic rates income	(71,827)	(59,570)
NDR Levy	655	60
Business rates tariff	17,965	17,148
Non-domestic rates income and expenditure	**(53,207)**	**(42,362)**
Council Tax Income	(66,976)	(67,603)
Non-ringfenced government grants	(53,717)	(70,940)
Capital grants and contributions	(38,483)	(16,938)
Total	**(212,383)**	**(197,843)**

9. Property, Plant and Equipment

(i) Movements on Balances

Movements in 2022/23

	Council Dwellings £000	Other Land and Buildings £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 2022	1,474,362	335,779	9,392	28,156	42,138	52,222	**1,942,049**	26,639
Additions	52,628	2,438	8,053	1,075	1	25,206	**89,401**	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(22,337)	1,773	-	-	(1,861)	-	**(22,425)**	(6)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(44,827)	158	-	-	-	-	**(44,669)**	-
Derecognition – disposals	(3,588)	-	-	-	-	-	**(3,588)**	-
Derecognition – other	(627)	-	-	-	-	-	**(627)**	-
Assets reclassified (to)/from PPE	4,465	(48)	-	48	-	(4,465)	**-**	-
At 31 March 2023	**1,460,076**	**340,100**	**17,445**	**29,279**	**40,278**	**72,963**	**1,960,141**	**26,633**
Accumulated Depreciation and Impairment								
At 1 April 2022	-	(705)	(4,166)	(20,340)	-	-	**(25,211)**	-
Depreciation charge	(17,061)	(3,631)	(1,524)	(1,272)	(47)	-	**(23,535)**	(388)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	8,658	3,008	-	-	45	-	**11,711**	388
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	8,354	642	-	-	2	-	**8,998**	-
Derecognition – disposals	42	-	-	-	-	-	**42**	-
Derecognition – other	7	-	-	-	-	-	**7**	-
At 31 March 2023	**-**	**(686)**	**(5,690)**	**(21,612)**	**-**	**-**	**(27,988)**	**-**
Net Book Value								
At 31 March 2023	**1,460,076**	**339,414**	**11,755**	**7,667**	**40,278**	**72,963**	**1,932,153**	**26,633**

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

Movements in 2021/22

	Council Dwellings £000	Other Land and Buildings £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 2021	1,412,222	332,591	8,669	27,923	34,810	25,516	**1,841,731**	26,063
Additions	40,109	2,094	723	233	-	26,706	**69,865**	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	20,688	20,813	-	-	5,043	-	**46,544**	576
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	4,787	2,320	-	-	704	-	**7,811**	-
Derecognition – disposals	(2,925)	(20,202)	-	-	-	-	**(23,127)**	-
Derecognition – other	(519)	-	-	-	-	-	**(519)**	-
Assets reclassified (to)/from PPE	-	(1,580)	-	-	1,580	-	**-**	-
Assets reclassified (to)/from Investment Properties	-	(256)	-	-	-	-	**(256)**	-
Other reclassifications	-	-	-	-	-	-	**-**	-
At 31 March 2022	**1,474,362**	**335,780**	**9,392**	**28,156**	**42,137**	**52,222**	**1,942,049**	**26,639**
Accumulated Depreciation and Impairment								
At 1 April 2021	-	(607)	(2,757)	(18,440)	-	-	**(21,804)**	-
Depreciation charge	(16,774)	(3,833)	(1,409)	(1,900)	(44)	-	**(23,960)**	(391)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	7,530	2,827	-	-	43	-	**10,400**	391
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	9,203	582	-	-	30	-	**9,815**	-
Derecognition – disposals	41	296	-	-	-	-	**337**	-
Derecognition – other	-	-	-	-	-	-	**-**	-
Other movements in depreciation and impairment	-	29	-	-	(29)	-	**-**	-
At 31 March 2022	**-**	**(706)**	**(4,166)**	**(20,340)**	**-**	**-**	**(25,212)**	**-**
Net Book Value								
at 31 March 2022	**1,474,362**	**335,074**	**5,226**	**7,816**	**42,137**	**52,222**	**1,916,837**	**26,639**

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

Infrastructure Assets	2022/23 £000	2021/22 £000
Net book value (modified historical cost) at 1st April	77,277	82,597
Additions	23,656	7,710
Depreciation	(12,995)	(13,030)
Net book value at 31st March	**87,938**	**77,277**

	2022/23 £000	2021/22 £000
Infrastructure Assets	87,938	77,277
Other PPE Assets	1,932,154	1,916,837
Total PPE Assets	**2,020,092**	**1,994,114**

The authority has determined in accordance with Regulation 30M England of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

(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)	53 - 56 years
Other Land and Buildings (Building element only – land not depreciated)	41 – 55 years
Surplus Assets (Building element only – land not depreciated)	51 – 55 years
Infrastructure Assets	3 – 40 years
Vehicles, Plant, Furniture & Equipment	5 – 25 years
Community Assets	5 – 73 years

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

(iii) Effect of Changes in Estimates

In 2022/23 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 2023.

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	1,520,965	226,715	87,938	11,755	7,667	76,271	72,963	**2,004,274**
Carried at Historical Cost	-	-	87,938	11,755	7,667	-	72,963	**180,323**
Valued at current value as at:								**-**
31 March 2023	1,460,077	319,610	-	-	-	40,277	-	**1,819,964**
31 March 2022	-	3,222	-	-	-	-	-	**3,222**
31 March 2021	-	5,662	-	-	-	-	-	**5,662**
31 March 2020	-	10,921	-	-	-	-	-	**10,921**
	1,460,077	**339,415**	**87,938**	**11,755**	**7,667**	**40,277**	**72,963**	**2,020,092**

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 2022 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 2024/25.

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 2022/23 and there were no cases of impairment of assets to report.

Impairment and valuation losses not covered by the 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 MIRS.

Impairment and valuation losses not covered by the Revaluation Reserve in relation to HRA non-dwellings can now 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 MIRS.

(v) Capital Commitments

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

Service Department	31 March 2023 £000	31 March 2022 £000
Housing Revenue Account	18,567	15,892
Regeneration and Community Projects	101,101	115,382
Affordable Housing Schemes	102,723	63,616
Environment	8,468	-
	230,859	**194,890**

10. Investment Properties

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

	2022/23 £000	2021/22 £000
Rental income from investment property	(7,210)	(7,433)
Direct operating expenses (including repairs and maintenance) arising from investment properties	456	460
Net (gain)/loss	**(6,754)**	**(6,973)**

(i) Revaluation

In 2022/23 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 2023. 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 March 2023 £000	31 March 2022 £000
Balance at start of the year	81,131	82,608
Additions:		
• Subsequent expenditure	482	666
Derecognition	(845)	-
Net gains/(losses) from fair value adjustments	4,710	(2,399)
Transfers:		
• (to)/from Property, Plant and Equipment	-	256
Balance at end of the year	**85,478**	**81,131**

(ii) Fair Value Hierarchy

The Council's commercial land, office and retail asset valuations have been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the locality. Market conditions for these asset types are such that the levels of observable inputs, such as assumed void periods, estimated rental value and capitalisation rate (equivalent yield), are significant leading to all the Council's investment properties being categorised at Level 2 in the Fair Value hierarchy (see Note 38 Accounting Policies for an explanation of the fair value levels). There were no changes in valuation techniques and no transfers between Levels 1 and 2 during 2022/23.

11. Heritage Assets

	Art Collections £000	Books & Printed Materials £000	Ceramics & Glass £000	Other Heritage Assets £000	Total Assets £000
Cost or Valuation					
At 1 April 2022	7,688	131	118	86	8,023
Movement on balance	-	-	-	-	-
At 31 March 2023	**7,688**	**131**	**118**	**86**	**8,023**

There have been no movements on Heritage Assets in 2022/23.

12. Assets Held for Sale

All Assets Held for Sale have been classified as Current as sales are expected within 12 months from balance sheet date.

	31 March 2023 £000	31 March 2022 £000
Balance outstanding at start of year	13,229	13,229
		-
Additions:		
Assets newly classified as held for sale:		
• Property, Plant and Equipment	-	-
Assets sold	(13,229)	-
Net gains/(losses) from fair value adjustments	-	-
Balance outstanding at year-end	**-**	**13,229**

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.

	2022/23 £000	2021/22 £000
Opening Capital Financing Requirement	423,053	385,614
Capital Investment		
Property, Plant and Equipment	113,058	77,576
Investment Properties	482	666
Intangible Assets	390	-
Revenue Expenditure Funded from Capital under Statute	5,521	5,212
Capital Funding of third-party capital loans	26,759	11,573
Sources of Finance		
Capital receipts – used to fund Capital Expenditure	(6,332)	(7,572)
Government grants and other contributions	(53,241)	(43,106)
Sums set aside from revenue:		
Direct revenue contributions	(3,475)	(743)
MRP/loans fund principal	(2,225)	(2,000)
Voluntary Application of Capital Receipts & Grants	(43)	(4,288)
Deferred costs of capital disposals	(417)	122
Closing Capital Financing Requirement	**503,530**	**423,054**
Explanation of movements in year		
Increase in underlying need to borrow	74,899	41,669
(Decrease) in underlying need to borrow	(63)	(63)
Voluntary application of Capital Receipts and Grants to repay debt	(43)	(4,288)
Increase/(Decrease) in Deferred costs of capital disposals	(417)	122
Assets acquired under finance leases	6,100	-
Increase/(decrease) in Capital Financing Requirement	**80,476**	**37,440**

14. Leases (Finance and Operating)

Council as Lessee

Finance Leases

The Council engaged into a new Refuse Removal contract in 2022/23. As part of this contract LBHF has effective control of the contractor's fleet of vehicles and is deemed to be implied finance leases.

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

	31 March 2023 £000	31 March 2022 £000
Vehicles, Plant, Furniture and Equipment	6,100	-
	6,100	**-**

The implied minimum lease payments are made up of the following amounts:

	31 March 2023 £000	31 March 2022 £000
Finance lease liabilities (net present value of minimum lease payments):		
• current	699	-
• non-current	5,292	-
Finance costs payable in future years	846	-
Minimum lease payments	**6,837**	**-**

The Council has not sub-let any of the vehicles held under the implied finance leases.

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 2023 £000	31 March 2022 £000
Not later than one year	2,457	3,568
Later than one year and not later than five years	4,166	5,849
Later than five years	5,895	6,711
	12,518	**16,128**

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

	31 March 2023 £000	31 March 2022 £000
Minimum lease payments	3,578	4,602
Contingent rents	-	-
Sublease payments receivable	-	(52)
	3,578	**4,550**

The Council has not sub-let any of the properties held under the operating leases.

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 2023 £000	31 March 2022 £000
Not later than one year	4,396	4,457
Later than one year and not later than five years	13,687	15,193
Later than five years	12,561	9,093
	30,644	**28,743**

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

2022/23 was the eighteenth 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 reverts 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 2023 (excluding the effect of changes in market conditions and availability/performance deductions) are as follows:

	Payment for Services	Liability	Interest	Total
	£000	£000	£000	£000
Payable in 2023/24	6,194	519	897	7,610
Payable within two to five years	26,863	2,923	2,741	32,527
Payable within six to ten years	17,500	2,704	754	20,958
	50,557	6,146	4,392	61,095

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:

	2022/23	2021/22
	£000	£000
Balance outstanding at start of year	6,601	7,001
Payments during the year	(455)	(400)
Capital expenditure incurred in the year	-	-
Balance outstanding at year-end	**6,146**	**6,601**

16. Debtors

	31 March 2023 £000	31 March 2022 £000
Council Tax Receivable from Taxpayers	22,826	18,733
Non Domestic Rates Receivable from Taxpayers	21,374	19,685
Business Rates Supplement Debtor	1,725	1,574
Trade Debtors	27,150	27,785
Other Debtors	39,290	31,290
VAT Debtors	7,183	6,770
Prepayments and Accrued Income	16,988	18,610
Impairment Allowance for Doubtful Debts	(75,246)	(70,493)
Total	**61,290**	**53,954**

17. Cash and Cash Equivalents

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

	31 March 2023 £000	31 March 2022 £000
Cash held by the Council	108	87
Bank current accounts	1,432	146
School bank accounts	7,343	10,118
Short-term deposits	151,610	204,420
Total	**160,493**	**214,771**
Bank overdraft*	(8,968)	(5,916)
	(8,968)	**(5,916)**
Net Cash and Cash Equivalents	**151,525**	**208,855**

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

The detailed analysis of the movement in Cash & Cash Equivalents is illustrated on the Cash Flow Statement and Note 22.

18. Creditors

	31 March 2023 £000	31 March 2022 £000
Council Tax Creditor	(1,595)	(1,801)
NDR Retained Income Creditor	(89,330)	(112,520)
NDR Taxpayers Receipts not yet Paid to Government	(53)	(53)
Council Tax Refundable to Taxpayers	(7,022)	(5,607)
Non Domestic Rates Refundable to Taxpayers	(14,301)	(12,966)
Other Tax and Social Security Payable	(3,071)	(3,416)
Trade Creditors	(273)	(2,818)
Other Creditors	(66,244)	(75,905)
Short Term PFI Lease Liability	(519)	(455)
Short Term Finance Lease Lease Liability	(699)	-
Total	**(183,107)**	**(215,541)**

19. Other Long-Term Liabilities

	31 March 2023 £000	31 March 2022 £000
Net Pensions Liability	(89,961)	(477,078)
Finance Lease Liability	(5,292)	-
Private Finance Initiative (PFI) Liability	(5,627)	(6,146)
TOTAL	**(100,880)**	**(483,224)**

20. Provisions

	Insurance	NDR - Losses on Appeals	Other Provisions	Total
	£000	£000	£000	£000
Balance at 31 March 2021	**(2,389)**	**(20,505)**	**(9,276)**	**(32,170)**
Additional provisions	-	(16,808)	(9,215)	(26,023)
Amounts used	-	-	673	673
Unused amounts reversed	159	20,505	4,784	25,448
Balance at 31 March 2022	**(2,230)**	**(16,808)**	**(13,034)**	**(32,072)**
Additional provisions	(903)	(15,871)	-	(16,774)
Amounts used	-	-	908	908
Unused amounts reversed	-	21,731	4,087	25,818
Balance at 31 March 2023	**(3,133)**	**(10,948)**	**(8,039)**	**(22,120)**
Of which:				
Next twelve months	(3,133)	(10,948)	(2,039)	(16,120)
Over twelve months	-	-	(6,000)	(6,000)
Balance at 31 March 2023	**(3,133)**	**(10,948)**	**(8,039)**	**(22,120)**

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 December 2020. The provision is based upon updated professional estimates of continuing open claims identified in that year's assessment. It also reflects claims that have been 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 £426k 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. The recent actuarial assessment estimates the LBHF share of ongoing MMI Liability at £989k based on outstanding and incurred but not reported claims.

Other provisions include amounts to cover refunds to tenants and leaseholders for previously levied water rate charges, legal settlements, and a dilapidation claim provision.

21. Financial Instruments

(i) Financial Instruments – Balances

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

	Long Term		Current	
	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000
Financial assets at amortised cost				
Investments	295	195	120,625	124,658
Cash and Cash Equivalents	-	-	160,493	214,771
Long Term Debtors	500	1,330	-	-
Trade Debtors	-	-	27,872	18,487
Total	**795**	**1,525**	**308,990**	**357,916**
Financial liabilities at amortised cost				
Borrowings	(267,737)	(272,011)	(6,846)	(2,581)
Bank overdraft	-	-	(8,968)	(5,916)
Long Term Creditors	(100)	(100)	-	-
Trade Creditors	-	-	(67,735)	(178,601)
Total	**(267,837)**	**(272,111)**	**(83,549)**	**(187,098)**
Other Liabilities:				
PFI & Finance Lease liabilities	**(10,919)**	**(6,146)**	**(1,217)**	**(455)**

Under accounting requirements, the carrying value of the financial instrument is shown in the balance sheet which includes the principal amount borrowed or lent including accrued interest. Fair value has been measured by direct reference to published price quotations in an active market.

The amounts for trade debtors and creditors are the values identified in Notes 16 and 18 to the accounts gross of any allowance for bad 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.

(ii) Reclassifications

No financial instruments have been reclassified between valuation at amortised cost and valuation at fair value during 2022/23 or previous years.

21. Financial Instruments (cont'd)

(iii) Income, Expense, Gains and Losses

	2022/23			2021/22		
	Financial Liabilities at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000	Financial Liabilities at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000
Interest expense	11,209	-	11,209	11,250	-	11,250
Total expense in Surplus or Deficit on the Provision of Services	**11,209**	**-**	**11,209**	**11,250**	**-**	**11,250**
Interest income	-	(6,808)	(6,808)	-	(290)	(290)
Total income in Surplus or Deficit on the Provision of Services	**-**	**(6,808)**	**(6,808)**	**-**	**(290)**	**(290)**
Net gain/(loss) for the year	**11,209**	**(6,808)**	**4,401**	**11,250**	**(290)**	**10,960**

21. Financial Instruments (cont'd)

(iv) 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 31st March 2023.
- 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 2022 (£0.1m at 31 March 2022) 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 2023		31 March 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Financial Liabilities				
Borrowings				
PFI & Finance Lease Liabilities	(12,137)	-	(6,601)	-
PWLB Debt	(274,583)	(225,106)	(274,592)	(362,656)
Total	**(286,720)**	**(225,106)**	**(281,193)**	**(362,656)**
Financial Assets				
Loans and receivables				
Money market loans less than one year	120,625	120,625	124,658	124,658
Money market loans greater than one year	295	295	195	195
Total	**120,920**	**120,920**	**124,853**	**124,853**

Both PWLB borrowings and money market loans are categorised as Level 2 in the fair value hierarchy.

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 authority 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 £255.562m as at 31 March 2023.

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 31st March 2023, 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 meeting when 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. Recent experience has shown that it is rare for such entities to not be able to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2023 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.

21. Financial Instruments (cont'd)

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.

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 £16.69 million at 31 March 2023 (£15.71 million at 31 March 2022). 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 2023 £000	31 March 2022 £000
Less than three months	17,801	17,717
Three to six months	2,017	1,302
Six months to one year	1,741	1,859
More than one year	11,876	11,356
	33,435	**32,234**

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 2023 £000	31 March 2022 £000
Less than one year	(4,279)	-
Between one and two years	(15,689)	(4,279)
Between two and five years	(9,984)	(21,395)
Between five and ten years	(39,937)	(29,952)
More than ten years	(201,843)	(216,106)
Total	**(271,732)**	**(271,732)**

21 Financial Instruments (cont'd)

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

	31 March 2023 £000	31 March 2022 £000
Less than one year	118,600	124,500
Between one and two years	195	195
Between two and three years	-	-
More than three years	100	-
Total	**118,895**	**124,695**

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

	2022/23 £000	2021/22 £000
Adjustment for items included elsewhere in the Cash Flow Statement:		
Capital Grants	(46,665)	(26,681)
Adjustment for 'non-cash' items included in the Income and Expenditure Statement:		
Depreciation and Amortisation of non-current assets	36,719	37,183
Impairments and revaluations	30,961	(15,228)
Value of non-current assets derecognised on disposal	5,011	23,309
Value of 'Assets Held for Sale' derecognised on disposal	13,229	-
Assets transferred to/(from) Assets Held for Sale	-	-
Net adjustment made in respect of IAS 19 (Pensions)	40,417	43,068
Revaluations of Available for Sale Financial Assets	-	-
Amortisation of Premia and Discounts	5	5
Impairment of Financial Instruments	-	-
Movement in non-cash assets and liabilities:		
(Increase)/decrease in short-term Debtors*	(9,203)	8,722
add/less: (Increase)/decrease in Capital Debtors	(225)	(2,849)
(Increase)/decrease in Long-term Debtors	(8,396)	(5,978)
Increase/(decrease) in short-term Creditors*	(79,603)	10,354
add/less: Increase/(decrease) in Capital Creditors	(3,255)	6,154
Assets transferred to 'Assets Held for Sale'	-	-
Increase/(decrease) in Long-Term Finance Leases	5,401	-
(Increase)/decrease in Inventories	40	(30)
Increase/(decrease) in Provisions	(9,950)	(99)
Increase/(decrease) in Grants and Contributions Receipts in Advance	21,833	9,761
Adjustments to net surplus or deficit on the provision of services for non-cash movements	**(3,681)**	**87,691**

*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:

	2022/23 £000	2021/22 £000
Interest Received	4,942	423
Interest Paid	(11,223)	(11,241)

22c. Reconciliation of Liabilities Arising from Financing Activities

2022/23	Opening Balance £000	Cash (Inflow)/ Outflow £000	Transfers between ST and LT £000	Other Non-Cash changes £000	Closing Balance £000
Long-Term Borrowing	(272,011)	-	4,279	-	**(267,732)**
Short-Term Borrowing	(2,582)	2,582	(4,279)	(2,568)	**(6,847)**
Finance Lease Liabilities	-	109	-	(6,100)	**(5,991)**
PFI	(6,601)	455		-	**(6,146)**
Total	**(281,194)**	**3,146**	**-**	**(8,668)**	**(286,716)**
2021/22					
Long-Term Borrowing	(272,006)	-	-	(5)	**(272,011)**
Short-Term Borrowing	(2,576)	-	-	(6)	**(2,582)**
Finance Lease Liabilities	-	-	-	-	**-**
PFI	(7,001)	400	-	-	**(6,601)**
Total	**(281,583)**	**400**	**-**	**(11)**	**(281,194)**

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 CIES. Bodies with whom we have these agency agreements include Thames Water, Transport for London, Department for Levelling Up, Housing and Communities (DLUHC), Business Improvement Districts and Department for Business, Energy and Industrial Strategy (BEIS).

24. Members' Allowances

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

	2022/23 £000	2021/22 £000
Members' Allowances	959	835

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.

Post	Notes	Year	Salary, fees and allowances	Bonuses	Expenses allowances	Compensation for loss of office	Pension Contribution	Total
			£	£	£	£	£	£
Chief Executive - Sharon Lea	1	**2022/23**	**187,603.98**	**-**	**-**	**-**	**-**	**187,603.98**
		2021/22	176,610.00	-	-	-	-	176,610.00
Chief Executive - Kim Smith	2	**2022/23**	**62,869.45**	**-**	**-**	**-**	**10,750.64**	**73,620.09**
		2021/22	211,657.00	-	-	-	36,193.00	247,850.00
Strategic Director of Childrens Services - Jacqueline McShannon		**2022/23**	**161,925.00**	**-**	**-**	**-**	**27,689.11**	**189,614.11**
		2021/22	150,455.00	-	-	-	25,859.00	176,314.00
Strategic Director of Economy		**2022/23**	**144,027.00**	**-**	**-**	**-**	**24,628.52**	**168,655.52**
		2021/22	83,274.00	-	-	-	14,240.00	97,514.00
Director of Resources (Monitoring Officer)	3	**2022/23**	**14,299.30**	**-**	**-**	**90,460.00**	**2,445.18**	**107,204.48**
		2021/22	141,840.00	-	-	-	24,255.00	166,095.00
Director of Finance (Section 151)	4	**2022/23**	**40,965.58**	**-**	**-**	**-**	**7,005.11**	**47,970.69**
		2021/22	141,840.00	-	-	-	24,255.00	166,095.00
Director of Finance (Section 151)	4	**2022/23**	**106,665.10**	**-**	**-**	**-**	**19,171.22**	**125,836.32**
Strategic Director - Social Care - Lisa Redfern		**2022/23**	**166,971.00**	**-**	**-**	**-**	**28,552.01**	**195,523.01**
		2021/22	173,998.00	-	-	-	31,129.00	205,127.00
Strategic Director - Environment		**2022/23**	**145,407.54**	**-**	**-**	**-**	**24,864.62**	**170,272.16**

Notes

1. Sharon Lea served as acting Chief Executive in 2022/23 (and confirmed as permanent by Council on 24 May 2023); In 2021/22 Sharon Lea served as Strategic Director – Environment
2. Kim Smith left the Council in July 2022.
3. The original postholder left the Council in May 2022 and the role has since been occupied on an external interim basis (see further details of the interim arrangement in Note 31).
4. There were two postholders who occupied this post during 2022/23 - the original postholder left the Council in July 2022 and the post was subsequently occupied on an acting basis.

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	2022/23 Number of Employees	2021/22 Number of Employees
£165,000 - £169,999	1	0
£160,000 - £164,999	0	1
£140,000 - £144,999	1	1
£135,000 - £139,999	0	4
£130,000 - £134,999	1	1
£125,000 - £129,999	3	0
£120,000 - £124,999	3	3
£115,000 - £119,999	3	2
£110,000 - £114,999	1	4
£105,000 - £109,999	4	2
£100,000 - £104,999	19	14
£95,000 - £99,999	10	11
£90,000 - £94,999	10	17
£85,000 - £89,999	25	21
£80,000 - £84,999	16	15
£75,000 - £79,999	23	15
£70,000 - £74,999	41	32
£65,000 - £69,999	50	45
£60,000 - £64,999	120	83
£55,000 - £59,999	181	155
£50,000 - £54,999	261	206
Total	**773**	**632**

Of the 773 employees listed above in 2022/23, 173 (22%) were employees where pay decisions rest with the School Governing Body and not the Council. The corresponding figure for 2021/22 was 155 (25%). Remuneration bands where there are nil employees in both years are excluded from the above table (e.g. £145,000 - £149,999).

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 (£)	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
£0 - £20,000	15	44	17	22	32	66	240,530	470,259
£20,001 - £40,000	2	19	5	11	7	30	189,446	827,055
£40,001 - £60,000	1	5	-	2	1	7	40,414	322,112
£60,001 - £80,000	1	1	-	1	1	2	61,048	137,404
£80,001 - £100,000	-	2	1	3	1	5	90,460	445,133
£100,001 - £150,000	-	2	-	1	-	3	-	387,035
£150,001 - £200,000	1	1	-	1	1	2	179,687	309,721
Total	**20**	**74**	**23**	**41**	**43**	**115**	**801,585**	**2,898,719**

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 2022/23, the Council paid £5.56 million to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.68% of pensionable pay. The figures for 2021/22 were £5.47 million and 23.68%. 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 2022/23 the costs arising from additional benefits amounted to £332.6k (2021/22: £352.8k).

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

	LBHF Local Government Pension Scheme		**LPFA Local Government Pension Scheme**	
	2022/23 £000	**2021/22 £000**	**2022/23 £000**	**2021/22 £000**
Comprehensive Income and Expenditure Statement				
Cost of Services:				
• current service costs	50,958	52,035	116	123
• past service costs including curtailments	440	23	-	-
• administration expenses	-	-	16	62
• unfunded pension payments	(1,507)	(1,632)	(14)	(27)
• employer's pension contributions adjustment	1,507	1,632	14	27
Financing and Investment Income and Expenditure:				
• net interest expense / (income)	13,239	13,443	(1)	(2)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**64,637**	**65,501**	**131**	**183**
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)	57,828	(85,141)	(49)	(6,042)
• Actuarial gains and losses arising on changes in demographic assumptions	(12,078)	(30,287)	(1,445)	-
• Actuarial gains and losses arising on changes in financial assumptions	(572,591)	(84,447)	(11,311)	(1,044)
• Experience loss/ (gain) on defined benefit obligation	99,165	(23,975)	3,078	100
• Other actuarial gains/ (losses)	-	-	14	-
• Impact of asset ceiling	-	-	9,855	6,952
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(427,676)**	**(223,850)**	**142**	**(34)**
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	(64,637)	(65,501)	(131)	(183)
Actual amount charged against the General Fund Balance for pensions in the year:				
• employers' contributions payable to scheme	22,530	20,853	62	63

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	
	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000
Opening balance 1 April	**1,690,777**	**1,725,464**	**42,978**	**45,224**
Current service cost	50,958	52,035	116	123
Interest cost	45,802	34,661	1,089	838
Remeasurement (gains) and losses:				
- Change in financial assumptions	(572,591)	(84,447)	(11,311)	(1,044)
- Change in demographic assumptions	(12,078)	(30,287)	(1,445)	-
- Experience	99,165	27,690	3,078	100
Estimated benefits paid net of transfers in	(44,418)	(40,059)	(2,208)	(2,256)
Past service costs, including curtailments	440	23	-	-
Contributions by Scheme participants	8,141	7,329	20	20
Unfunded pension payments	(1,507)	(1,632)	(14)	(27)
Closing balance at 31 March	**1,264,689**	**1,690,777**	**32,303**	**42,978**

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

	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000
Opening balance 1 April	**1,213,697**	**1,067,550**	**52,127**	**47,439**
Interest on assets	32,563	21,218	1,328	881
Remeasurement gain/ (loss):				
- Return on assets less interest	(57,828)	85,141	49	6,042
- Experience	-	51,665	-	-
Other actuarial gains/(losses)	-	-	(14)	-
Administration expenses	-	-	(16)	(62)
Contributions by employer including unfunded	24,037	22,485	76	90
Contributions by scheme participants	8,141	7,329	20	20
Estimated benefits paid plus unfunded net of transfers in	(45,925)	(41,691)	(2,222)	(2,283)
Closing balance at 31 March	**1,174,685**	**1,213,697**	**51,348**	**52,127**

Pension Assets and Liabilities Recognised in the Balance Sheet

	31 March 2023 £000	31 March 2022 £000
Present Value of Liabilities		
LBHF Local Government Pension Scheme (Funded)	1,247,448	1,669,349
LBHF Local Government Pension Scheme (Unfunded)	17,241	21,428
LPFA Local Government Pension Scheme (Funded)	32,253	42,853
LPFA Local Government Pension Scheme (Unfunded)	50	125
Fair Value of Assets		
LBHF Local Government Pension Scheme	(1,174,685)	(1,213,697)
LPFA Local Government Pension Scheme	(51,348)	(52,127)
Impact of Asset Ceiling		
LBHF Local Government Pension Scheme		
LPFA Local Government Pension Scheme	19,002	9,147
Net liability arising from defined benefit obligation		
LBHF Local Government Pension Scheme	90,004	477,080
LPFA Local Government Pension Scheme	(43)	(2)
Total	**89,961**	**477,078**

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 £90m 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 2023 is estimated to be -2.1% for LBHF Local Government Pension Scheme and 2.69% 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 2023		31 March 2022	
	£000	%	£000	%
Equities	132,949	11.3	88,493	7.3
Investment Funds and Unit Trusts	950,935	81.0	1,012,252	83.4
Cash Plus Funds	-	-	-	-
Cash	18,738	1.6	32,202	2.6
Property	72,063	6.1	80,750	6.7
Total	**1,174,685**	**100**	**1,213,697**	**100**

	LPFA Local Government Pensions Scheme			
	31 March 2023		31 March 2022	
	£000	%	£000	%
Equities	30,196	58.8	28,942	55.5
Target Return Portfolio	9,547	18.6	11,453	22.0
Infrastructure	6,497	12.7	5,329	10.2
Property	5,042	9.8	4,668	9.0
Cash	66	0.1	1,735	3.3
Total	**51,348**	**100**	**52,127**	**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 Hymans Robertson LLP and Barnett Waddingham respectively, independent firms of actuaries, with estimates being based on the latest full valuation of the schemes as at 31 March 2022. The principal assumptions used by the actuaries have been:

	LBHF Local Government Pension Scheme		LPFA Local Government Pension Scheme	
	2022/23	2021/22	2022/23	2021/22
Mortality Assumptions				
Life expectancy from age 65 - retiring today				
Men	21.8	22.1	20.5	21.1
Women	24.5	24.7	23.6	24.0
Life expectancy from age 65 - retiring in 20 years				
Men	22.8	23.2	21.3	22.3
Women	25.8	26.1	26.1	25.9
Financial Assumptions				
Rate of Inflation - CPI	3.00%	3.20%	2.90%	3.40%
Rate of Increase in Salaries	4.00%	4.20%	3.90%	4.40%
Rate of Increase in Pensions*	3.00%	3.20%	2.90%	3.40%
Discount Rate	4.75%	2.70%	4.80%	2.60%

*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 2023.

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 when each assumption analysed changes, all the other assumptions remain constant. The projected service costs for 2023/24 are £24.2m (LBHF) and £0.068m (LPFA).

	Impact on the Defined Benefit Obligation 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%)		20,145		304
Long term salary increase (+/-0.1%)	1,366		4	
Pension increases & deferred revaluation* (+/-0.1%)	19,076		310	
Mortality age rating assumption (+/- 1 year)	50,588		1,809	

*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 last actuarial valuation of the Fund was carried out as at 31 March 2022 and will set contributions for the period from 1 April 2023 to 31 March 2026. 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 19-year period.

The total contributions expected to be made by the Council in the year to 31 March 2024 are £23.729m to the LBHF Local Government Pension Scheme. The LPFA Local Government Pension Scheme was certified to pay a minimum of 11.6% employer pension contributions and total contributions are expected to be immaterial.

The actuary's estimate of the duration of the Employer's liabilities is 16 years for LBHF Local Government Pension Scheme and 10 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:

	2022/23 £000	2021/22 £000
Fees payable to the External Auditor with regard to external audit services carried out by the appointed auditor for the year	231	213
Additional fee relating to the previous year's audit work	-	21
Fees payable to External Audit for the certification of grant claims and returns for the year	63	51
Non-Audit Services	13	12
Total	**307**	**297**

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 2022/2023 are as follows:

	Central expenditure	Individual schools budget	Total 2022/23	Total 2021/22
Final DSG for 2022/23 before academy and high needs recoupment			161,865	157,150
Academy and high needs figure recouped for 2022/23			77,217	74,967
Total DSG after academy and high needs recoupment for 2022/23			84,648	82,183
Plus: Brought forward from 2021/22			2,985	-
Less: Carry-forward to 2023/24 agreed in advance			(2,985)	-
Agreed initial budgeted distribution in 2022/23	**28,604**	**56,044**	**84,648**	**82,183**
In-year adjustments	7,080	(55)	7,025	4,055
Final budget distribution for 2022/23	35,684	55,989	91,673	86,238
Less: Actual central expenditure	28,456	-	28,456	7,396
Less: Actual ISB deployed to schools	-	55,979	55,979	76,227
Plus: Local authority contribution for 2022/23	424	-	424	370
In-year carry-forward to 2023/24	**7,652**	**10**	**7,662**	**2,985**
Plus: Carry-forward to 2023/24 agreed in advance			2,985	-
Carry-forward to 2023/24			10,646	2,985
DSG unusable reserve at the end of 2021/22			(14,505)	(14,505)
Addition to DSG unusable reserve at the end of 2022/23			**-**	**-**
Total of DSG unusable reserve at the end of 2022/23			**(14,505)**	**(14,505)**
Net DSG position at the end of 2022/23			**(3,859)**	**(11,520)**

The DSG has a cumulative deficit of £3.9 million. The cumulative DSG deficit as of March 2021 of £14.5m has been accounted for as an unusable reserve and any surpluses on the DSG, since that date, has been put in an earmarked reserve. Parliament has approved the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020 in November 2020 which amends the 2003 Regulations by establishing new accounting practices in relation to the treatment of local authorities' schools budget deficits which must now be recorded in a separate account established solely for the purpose of recording deficits in unusable reserves. As the statutory requirement is time limited, it continues to set aside reserves to match the High Needs Block deficit until such time as the cumulative deficit is eliminated.

30. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2022/23:

	2022/23 £000	2021/22 £000
Credited to Taxation and Non Specific Grant Income		
S31 Grant - Business Rates Retention Scheme Relief	(10,400)	(26,004)
Revenue Support Grant	(18,046)	(17,506)
Adult Social Care Support Grant	(10,717)	(7,994)
Services grant	(4,264)	-
New Homes Bonus	(2,750)	(5,274)
Other Non-ringfenced grants	(4,087)	(4,464)
Capital grants - S106	(20,647)	(8,743)
Capital Grants - Hammersmith Bridge	(5,430)	-
Capital grants - Transport for London	(3,807)	(1,038)
Capital Grants - Electric Vehicle Charging Points	(3,245)	-
Capital grants - Schools Condition Allocations	(1,308)	(1,473)
Capital Grants - Right to Buy grant	(1,084)	-
Capital grants - Other	(2,962)	(5,684)
COVID-19 - Additional Relief Grant	(3,453)	-
COVID-19 - Other grants	-	(9,698)
Total	**(92,200)**	**(87,878)**
Credited to Services		
Dedicated Schools Grant	(91,592)	(86,238)
Housing & Council Tax Benefit Subsidy	(91,016)	(92,491)
Public Health Grant	(22,345)	(22,139)
Developer Contributions (inc Section 106)	(17,972)	(15,101)
Improved Better Care Fund	(9,377)	(9,183)
Post 16 (EFA 16-19 Grant)	(5,048)	(4,844)
Homelessness Prevention-Flexible Homelessness Support Grant	(4,432)	(3,774)
Pupil Premium Grant	(3,473)	(3,458)
Adult Learning	(2,853)	(2,684)
Unaccompanied Asylum Seeking Children Leaving Care	(1,756)	(1,218)
Disabled Facilities Grant	(1,700)	(1,445)
Mental Health Hospital Discharge and Admission Avoidance grant	(1,628)	-
Unaccompanied Asylum Seeking Children (U18)	(1,627)	(2,392)
PFI Grants	(1,429)	(1,429)
Schools Supplementary Grant	(1,099)	-
Other grants and contributions	(15,623)	(14,985)
COVID-19 - Household Support Fund	(2,733)	(1,306)
COVID-19 - Other grants	(1,924)	(31,166)
Total	**(277,627)**	**(293,853)**

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:

	2022/23 £000	2021/22 £000
Grants and Contributions Receipts in Advance (Current)		
Homes for Ukraine Tariff Grant	(4,033)	-
Home for Ukraine Education & Childcare Grant	(1,652)	-
Public Health Grant	(1,593)	(680)
Improved Better Care Fund Grant	(1,200)	(550)
Adult & Community Learning	(1,106)	(1,159)
Other revenue grants	(5,121)	(3,962)
COVID-19 - Additional Relief Grant	(7,712)	-
COVID-19 - Sales, Fees & Charges Support grant	(1,097)	-
COVID-19 - Other grants	(503)	(4,023)
Total	**(24,017)**	**(10,374)**

	2022/23 £000	2021/22 £000
Grants and Contributions Receipts in Advance (Non-Current)		
Right to Buy Grant	(14,487)	(7,204)
High Needs Provision Grant	(7,125)	(2,330)
Developer contributions (inc. section 106)	(7,063)	(7,994)
Transport for London Grant	(1,056)	(1,117)
Other capital grants	(1,671)	(4,567)
Total	**(31,402)**	**(23,212)**

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.

The related party transactions with our subsidiaries have been included in Note 33.

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 2022/23 is shown in Note 24.

Information regarding reportable transactions has been collated by requiring 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.

The related party transactions for 2022/23 are set out below.

Name of body	2022/23				
	Loan	Expenditure	Income	Income outstanding to LBHF (LBHF debtor balance)	Balance outstanding (LBHF creditor balance)
	£000	£000	£000	£000	£000
Action on Disability	-	376	-	-	-
Hammersmith and Fulham Citizen Advice Bureau	-	624	(20)	-	-
Hammersmith and Fulham Community Law Centre	-	106	(20)	-	-
Hammersmith and Fulham Volunteer Centre	-	146	-	-	-
London Councils	-	1,156	(2)	5	-
Lyric Hammersmith	-	242	-	14	-
LBHF Family Support Services Ltd	-	-	-	-	-
Old Oak and Park Royal Development Corporation	-	-	(105)	105	-
Sands End Arts and Community Centre	-	151	(30)	7	-
Western Riverside Waste Authority	-	10,835	(1)	-	-
West King Street Renewal LLP	32,918	-	(1,963)	22,396	-
Total	**32,918**	**13,636**	**(2,141)**	**22,527**	-

Name of body	2021/22				
	Loan	Expenditure	Income	Income outstanding to LBHF (LBHF debtor balance)	Balance outstanding (LBHF creditor balance)
	£000	£000	£000	£000	£000
Action on Disability	-	422	-	-	-
Hammersmith and Fulham Citizen Advice Bureau	-	614	-	-	-
Hammersmith and Fulham Community Law Centre	-	102	(20)	5	-
Hammersmith and Fulham Volunteer Centre	-	142	-	1	-
London Councils	-	1,296	(60)	5	-
Lyric Hammersmith	-	217	-	14	-
LBHF Family Support Services Ltd	-	239	-	-	-
Old Oak and Park Royal Development Corporation	-	-	-	-	-
Sands End Arts and Community Centre	-	99	(27)	19	-
Western Riverside Waste Authority	-	10,298	-	-	-
West King Street Renewal LLP	15,484	-	(4,252)	13,172	-
Total	**15,484**	**13,429**	**(4,359)**	**13,216**	-

In addition to the above, there are instances where 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 schools.

Senior officers are also asked to disclose their related party transactions. Based on these returns, West King Street Renewal LLP is included above.

Pension Fund

The Council is the administering authority of the Pension Fund. A detailed summary of the Pension Fund Accounts is included within this Statement of Accounts in the Supplementary Financial Statements section.

Wormwood Scrubs

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. Income and expenditure is detailed in Note 36.

Interest in Companies

The Council has interest in a number of companies; Lyric Theatre Hammersmith Limited, Housing Joint Ventures, LBHF Ventures Limited, LBHF Joint Ventures Limited, LBHF Family Support Services Limited, H&F Housing Developments Ltd and West King Street Renewal LLP. Full details are disclosed in Note 33.

Provision of key management personnel

Amounts were incurred by the Council for payments to employment agencies for the services of key management personnel. For the post of Director of Resources the cost was £115k (from May 2022 to March 2023).

32. Better Care Fund Pooled Budget

The Authority 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, 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 been absorbed within the Better Care Fund.

The following table summarises the position for 2023/23:

	2022/23 £000's	2021/22 £000's
Contributions to the Pooled Budget:		
London Borough of Hammersmith & Fulham	(19,757)	(18,150)
Hammersmith and Fulham Clinical Commissioning Group	(34,533)	(32,259)
Total Contributions	**(54,290)**	**(50,409)**
Expenditure Met by the Pooled Budget:		
Costs relating to the reablement of residents	5,620	5,758
Costs relating to supporting residents to remain in their own homes	-	-
Costs relating to care provided in residential settings or in community settings	51,979	42,960
Support Services and programme management relating to the BCF	2,152	2,108
Total Expenditure	**59,751**	**50,826**
Net (surplus)/deficit arising on the pooled budget in the year	5,461	417
Net (surplus)/deficit split by:		
Share of the net (surplus)/deficit due to the London Borough of Hammersmith & Fulham (Includes capital resources)	79	191
Share of the net (surplus)/deficit due to the Northwest London Integrated Care Board (NWL ICB)	5,383	225

33. Interest in Companies

The Council has an involvement with a number of associated companies which are set out below. The assets, liabilities and reserves, income, expenditure and cashflows of these companies are not included in the Council's accounts as the Council's interest is not considered to be material and so 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 £217k in 2021/22. The latest audited accounts available, those relating to 2021/22, show net assets of £10,270k (£10,948k in 2020/21) and net loss on its activities in that year of £678k (net income of £744k in 2020/21). 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) 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.

HFS Development 2 Limited is a joint venture between the Council (50%) and Stanhope Plc (50%) which was incorporated on 19 July 2016. The latest audited accounts available, those relating to 2021/22 show loss for the period amounted to £127k (loss £155k in 2020/21).

(iii) 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.

(iv) 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.

(v) 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 full year Accounts available, those relating to 2020/21, show net liability worth £82.1k and a net gain for the period of £82.1k.

(vi) H&F Housing Developments Limited

H&F Housing Developments Limited is a limited company wholly owned by the Council. The company acts as 'nominee' company holding certain leases for the Council in trust (with the Council remaining ultimate beneficial owner via a trust deed).

34. Contingent Assets and Contingent Liabilities

Contingent Assets

The council does not have any material contingent assets.

Contingent Liabilities

The council does not have any material contingent liabilities.

35. 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 2023 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 2023/24 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 £1.46 billion) would result in a reduction of £146 million (Revaluation Reserve of £41.6 million and a £104.4 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 **£1.93 billion.**
Pensions 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. 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. The total pension liability as at 31 March 2023 is £90.0m.	A change in the key assumptions can be illustrated as follows: • 0.1% decrease in the discount rate assumption would result in an increase in promised retirement benefits of £20m • 0.1% increase in assumed earnings would increase the value of the liabilities by approximately £1m • 0.1% increase in pension increases would increase the liability by approximately £19m • A one-year increase in life expectancy would increase the liability by approximately £51m

36. 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:

	2022/23 £000	2021/22 £000
Balance at 1st April	**(6,031)**	**(5,938)**
Income	(1,331)	(1,170)
Sub total	**(7,362)**	**(7,108)**
Less:		
Expenditure and Transfers	904	1,077
Balance at 31 March	**(6,458)**	**(6,031)**

37. Events after the Reporting Period

The Statement of Accounts have been prepared up to 31 March 2023. 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 2022/23 (the Code) supported by International Financial Reporting Standards (IFRS).

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023.

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

The Statement of Accounts has been prepared on a 'going concern' basis.

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, provision for impairment of 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

(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 4.75% (2.70% in 2021/22). Both FRS102 and IAS19 state that the discount rate used to place a value on the obligations should be determined by reference to market yields on high quality corporate bonds at the reporting date. Our actuaries have adopted an approach to setting the discount rate whereby a corporate bond yield curve is constructed based on the constituents of the iBoxx AA corporate bond index.

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 Council – 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 2022/23. Companies in which the Council has an interest are detailed in Note 33 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
The Council has assessed the legal framework underlying each type of school and determined the treatment of non-current assets within the financial statements according to whether it owns or has some responsibility for, control over or benefit from the service potential of the premises and land occupied.

The Council has considered its accounting classification for each school on an individual case basis in conjunction with relevant dioceses for voluntary aided and voluntary controlled schools. As a result, the Council:

- Recognises school assets for community schools on its balance sheet because the rights and obligations associated with such schools rests with the Council; and
- Assesses that the assets relating to academies, voluntary aided (VA), voluntary controlled (VC) or free schools are not controlled by the Council but, following consultation and review, the VA and VC schools have been deemed to be owned by the relevant dioceses.

Recognition of the disposal of school assets on the Council's balance sheet occurs on the date on which a school converts to academy status, not on the date of any related announcement. Neither is any impairment recognised by the Council prior to conversion.

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.

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

  None of the matters covered in the annual improvements are dealt with in detail in the 2022/23 Code. These are minor amendments and are not likely to have a significant effect on the Council's financial statements.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16). This is unlikely to have any impact on the Council's accounts.
- 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 2023. The impact of this code on the accounts is not known at this time.

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.

	2022/23			2021/22			
	Business Rates	Council Tax	Total	Business Rates	Council Tax	Total	
	£000	£000	£000	£000	£000	£000	Notes
Income							
Council Tax	-	(101,984)	(101,984)	-	(102,047)	(102,047)	1
Council Tax Hardship Fund/S13A Funding	-	(3,631)	(3,631)	-			
Business Rates	(224,387)	-	(224,387)	(177,529)	-	(177,529)	2
Business Rate Supplement	(7,537)	-	(7,537)	(5,009)	-	(5,009)	
Transitional Protection Payment	1,893	-	1,893	597	-	597	
Total Income	**(230,031)**	**(105,615)**	**(335,646)**	**(181,941)**	**(102,047)**	**(283,988)**	
Expenditure							
Precepts and Demands:							
Central Government (CLG)	64,564	-	64,564	74,956	-	74,956	
LB Hammersmith & Fulham	58,694	68,440	127,134	68,142	67,331	135,473	
Greater London Authority	72,389	32,542	104,931	84,042	29,431	113,474	
Business Rate Supplement							
Payment to the Greater London Authority	7,525	-	7,525	4,997	-	4,997	2
Cost of collection	13	-	13	12	-	12	
Charges to Collection Fund							
Write-offs of uncollectable amounts	3	610	613	265	852	1,116	
Increase/ (Decrease) in Allowance for Doubtful Debts	2,018	6,080	8,098	-	4,074	4,074	
Increase/ (Decrease) in Provision for Appeals	(19,535)	-	(19,535)	(12,324)	-	(12,324)	
Distribution/(Recovery) of prior year surplus/(deficit)	(41,995)	671	(41,324)	(129,437)	(1,533)	(130,969)	
Cost of collection	587	-	587	589	-	589	
Total Expenditure	**144,263**	**108,343**	**252,606**	**91,240**	**100,155**	**191,397**	
Movement on Fund balance	**(85,769)**	**2,728**	**(83,041)**	**(90,701)**	**(1,891)**	**(92,592)**	
(Surplus)/Deficit as at 1 April	39,887	(419)	39,466	130,587	1,472	132,058	
(Surplus)/Deficit as at 31 March	**(45,882)**	**2,309**	**(43,575)**	**39,887**	**(419)**	**39,466**	3

Notes to the Collection Fund Account

1. Income from Council Tax

Council Tax Income is the amount payable by council taxpayers, 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 2022/23 it was calculated as follows:

Band	Number of Dwellings 2022/23	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 2022/23	Band D equivalents 2021/22
A	4,094	3,046	6/9	2,031	(14)	(498)	1,519	1,159
B	6,637	4,915	7/9	3,823	(31)	(1,090)	2,702	2,306
C	14,318	12,344	8/9	10,972	(27)	(2,466)	8,479	8,003
D	25,448	22,655	1	22,655	171	(3,279)	19,547	18,908
E	16,643	15,145	11/9	18,511	(99)	(2,035)	16,377	16,555
F	10,503	9,673	13/9	13,972	(94)	(870)	13,009	13,078
G	11,708	11,014	15/9	18,357	(18)	(567)	17,772	17,980
H	2,797	2,710	18/9	5,420	2	(20)	5,402	5,279
Total	**92,148**	**81,502**		**95,741**	**(110)**	**(10,825)**	**84,807**	**83,268**

The 2022/23 Council Tax Base after allowing for adjustments for non-collection was 82,263

The Council set a 2022/23 Band D charge of £831.96 (£831.96 in 2021/22), inclusive of the Adult Social Care Precept set at 3%. The GLA's Band D charge for 2022/23 was £395.59 (£363.66 in 2021/22) making a total Band D Council Tax charge for 2022/23 of £1,227.55 (2021/22 of £1,195.62).

2. National Non-Domestic Rates

NNDR is organised and administered on a national basis. 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 2023 was £568.1m (£574.9m as at 31 March 2022). The standard NNDR multiplier for 2022/23 was 51.2 pence (51.2 pence in 2021/22). The Small Business Rate Relief multiplier for 2022/23 was 49.9 pence (49.9 pence in 2021/22).

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 DLUHC 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.

	2022/23			2021/22		
	Business Rates	Council Tax	Total	Business Rates	Council Tax	Total
	£000	£000	£000	£000	£000	£000
LBHammersmith and Fulham	(13,765)	1,633	(12,132)	11,966	(279)	11,688
Greater London Authority	(16,977)	675	(16,302)	14,758	(141)	14,617
Central Government (DLUHC)	(15,141)	-	(15,141)	13,163	-	13,163
	(45,883)	**2,308**	**(43,575)**	**39,887**	**(420)**	**39,468**

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.

HRA Income and Expenditure Statement

	Notes	2022/23 £000	2021/22 £000
Income			
Dwelling Rents		(70,437)	(68,740)
Non-dwelling rents		17	(24)
Charges for services and facilities		(14,563)	(13,870)
Contributions towards expenditure		(686)	(1,063)
		(85,669)	**(83,697)**
Expenditure			
Repairs and maintenance and management			
Repairs and maintenance		18,329	18,984
Supervision and management		50,928	44,376
Rents, rates, taxes and other charges		1,103	605
Depreciation and impairment of non-current assets	6	17,305	17,012
Depreciation and impairment of non-current assets - dwelling revaluatio	6	36,473	(13,996)
Debt management costs		109	151
Movement in the allowance for bad debts		1,158	1,746
		125,405	**68,878**
Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement		**39,736**	**(14,819)**
HRA services' share of Non Distributed Costs		4,370	4,482
Net (Income)/Cost for HRA Services		**44,106**	**(10,337)**
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		(7,551)	(11,276)
Net (gains)/losses from fair value adjustments on investment properties		(755)	2,157
Income and expenditure in relation to investment properties		(3,084)	(3,464)
Interest payable and similar charges		9,423	8,262
Interest and investment income		(790)	-
Net interest on the net defined benefit liability (asset)		1,968	1,925
Capital grants and contributions		(2,734)	(4,010)
(Surplus)/deficit for the year on HRA services		**40,583**	**(16,743)**

<u>Movement on the HRA Statement</u>

	Notes	2022/23 £000	2021/22 £000
Balance on the HRA at the end of the previous year		**(15,564)**	**(17,562)**
(Surplus)/deficit for the year on the HRA Income and Expenditure Statement		40,583	(16,743)
Adjustments between accounting basis and funding basis under statute	1	(35,471)	20,788
Net (increase)/decrease before transfers to/(from) reserves		5,112	4,045
Transfers to/(from) reserves			
Earmarked Reserves*		432	(2,047)
(Increase)/decrease in year on the HRA		**5,544**	**1,998**
Balance on the HRA at the end of the current year		**(10,020)**	**(15,564)**

* 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

	2022/23 £000	2021/22 £000
Charges for depreciation of non-dwellings	(244)	(238)
Charges for depreciation of dwellings	17,305	16,774
Reversal of Major Repairs Allowance credited to the HRA	(17,061)	(15,981)
Impairment/Revaluation gains, losses (charged to the I&E)	(36,473)	13,996
Revenue expenditure funded from capital under statute (REFCUS)	(246)	(1,065)
Movements in the market value of investment properties	-	-
Capital Funding	4,589	7,319
Gain or loss on sale of HRA non-current assets	7,072	10,639
HRA Self-Financing Resettlement	-	-
Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with statute	-	-
Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	-	-
HRA share of contributions (to)/from the Pensions Reserve	(10,413)	(10,656)
	(35,471)	**20,788**

2. Housing Stock

The Council has overall responsibility for managing the housing stock. The average number of dwellings during 2022/23 was 11,977. 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 2022	11,990	67	11	12,068
Adjustment to opening balance	-	-	-	-
Additions	3	-	-	3
Transfers	10	-	-	10
Disposals	(40)	-	-	(40)
Number at 31 March 2023	**11,963**	**67**	**11**	**12,041**

3. Stock Valuation

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

	2022/23 £000	2021/22 £000
Operational Assets		
Housing Dwellings	1,460,077	1,474,362
Other Land and Buildings	10,796	10,772
Vehicles, Plant, Equipment	113	191
Intangible Assets	217	15
Non Operational Assets		
Surplus Assets	8,360	8,968
Investment Properties	51,939	51,482
	1,531,502	**1,545,790**

The open market, vacant possession fair value of houses and flats within the HRA as at 31 March 2023 was £5.82 billion. This compares to the balance sheet value of £1.46 billion for the Council's dwelling stock and hostels as at 31 March 2023. This is an indication of the economic and social cost of providing Council housing at less than full market rents.

4. Capital Expenditure Financing

	2022/23 £000	2021/22 £000
Borrowing	41,650	23,921
Major Repairs Reserve	17,860	17,012
Other Grants and Contributions	4,700	7,775
Capital Receipts	1,566	6,744
Total	**65,776**	**55,452**

5. Capital Receipts

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

	2022/23 £000	2021/22 £000
Dwelling & Hostels	(9,089)	(7,966)
Non-Dwellings	(3,414)	(6,185)
Total	**(12,503)**	**(14,151)**

6. Depreciation and Impairment

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

	2022/23 £000	2021/22 £000
Operational Assets		
Depreciation		
Dwellings	(17,061)	16,774
Other Land and Buildings	(159)	153
Vehicles, Plant, Equipment and Intangible Assets	(85)	85
Sub-total depreciation and impairment of non-current assets	(17,305)	17,012
Revaluation (Gain) / Loss - dwellings	36,473	(13,996)
Total	**19,168**	**3,016**

7. Rent Arrears and Allowance for Doubtful Debts

Gross rent arrears were as follows:

	2022/23 £000	2021/22 £000
Main Council Stock	7,382	7,031
Hostels	215	202
Total	**7,597**	**7,233**

Allowances for Doubtful Debts at 31 March were:

	2022/23 £000	2021/22 £000
Main Council Stock	(6,856)	(5,987)
Hostels	(214)	(207)
Total	**(7,070)**	**(6,194)**

Pension Fund Accounts

FUND ACCOUNT

	Notes	2022/23		2021/22	
		£000	**£000**	**£000**	**£000**
Dealings with members, employers and others directly involved in the scheme					
Contributions					
From Employers	7	27,421		25,568	
From Members	7	9,539	36,960	8,735	34,303
Transfers In from other Pension Funds			6,847		8,617
Benefits					
Pensions	8	(40,045)		(37,839)	
Commutation & Lump Sum Retirement Benefits	8	(7,792)		(10,097)	
Payment in respect of tax		(210)	(48,047)	(271)	(48,207)
Payments to and on account of leavers					
Transfers Out to other Pension Funds			(6,738)		(5,737)
Refunds to members leaving service			(84)		(152)
Net Additions (Withdrawals) from dealings with members			**(11,062)**		**(11,176)**
Management expenses	9		**(8,283)**		**(9,915)**
Returns on Investments					
Investment Income	10		24,673		11,170
Other Income	10		21		26
Profit and losses on disposal of investments and changes in value of investments	12		(39,819)		115,585
Net Return on Investments			**(15,125)**		**126,781**
Net Increase (Decrease) in the net assets available for benefits during the year			**(34,470)**		**105,690**
Opening Net Assets of the Scheme			**1,324,913**		**1,219,223**
Closing Net Assets of the Scheme			**1,290,443**		**1,324,913**

NET ASSET STATEMENT

	Notes	31 March 2023 £000	31 March 2022 £000
Investment Assets			
Equities	11	150	150
Pooled Property Vehicles	11	78,572	87,987
Pooled Investment Vehicles	11	1,118,138	1,127,189
Private Equity / Infrastructure	11	63,531	72,202
Cash Deposits	11	20,245	32,104
Other Investment Balances			
Investment Income Due	11	39	7
Net Investment Assets	11	**1,280,675**	**1,319,639**
Current Assets	19	3,911	4,525
Current Liabilities	20	(1,979)	(2,118)
Cash Balances (held directly by Fund)		7,836	2,867
Net assets of the Fund available to fund benefits at the period end		**1,290,443**	**1,324,913**

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 2023. Employer contributions are set based on the triennial actuarial funding valuation, as detailed in Note 18.

b) Pension Fund Committee

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

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

c) Pensions Board

In line with the provisions of the Public Service Pensions Act 2013, the Council has set up a Local Pensions 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 Pension Fund Committee.

d) Investment Principles

In accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 the 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 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 605 undecided leavers, who are no longer paying contributions or in receipt of benefits.

	31 March 2023	31 March 2022
Number of Active Employers	48	55
Contributing employees	5,150	4,856
Pensioners receiving benefit	5,960	5,804
Deferred members	6,218	6,232
Total members	**17,328**	**16,892**

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 2022/23 and its position at year end as at 31 March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (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 backed Local Government Pension Scheme (LGPS) that is 105% 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 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) Voluntary Scheme Pays, Mandatory Scheme Pays 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 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 21. There are also some residual policies with Equitable Life, which are disclosed in Note 21, 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.

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 18a)	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. Hymans Robertson are engaged to provide the fund with expert advice about the assumptions to be applied.	For instance: • 0.1% decrease in the discount rate assumption would result in an increase in promised retirement benefits of £20m • 0.1% increase in assumed earnings would increase the value of the liabilities by approximately £1m • 0.1% increase in pension increases would increase the liability by approximately £19m • A one-year increase in life expectancy would increase the liability by approximately £51m

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. Management has agreed a reasonable set of actuarial assumptions in consultation with the actuary which derives the total pension fund liability

b) Private debt/Infrastructure investments

The fair value of the Partners Group Multi Asset Credit fund and Infrastructure fund is also subject to some 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. As at 31 March 2023, the assets invested with Partners Group were valued at £45.6m (£53.5m in 2021/22).

The same applies to the Aviva Infrastructure which has a quarterly valuation cycle. As at 31 March 2023, the value of the investment was £26.0m (£26.6m in 2021/22). The impact of the uncertainty surrounding these investments has also been included in the sensitivity analysis in Note 14d.

NOTE 6. EVENTS AFTER THE BALANCE SHEET

There are no events after the balance sheet date.

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'	
	Normal		Deficit Recovery		Contributions	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
	£000	£000	£000	£000	£000	£000
Administering Authority	18,687	17,061	3,844	3,792	8,141	7,329
Scheduled Bodies	3,821	3,478	24	-	1,092	1,006
Admitted Bodies	1,060	1,253	(15)	(16)	306	400
Total	**23,568**	**21,792**	**3,853**	**3,776**	**9,539**	**8,735**
Total Contributions			**27,421**	**25,568**	**9,539**	**8,735**

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	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
	£000	£000	£000	£000	£000	£000
Administering Authority	(36,543)	(34,701)	(5,662)	(8,294)	(598)	(791)
Scheduled Bodies	(599)	(502)	(529)	(74)	(290)	(96)
Admitted Bodies	(2,903)	(2,636)	(528)	(712)	(185)	(130)
Total	**(40,045)**	**(37,839)**	**(6,719)**	**(9,080)**	**(1,073)**	**(1,017)**
Total Lump Sum Benefits					**(7,792)**	**(10,097)**

NOTE 9. MANAGEMENT EXPENSES

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

	2022/23	2021/22
	£000	£000
Administrative costs	(962)	(1,225)
Investment management expenses	(7,014)	(8,406)
Oversight and governance costs	(307)	(284)
	(8,283)	**(9,915)**

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

	2022/23 £000	2021/22 £000
Management fees	(5,428)	(6,431)
Performance fees	(107)	(79)
Transaction costs	(1,377)	(1,845)
Custody fees	(102)	(51)
	(7,014)	**(8,406)**

NOTE 10. INVESTMENT INCOME

The table below shows a breakdown of investment income.

	2022/23 £000	2021/22 £000
Pooled investments - unit trusts and other managed funds	22,386	8,037
Income from Alternative Investments	1,982	3,129
Interest on Cash Deposits	305	4
Other Investment Income	21	26
Total	**24,694**	**11,196**

NOTE 11. INVESTMENT STRATEGY

During 2022/23 the Fund's investment strategy had the following developments:

- In June 2022, the Fund had its first capital call from Alpha Real Capital and has since fulfilled the initial total commitment of £60m.
- In February 2023, the Pension Fund committee agreed a top up of 2.5% (£37m) into the Alpha Real Capital (Commercial Ground Rents) fund. This is due to be funded in May 2023.

In August 2015, the Fund made a commitment to the Partners Group Direct Infrastructure fund. As at 31 March 2023 €8.3m (£7.3m) still remained unfunded.

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 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 2023, the Fund had £908m invested with the London CIV, which accounts for 70.9% of the fund's total assets.

The market value and proportion of investments managed by each fund manager at 31 March 2023 was as follows:

	31 March 2023		31 March 2022	
	Market Value	Total	Market Value	Total
	£000	%	£000	%
Investments manager by the London CIV asset pool				
LGIM - MSCI Low Carbon (Passive)	399,782	31.3%	405,364	30.7%
Ruffer - Absolute Return (Active)	232,271	18.1%	270,935	20.5%
PIMCO - Global Bonds (Active)	90,078	7.0%	99,766	7.6%
Morgan Stanley - Global Sustain Fund	185,900	14.5%	188,554	14.3%
	908,031	**70.9%**	**964,619**	**73.1%**
Investments managed outside of the London CIV asset pool				
Darwin Alternatives - Leisure Fund	34,694	2.7%	32,582	2.5%
Alpha Real Capital - Ground Rents	55,930	4.4%	-	0.0%
Man Group - Affordable Housing	24,027	1.9%	18,231	1.4%
Oak Hill Advisers - Secured Income (Active)	65,179	5.1%	66,283	5.0%
Abrdn - Long Lease Property	54,545	4.3%	69,756	5.3%
Aviva - Private Infrastructure	25,965	2.0%	26,596	2.0%
Partners Group - Infrastructure	37,536	2.9%	45,468	3.4%
Partners Group - Multi Asset Private Credit	8,094	0.6%	7,986	0.6%
Invesco - Private Equity	-	0.0%	-	0.0%
Unigestion - Private Equity	30	0.0%	138	0.0%
Inhouse Cash - Cash	20,284	1.6%	32,111	2.4%
London CIV Ltd	150	0.0%	150	0.0%
NT Ultra Short Bond Fund	1	0.0%	1	0.0%
Abrdn - MSPC	46,209	3.6%	55,718	4.2%
	372,644	**29.1%**	**355,020**	**26.9%**
	1,280,675	**100.0%**	**1,319,639**	**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 2023		31 March 2022	
	Market Value	Total	Market Value	Total
	£000	%	£000	%
LGIM - MSCI Low Carbon (Passive)	399,782	31.2%	405,364	30.7%
Ruffer - Absolute Return (Active)	232,271	18.1%	270,935	20.5%
PIMCO - Global Bonds (Active)	90,078	7.0%	99,766	7.6%
Oak Hill Advisers - Secured Income (Active)	65,179	5.1%	66,283	5.0%
Morgan Stanley - Global Sustain Fund	185,900	14.5%	188,554	14.3%

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 2022/23

Fund Manager	Value at 1 April 2022 £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 2023 £000
Equities	150	-	-	-	**150**
Pooled equity investments	1,127,189	67,000	(74,963)	(1,088)	**1,118,138**
Pooled property investments	87,987	6,999	(1,998)	(14,416)	**78,572**
Private equity/infrastructure	72,202	28,261	(12,580)	(24,352)	**63,531**
Sub-total	**1,287,528**	**102,260**	**(89,541)**	**(39,856)**	**1,260,391**
Cash Deposits	32,104			152	**20,245**
Investment income due	7			-	**39**
Spot FX contracts	-			(115)	**-**
Totals	**1,319,639**	**102,260**	**(89,541)**	**(39,819)**	**1,280,675**

The equivalent analysis for 2021/22 is provided below:

Fund Manager	Value at 1 April 2021 £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 2022 £000
Equities	150	-	-	-	**150**
Pooled Investment Vehicles	1,081,786	32,000	(83,896)	97,299	**1,127,189**
Pooled property investments	61,162	24,598	(6,112)	8,339	**87,987**
Private equity/infrastructure	71,863	6,717	(16,321)	9,943	**72,202**
Sub-total	**1,214,961**	**63,315**	**(106,329)**	**115,581**	**1,287,528**
Cash Deposits	8			(1)	**32,104**
Investment income due	13			-	**7**
Spot FX contracts	-			5	**-**
Totals	**1,214,982**	**63,315**	**(106,329)**	**115,585**	**1,319,639**

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	Investment Manager	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled Investments - Equity funds UK and Overseas Managed Funds	LGIM – MSCI Low Carbon Ruffer – Absolute Return Fund Morgan Stanley – Global Sustain Fund	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	PIMCO – Global Bonds Oak Hill Advisors NT - Ultra Short Bond	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	Abrdn- Long Lease Property	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	Unigestion	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	Partners Group – Infrastructure Aviva Infrastructure	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

Illiquid Alternatives	Darwin Alternatives Man Group Alpha Real Abrdn – MSPC Partners - MSPC	Level 3	Valued by Fund Managers at the lower of cost and fair value.	In house evaluation of market data	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

Aviva Infrastructure

One of the LBHF Pension Fund's infrastructure investment managers, Aviva, were facing legal challenge from a former construction contractor relating to a contractual dispute on one of their biomass infrastructure projects.

Within the manager's financial statements at 31 December 2019, 31 December 2020, 31 December 2021, and 31 December 2022, fund management were unable to quantify the financial impact of the challenge, thus placing a degree of uncertainty on the value of the portfolio overall. As such the underlying accounts were qualified by the auditors.

The full and final value of the legal dispute has now been settled and with an additional amount of associated costs the total impact for the investment will be c.£46.7m.

On the 20th of June 2022, the committee voted to disinvest from the Aviva fund with the redemption documents being submitted prior to the 30th of June 2022 deadline for redemptions. The disinvested monies are anticipated to be received by LBHF Pension by the end of 2024 with the first tranche of redemption monies paid in January 2024. The carrying value of the total infrastructure portfolio in the LBHF Pension Fund is £26m.

Having carefully considered this fund's financial statements, audit opinion and LBHF Pension Fund's holding in the fund being under redemption procedure, officers do not consider that this could result in any material uncertainty in the context of LBHF's total pension fund value. This is because the maximum value of the claims lodged are approximately 3% of the total portfolio value of the underlying Aviva fund and officers do not consider that there will be any further legal challenge/ claims that could result in a material uncertainty both in terms of containment within this particular investment and disclosures in the wider financial statements.

Cash Classification

For the Fund, cash at custodian is simply a sweep from the custodian into a nominated Money Market Fund and an overnight rate paid. The full cash amount needs to be available for potential investment/withdrawal the next morning and is purely there to service investment and payment of pensions. It is therefore understood that this cash should be amortised cost. It is however not correct to assume cash would always be amortised cost. When an investment committee has taken an active decision to hold cash as part of its asset allocation and invests in a liquidity fund there would almost certainly be duration and variable NAV, in this circumstance we would expect the IFRS9 treatment to be Fair Value at Profit and Loss.

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 2023			31 March 2022		
	Quoted Market Price	Using observable inputs	With significant unobservable inputs	Quoted Market Price	Using observable inputs	With significant unobservable inputs
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	£000	£000	£000	£000	£000	£000
Financial Assets						
Designated at fair value through profit and loss	-	1,027,756	232,635	-	1,100,659	186,869
Total Financial Assets	**-**	**1,027,756**	**232,635**	**-**	**1,100,659**	**186,869**
Financial Liabilities						
Designated at fair value through profit and loss	-	-	-			
Total Financial Liabilities	**-**	**-**	**-**	**-**	**-**	**-**
Net Financial Assets	**-**	**1,027,756**	**232,635**	**-**	**1,100,659**	**186,869**
			1,260,391			**1,287,528**

NOTE 14b. TRANSFERS BETWEEN LEVELS 1 AND 2

In 2022/23, 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 2022 £000	Transfers in/out of Level 3	Purchases £000	Sales £000	Unrealised gains / (losses) £000	Realised gains / (losses) £000	Market Value as at 31 March 2023 £000
Overseas venture capital	45,607	-	3,261	(10,782)	(696)	176	37,566
UK Infrastructure	26,596	-	-	-	(631)	-	25,965
UK Venture Capital	26,216	-	66,942	(3,900)	(1,206)	-	88,052
London LGPS CIV	150	-	-	-	-	-	150
Private Credit Funds	55,718	-	-	(1,387)	(8,122)	-	46,209
Overseas Equity Funds	32,582	(32,000)	-	-	(582)	-	(0)
UK Equity Funds	-	32,000	-	-	2,694	-	34,694
Total	**186,869**	**-**	**70,203**	**(16,069)**	**(8,543)**	**176**	**232,635**

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. The potential impact on the reported valuations as at 31 March 2023 has been estimated to be accurate within the following ranges:

			£000	£000	£000
Aviva - Private Infrastructure	6.90%	7.80%	25,965	27,757	23,940
Partners Group - Infrastructure	8.73%	8.73%	37,536	40,813	34,259
Partners Group - Multi Asset Private Credit	9.73%	9.73%	8,094	8,882	7,306
Darwin Alternatives - Leisure Fund	7.90%	6.90%	34,694	37,435	32,300
Abrdn MSPC	3.28%	3.28%	46,209	47,725	44,693
Alpha Real Capital - Ground Rents	10.10%	8.00%	55,930	61,579	51,456
Man Group - Affordable Housing	9.50%	8.80%	24,027	26,310	21,913
Total			**232,455**	**250,499**	**215,867**

*Three assets (totalling £0.180m) have been excluded from this note due to immateriality.

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 2023			31 March 2022		
	Designated at fair value through profit & loss	Financial assets at amortised cost	Financial Liabilities at amortised cost	Designated at fair value through profit & loss	Financial assets at amortised cost	Financial Liabilities at amortised cost
	£000	£000	£000	£000	£000	£000
FINANCIAL ASSETS						
Index Linked Securities						
Pooled Investment Vehicles:						
UK equity funds	817,953	-	-	864,853	-	-
UK fixed income fund	144,382	-	-	163,471	-	-
UK property fund	113,266	-	-	120,569	-	-
UK infrastructure	81,895	-	-	26,596	-	-
Overseas fixed income fund	65,179	-	-	66,283	-	-
Overseas infrastructure	37,536	-	-	45,468	-	-
Overseas venture capital	30	-	-	138	-	-
London LGPS CIV	150	-	-	150	-	-
Investment income due	-	39	-	-	6	-
Cash deposits with managers	-	20,245	-	-	32,105	-
Debtors	-	3,911	-	-	4,525	-
Cash balances (held by fund)	-	7,836	-	-	2,867	-
	1,260,391	32,031	-	1,287,528	39,503	-
FINANCIAL LIABILITIES						
Creditors	-	-	(1,979)	-	-	(2,118)
	-	-	(1,979)	-	-	(2,118)
GRAND TOTALS	**1,260,391**	**32,031**	**(1,979)**	**1,287,528**	**39,503**	**(2,118)**
			1,290,443			**1,324,913**

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.

	31 March 2023	31 March 2022
	£000	£000
Financial Assets		
Fair value through profit and loss	(39,856)	115,581
Loans and receivables	152	5
Financial Liabilities		
Fair value through profit and loss	(115)	(1)
	(39,819)	**115,585**

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

a) Market Risk
Market risk is the risk of loss emanating from general market fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk across all its investment activities. To manage excessive volatility in market risk, 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 Pension Fund Committee and is reviewed on a regular basis.

On 24 February 2022, Russia invaded Ukraine, a severe escalation in the conflict which had been ongoing since 2014. Subsequently, numerous global powers implemented sanctions against major Russian banks and financial institutions, including freezing of overseas assets and removing access to SWIFT international payments. The Pension Fund can report that as at 31 March 2023, the value of investments in Russia or Ukraine is immaterial.

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 9.25% higher or 9.25% lower.

Assets exposed to price risk

	Value	Price Risk	Positive increase	Negative increase
	£000		£000	£000
At 31st March 2023	1,288,511	9.3%	1,407,552	1,169,170
At 31st March 2022	1,322,506	9.4%	1,447,181	1,197,831

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 2023 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 2023	328,483	318,649	344,299
At 31st March 2022	341,107	331,880	348,737

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	Currency Risk	Positive increase	Negative increase
	£000		£000	£000
At 31st March 2023	676,661	7.2%	725,540	627,782
At 31st March 2022	739,360	6.8%	789,358	689,363

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 16.8% of the Fund's Net Assets at 31 March 2023 (13.2% at 31 March 2022). The remaining assets can all be liquidated within days.

Manager	**Portfolio**	**31 March 2023**	**31 March 2022**
		£000	**£000**
Standard Life	Property	54,545	69,756
Partners Group	Infrastructure	37,536	45,468
Partners Group	Multi Asset Credit	8,094	7,986
Invesco	Private Equity	-	-
Unigestion	Private Equity	30	138
Darwin Alternatives	Illiquid Alternatives	34,694	32,582
Alpha Real Capital	Ground Rents	55,930	-
Man Group	Property	24,027	18,231
		214,856	**174,161**

NOTE 17. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

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

	31 March 2023 £000	**31 March 2022 £000**
Alpha Real Capital	37,000	60,000
Man Group - Affordable Housing	8,013	9,969
Partners Group Direct Infrastructure Fund 2015	7,320	10,193
	52,333	**80,162**

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 2019 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 29 January 2020. This valuation set the employer contribution rates from 1 April 2020 through to 31 March 2023.

The 2019 valuation certified a common contribution rate of 17.4% of pensionable pay (15.5% as at March 2016) to be paid by each employing body participating in the Fund, based on a funding level of 97% (88% as at March 2016). 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 2019 was £1,043m (£851m 2016) and the actuary assessed the present value of the funded obligation at £1,079m indicating a net liability of £35m (£965m 2016).

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
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 2019. The next actuarial valuation of the Fund was carried out by the Fund's actuary Hyman's Robertson as at 31 March 2022 and will set contribution rates for the period 1 April 2023 to 31 March 2026. The 2022 Triennial valuation has now been signed off and is publicly available.

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 19 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.

NOTE 18a. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

The table below shows the total net liability of the Fund as at 31 March 2023. The figures have been prepared by Hymans Robertson, the Fund's actuary, only for the purposes of providing the information required by IAS26. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

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

	31 March 2023	31 March 2022
	£000	£000
Present Value of Promised Retirement Benefits*	(1,339)	(1,808)
Fair Value of Scheme Assets (bid value)	1,290	1,325
Net Liability	(49)	(483)

The assumptions applied by the actuary are set out below:

Financial Assumptions	31 March 2023	31 March 2022
	£000	£000
Salary increases	4.00%	4.20%
Pension increases	3.00%	3.20%
Discount Rate	4.75%	2.70%

Demographic Assumptions

The longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 10% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

Life Expectancy from age 65		**31 March 2023**	**31 March 2022**
Retiring today	Males	21.8	22.1
	Females	24.5	24.7
Retiring in 20 years	Males	22.8	23.2
	Females	25.8	26.1

NOTE 19. CURRENT ASSETS

Debtors	**31 March 2023 £000**	**31 March 2022 £000**
Contributions due - employers	1,627	1,620
Contributions due - employees	678	704
London Borough of Hammersmith and Fulham	50	96
Sundry Debtors	1,556	2,105
	3,911	**4,525**

Analysis of debtors	**31 March 2023 £000**	**31 March 2022 £000**
Local authorities	50	96
Other entities and individuals	3,393	4,087
Central Government	468	342
	3,911	**4,525**

NOTE 20. CURRENT LIABILITIES

Creditors	**31 March 2023 £000**	**31 March 2022 £000**
Unpaid Benefits	(659)	(562)
Management Expenses	(901)	(843)
Sundry creditors	(419)	(713)
	(1,979)	**(2,118)**

Analysis of creditors	**31 March 2023 £000**	**31 March 2022 £000**
Other entities and individuals	(1,979)	(2,118)
	(1,979)	**(2,118)**

NOTE 21. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

The Fund’s AVC providers are Scottish Widows Workplace Savings and Utmost Life and Pensions. AVCs are invested separately from the Pension Fund and their valuations are shown in the table below.

Scottish Widows Workplace Savings	31 March 2023 £000	31 March 2022 £000
Market Value at 31st March	857	917
Contributions during the year	7	11
Utmost Life and Pensions		
Market Value at 31st March	154	176

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 £0.777m in 2022/23 (£0.637m in 2021/22) in relation to the administration of the Fund and were reimbursed by the Fund for the expenses. The Council made £18.7m of contributions in year (£20.9m in 2021/22).

The Pension Fund's accounting and governance management is carried out through a shared service with Westminster City Council. Westminster City Council incurred costs of £0.183m in 2022/23 (£0.174m in 2021/22) in relation to the accounting and governance of the Fund and were reimbursed for the expense.

Key management personnel

The key management personnel of the Fund are the Members of the Pension Fund Committee, the Strategic Director of Finance and Governance (from May 2020, the Director of Finance), the Tri-Borough Director of Treasury and Pensions and the Director of Corporate Services (from May 2020, the Director of Resources). Total remuneration payable to key management personnel in respect of the pension fund is set out below:

	31 March 2023 £000	31 March 2022 £000
Short-term benefits	30	32
Post-employment Benefits	(179)	(30)
	(149)	**2**

NOTE 23. EXTERNAL AUDIT COSTS

The external audit fee payable to Fund's external auditors, Grant Thornton LLP, was £36,556 (£33,000 in 2021/22).

Draft Annual Governance Statement 2022/23

1.0 Introduction

Hammersmith & Fulham is a wonderful place in which to live, work and do business. The borough has recovered well from the disastrous effects of the global pandemic. But this year, many residents and local businesses have faced hardship and worry from the significant rise in everyday costs, with high inflation, rising interest rates and the fastest acceleration of food prices in 45 years.

Our urgent priority has been to support residents hit hardest by the cost-of-living crisis. Whilst government support for energy bills was welcome, these measures did not go far enough, forcing many residents to reach out for support for basic essentials such as food, clothing, and heating their homes.

Over the past year, we have brought people together to rise to the challenges of the time and build a stronger, safer and kinder borough for everyone. We have responded with urgency to the cost-of-living crisis, in keeping with our commitment to be a compassionate council. We have moved to ensure support is available to vulnerable residents, and to those who find themselves and their families needing support – perhaps for the first time.

Our dedicated Cost-of-Living Advice Team has provided support to thousands of residents. We have supported residents by delivering welcome warm spaces, and funding for foodbank and fuel voucher support. And we have continued to support families by providing free breakfasts to every primary school child in the borough and free homecare, the only local authority to do this. But we know the crisis is unlikely to abate in the near future - and support will need to be available for the year ahead. We have forged a Cost-of-Living Alliance with local partners and stakeholders, many from the excellent local voluntary and community sector, to continue to work together in helping residents and businesses through the crisis.

Our residents and businesses deserve high-quality services from the Council on which they can rely. In line with our commitment to Ruthless Financial Efficiency, we manage our finances responsibly and compassionately, but also effectively. We will keep listening and working with residents in the pursuit of progress – responding to local, national and international challenges which affect us all.

Our vision for the borough is ambitious and it is therefore essential that our local residents, businesses, service users, suppliers and partners all have confidence in our governance arrangements and the way we fully account for the money we receive and how we spend it. Our ways of working enable us to provide the right services and responses effectively, efficiently and consistently – supporting us to take informed, transparent and lawful decisions.

Our vision is underpinned by six values that inform how H&F operates:

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

In recent years, we have a fantastic record of keeping council tax and charges to residents' low. However, in 2022/23, we have faced some of the most difficult financial circumstances the Council has faced, with central government funding cut by £48m between 2010-11 and 2023-24.
We have had little choice but to raise council tax by 2.99% for 2023/24, as the majority of local authorities have done during this period of extreme financial pressure. This will ensure that we continue to provide and support essential services for residents at this time.

Our delivery is set in the context of major negative impacts of:

- 56% cut in government funding between 2010/11 to 2023/24 and an increase in our costs due to the effects of inflation and high interest rates.
- Climate change, global warming and extreme weather events.
- Devastation of Russia's illegal war in Ukraine – with impacts which continue to be felt globally.
- Significant increases in fuel and energy costs leading to higher levels of fuel poverty and the cost-of-living crisis.

Our Annual Governance Statement (AGS) demonstrates how we continually prioritise strong governance arrangements, ensuring robust and accountable delivery toward the priorities of local residents, service users and businesses. We do this by co-producing services and policies with residents, service users and partners, and upholding high standards of conduct and behaviour. H&F has clear policies in place to define standards of behaviour for members and staff. Proactive risk and assurance management arrangements are central to our governance approach and the efficient delivery of our key objectives.

2.0 Hammersmith & Fulham's (H&F) corporate governance responsibilities

H&Fs corporate governance arrangements aim to ensure we uphold our values and do the right things for residents through effective processes and controls; being timely, inclusive, open, honest and accountable in the way we act. This includes ensuring we conduct our business in accordance with the law and to proper standards, and that public money is properly accounted for and used effectively.

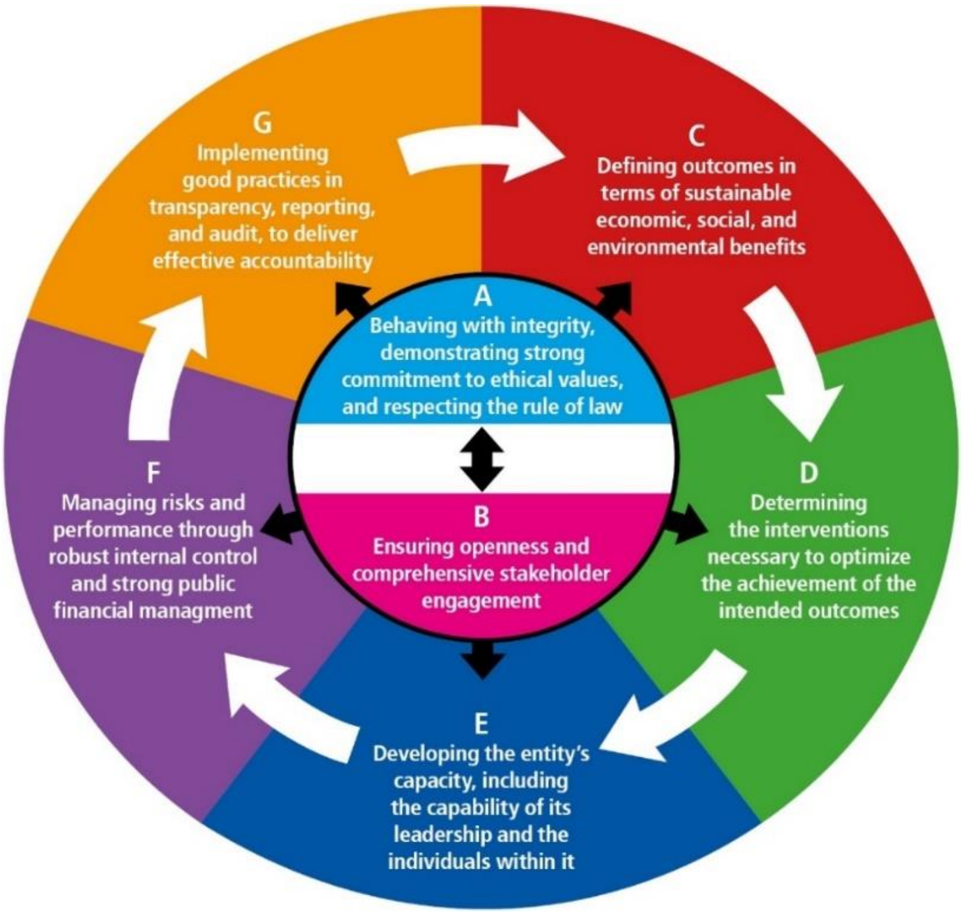
The AGS has been prepared in accordance with guidance and principles produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE), the 'Delivering Good Governance in Local Government Framework'. The main, underpinning principle of the framework is that local authorities must shape their own approach to governance, seeking to deliver sustainable economic, social and environmental outcomes. The framework is intended to assist authorities in reviewing and accounting for their own unique approach, incorporating agreed policy, accountability and decision-making which is sound and inclusive. It embraces the elements of internal control required by the 'Code of Practice on Local Authority Accounting in the United Kingdom'.

The CIPFA Financial Management Code (FM Code) was introduced in October 2019 as the first professional code for general financial management in local authorities. The FM Code provides guidance for good and sustainable financial management and compliance, and also provides assurance that resources are being managed effectively. Compliance with the FM Code helps to strengthen the framework that surrounds financial decision making at H&F.

3.0 What this Statement tells you

The AGS describes how H&F has, for the year ended 31 March 2023, complied with its Governance Code and the requirements of the Accounts and Audit Regulations 2015. 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 2023/24.

The following diagram provides a summary of information on the areas that the AGS has considered in accordance with the CIPFA/ SOLACE 'Delivering Good Governance in Local Government Framework' principles.



4.0 The governance framework

The governance framework at H&F 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 we improve the way we provide services, it is important that the governance arrangements are robust and flexible enough to manage this.

A detailed overview of our governance framework is provided at Appendix A. In summary, it includes:

- **H&F's Constitution** – This sets out how H&F operates, how decisions are made and the procedures for ensuring that we are efficient, transparent, and accountable to residents. It sets out the functions of statutory officers and explains their role in ensuring statutory obligations are met. The Constitution outlines the basic rules governing H&F's business. It also contains the rules, protocols and codes of practice under which H&F, its Members and officers operate. We continue to monitor and, where necessary, amend the constitution.

The Member code of conduct was reviewed in 2021/22. H&F has a Code of Conduct for employees and a whistleblowing policy, which are reviewed periodically. These policies and associated practices set out expectations for officers and Members to behave with integrity and H&Fs strong commitment to ethical values and rule of law. All policies are available on the Council's intranet and easily accessible to staff. H&Fs annual appraisal process asks staff to re-affirm they have no conflicts of interest and that they are familiar with the council's code of conduct and behaviours framework, with links to the relevant policies and guidance provided.

- **Local Code of Corporate Governance** – This identifies our principles of good governance and the structures, systems and processes that we have established for good governance. This can be found within the H&F Constitution.

- **Scrutiny** – Full Council established the new Policy and Oversight Board in May 2022, with a purpose to oversee H&F's overview and scrutiny function, which is delivered through six Policy and Accountability Committees (PACs), covering all of our major service areas. The Policy and Oversight Board and PACs are part of our commitment to public engagement and working with residents in developing policy and strengthening H&F's decision-making process.

- **Risk management framework** – This is fundamental to H&F's 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 requires the risks to be managed efficiently, effectively and economically. The corporate risk register is reviewed quarterly and challenged by senior management and the Audit Committee. The corporate risk register was reviewed during 2022/23, with the number of corporate risks recorded being reduced. This was in line with a recommendation made by the external auditor as part of their Value for Money conclusion work.

The Strategic Leadership Team (SLT) has a regular focus on departmental risks to ensure the right risks are recorded and tracked in the corporate register. Thematic or programme risk registers are created in respect of emerging risk areas. In 2022/23, this included important areas such as the cost-of-living crisis, increasing inflation and economic uncertainty, enhancing H&F's cyber security resilience, and its preparedness for severe weather and terrorist incidents. The invasion of Ukraine towards the end of 2022/23 continued to impact on some risks, including economy/ supply chain and cyber security.

- **Audit and external inspection assurances** – H&F is externally audited. The Internal Audit service is also a key means of assurance and reviews the adequacy of the controls throughout all areas of H&F. Council services are also subject to statutory external inspections.

- **Strategic leadership and assurance** - H&F's most senior management team is the SLT, made up of the Chief Executive (who is the Head of the Paid Service and appointed by Full Council) and six departmental Directors. Each Director has key areas of responsibility, but together they are jointly responsible (under the Chief Executive) for turning priorities set by the Cabinet into operational policy. Over the past 12 months, the Chief Executive, SLT and elected members have continued to meet to build assurance capability of H&F, providing leadership on standards, expectations and strengthening assurance regimes, ways of working and approaches. This has been done through management boards and regular thematic SLT meetings focussed on business, assurance and finance issues. SLT is supported by the Statutory Accountabilities Board (SAB) made up of the statutory officers of the Council (Head of Paid Service, Section 151 Officer, Monitoring Officer, Director of Children's Services, Director of Adult Social Care and Director of Public Health). It provides management arrangements to allow the statutory officers to work together to ensure that corporately there are appropriate and coordinated governance arrangements in place for the effective delivery of statutory functions. The responsibilities of the statutory officers are also outlined in H&Fs constitution.

- **Commissioning and procurement of goods and services** - The effective commissioning and procurement of goods, works and services is of strategic importance to our operations, while contract management helps to provide value for money and ensure that outcomes and outputs are delivered. Contract Standing Orders form part of H&F's Constitution. A new sourcing strategy is now in place to enhance how we manage our procurement, our forward planning and how we secure added value including social value and good environmental impacts. A new procurement and commercial function has been developed to support our objectives.

The boards, committees and structure set out above provide significant assurance and opportunities to audit, scrutinise and challenge H&F’s operations.

5.0 Effectiveness of H&F’s governance arrangements

The systems and processes that comprise H&F’s governance arrangements have been evaluated for effectiveness for 2022/23 and are described in this section.

Financial management

There continues to be robust arrangements for effective financial control through our accounting procedures, key financial systems, the Financial Regulations, and audit arrangements. These include established budget planning procedures, which are subject to risk assessment, and periodic budget monitoring reports to members. Our Treasury Management arrangements, whereby H&F invests and borrows funds to meet its operating requirements, follow professional practice and are subject to regular review and scrutiny by the Audit Committee. During the year, dedicated monthly Finance SLT meetings provided oversight of financial planning, management and reporting against our major programmes and projects.
To meet the long-term reduction in grants from central government, rising inflation and interest rates, alongside the wider impact of the cost-of-living crisis, our value of being ruthlessly financially efficient is helping to drive efficiency in our services, whilst maintaining our commitment to the most vulnerable and being a compassionate council. This has looked at all areas of our work, considering different ways of delivering services and working more effectively. The Medium-Term Financial Strategy (MTFS) sets out a strategic approach to meeting the financial challenges we face.

External audit

H&F’s external auditors have statutory powers and responsibilities. They are required to review and report on H&F’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 H&F’s use of resources. This is commonly known as the value for money conclusion. Recommendations arising from these reviews are reported to the Audit Committee and implementation is monitored and reported.

The Audit Committee

The Audit Committee has a standing brief to review the effectiveness of risk management arrangements, the internal control environment and associated anti-fraud and corruption arrangements. It does this through, amongst other things, overseeing the work of Internal Audit, the Corporate Anti-Fraud Service and External Audit and by reviewing our Corporate Risk Register. The last review of the effectiveness of the system of internal audit showed that the internal audit service is fully compliant with Public Sector Internal Audit Standards. The next external assessment is due to be completed in early 2023/24, with the outcome to be reported to the Audit Committee.

Doings things with residents

H&F and its partners have comprehensive arrangements for identifying and prioritising residents’ needs. Our annual budget and MTFS were robustly developed through a series of officer and councillor challenge events, including public scrutiny and review by the Policy and Oversight Board and PACs.

Resident-led commissions have been central to our value to do things with residents, not to them. We have commissioned numerous resident-led commissions to put residents at the heart of policy development on a wide variety of topics, and many of their recommendations have been put into action. 2022/23 saw the implementation of two Resident Commissions that reported in 2021/22; the Parks Commission, with work underway on the development of a new parks strategy to enhance the vision, strategy and management of parks and open spaces; and the Arts Commission, with a new Cultural Strategy under development.

We are ambitious to be the country’s leading borough for co-production, expanding co-production across council departments and services so that residents are fully involved from the earliest stage in shaping the services that affect their lives. This includes co-producing a new digital inclusion strategy and a new vision for independent living. We also continue to work closely with the Disabled Residents team to ensure the new Civic Campus is the most inclusive and accessible space, for all to enjoy.

Business and change planning and performance management

In 2022/23, Cabinet agreed Business Objectives for progress or delivery in 2022/23. The objectives responded to the Administration’s manifesto pledges following the local election in May 2022 and business priorities, identifying key outcomes for H&F in terms of sustainable economic, social and environmental benefits, with robust performance reporting to SLT and Cabinet members. The Business Objectives plan set out an intention to develop a longer-term plan in 2023/24.

The shorter-term ambitions in the Business Objectives plan formed part of a much wider programme of statutory delivery, policy development, business planning and change and transformation activities in the Council.

The Council has established arrangements for the management of its objectives and optimising the achievement of intended outcomes. Key decisions consider alternative options for achieving the desired sustainable economic, social and environmental outcomes and the preferred option to meet the future needs of residents and the community within the funding available. Standard project, programme and service management practices inform the planning and delivery of activities.

A corporate performance framework has been in place throughout 2022/23, with quarterly performance reports to SLT and Cabinet members, and beneath this, departmental and service performance frameworks. These reports, plans and frameworks, together with associated management arrangements, enable the Council to review data on delivery progress against the agreed performance objectives and intended outcomes. Progress against the Business Objectives in 2022/23 has also been reported on a six-monthly basis.

SLT and Cabinet members have continued to have close oversight of H&F's major change and transformation activities. Monthly Finance SLT meetings agree business cases and assure delivery of a portfolio of major projects and programmes. The Development Board has oversight of major development and regeneration schemes that are delivering a significant pipeline of affordable housing. These arrangements are supported through regular monitoring of capital programmes and through project and programme level governance.

Children's Services

H&F has continued to build on the strong outcomes of the 2019 inspection of social care and the January 2022 focused visit of the Front Door; seeking continuous development and improvement as reflected in our Self-Assessment which was discussed with Ofsted Her Majesty's Inspectors (HMI) leads, in November 2022. A full inspection is expected every three years of an authority graded Good. As Ofsted are running about 12 months behind due to the pandemic, we anticipate a full inspection in late 2023 or early 2024.

The quality of Children's Services practice was recognised and celebrated in our Youth Justice inspection in July 2022 where we received an Outstanding rating by Her Majesty's Inspectorate of Prisons (HMIP). The Chief Inspector described the service as, "a dedicated, capable and confident service where children have every opportunity to move away from crime. We were impressed with how staff at the service work with children under their supervision, and their parents or carers, to understand their circumstances and drive them toward positive futures." We have subsequently had our annual education and children social care conversations with Ofsted. Discussions were positive and highlighted our continued strengths, and our ability to identify and respond to challenges quickly.

Performance reports show high practice standards being sustained, including the timeliness of assessments and supervision, with further reporting developments demonstrating increased oversight from child protection Chairs and Independent Reviewing Officers. We have a continued programme of quality assurance with internal and external audits, and thematic reviews to support H&F's continuous improvement agenda.

As of April 2023, 100% of schools in the borough were rated good or outstanding. This has been delivered through positive work by the schools themselves, and supported by effective advice and guidance from the School Effectiveness team. During the last year we have seen four schools improve their grading from requires improvement or inadequate, to good.

Some challenges have been faced across the service, including Placements Sufficiency, which is a national issue, especially in local foster care and specialist placements providing complex support. We are working with the Commissioning Alliance to build market options and refreshing our fostering recruitment strategy, as part of our Fostering Review. Other national challenges include the recruitment of Social Workers and Occupational Therapists, where we have experienced impact to service delivery and continue to monitor potential future risks.

Finance processes within Children's Services continues to be reviewed to improve and assure authorisation processes and robust audits. Children's Leadership Team (CLT) regularly horizon scan for policy and legislation changes, new ideas and opportunities that may influence or change the way we deliver services. In line with this, the risk register is regularly reviewed and updated, with risks added and removed as needed, for example, trees in schools, in order to manage current and future risks.

Children's Services has worked to develop and embed strong governance with partners through many different boards and strategies. These boards include:

- The H&F Local Safeguarding Children Partnership (LSCP)
- Corporate Parenting Board (CPB)
- The Children's Education, Health and Social Care Board (CHESC)
- Special Educational Needs and Disabilities (SEND) Delivery Group
- The High Needs Block (HNB) Board
- The Early Intervention Steering Group.

These boards are multi-agency or cross council partnerships providing accountability and oversight of Children's priorities. For example, performance of the SEND transformation programme has been monitored by the HNB Board and reported to the Department for Education (DfE) on a quarterly basis as part of the Safety Valve Agreement. To date £17.5m of the £20.5m funding allocation has been released by the DfE following delivery against the agreed programme and milestones. The 2023/24 allocation of £3m has also been released in advance, in recognition of our achievements with regards to the targets in our Safety Valve agreement.

Our robust commissioning approach ensures we understand the needs of our community and we use data and feedback to inform our strategies and service developments. Working effectively in partnership with finance, Children's Services has achieved a balanced budget for a third year running, despite increasing demand for our services. This has been achieved whilst continuing to strengthen our financial standing, working hard to mitigate and prioritise statutory services, including investing in services despite an extremely challenging economic situation.

Adult Social Care and Public Health

In 2022/23, the Care Quality Commission (CQC) inspections of adult service providers visited our provided services. The in-house Reablement Service and Rivercourt respite services both achieved an outstanding rating for the last three years. Planning is ongoing for a CQC inspection of Adult Social Care in 2023 which will include lessons learned from an internal mock inspection held in November 2022. An external inspector will undertake a second mock inspection, scheduled for May 2023. The official inspection will ultimately take place anytime from September 2023 onwards. It is also likely to link to CQC inspections of partners in our borough-based partnership, across Health and Social Care.

Adult Social Care and Public Health have continued to respond strongly to the lessons learned from the pandemic and have safeguarded our residents well. Strong governance was put in place throughout the pandemic. This included daily monitoring calls with social care providers with rapid and active management of Covid-19 outbreaks in care and nursing homes, in line with Public Health England guidance. Care homes remain subject to guidelines to help stop the spread of the virus going forward. A specialist infection control advisor continues to support our commissioned providers to manage infection control and any outbreaks of Covid-19 going forward.

We are in the process of re-procuring home care packages of up to 100,000 hours, to increase choice and drive up quality alongside the development of a joint workforce plan with the National Health Service (NHS) to create a career structure, with a view to attract local residents.

The Hammersmith and Fulham Health & Care Partnership (HCP) is now in its second year, jointly chaired by the Council and NHS. Good progress is being made on the campaigns, the relationships are maturing and lots of work has happened to agree priorities across North-West London.

We continued to embed co-production across services, ensuring continued resident involvement in policy development and decisions. This has involved working with residents on the Emlyn Gardens and Minterne Gardens supported housing development for people with learning disabilities, and with Dementia Action Alliance in the co-production of our Dementia Strategy. Weekly performance reporting has maintained high standards of service delivery despite increased referral and hospital discharge numbers, whilst an electronic audit tool has been implemented to ensure good, relevant and responsive social care practice in all areas.

Housing

We have experienced significant issues in relation to complaints handling, primarily in respect of our Housing Repairs Service. This has resulted in delays to complaint responses and cases escalating to the Housing Ombudsman. We have received a high percentage of maladministration findings, and five cases where findings of severe maladministration have been made.

Improving our Repairs Service and related complaints handling is a key priority for H&F, and a significant amount of work has been completed to review processes with our contractors to ensure timely responses and resolution to complaints. This remains a key focus for H&F and there remains work to be completed to ensure that we are responding on time, and that repairs are resolved at the earliest opportunity. We are still encountering delays with responses from our contractors, which in turn delays our turnaround in responses to residents, and completion of works. Improvements have been delivered in compliance with the Housing Ombudsman's complaint handling code. Our most recent self-assessment, which has been presented to Members, can be found here. This self-assessment is currently being further updated and reviewed (ahead of the annual assessment) and once complete this will again be reported to Members.

In addition, the housing service was facing considerable financial pressures relating to the national economic conditions from September 2022. This resulted in significant cost pressures and the mitigations and recovery actions that were implemented are set out in more detail in Tables 1 and 2.

Workforce resilience

H&F's people strategy supports our vision to have the best workforce in local government, and to have a reputation as the best council to work for. The workforce is one of our greatest assets and 'Our People' is a strategy setting out a clear commitment to create an inclusive, confident, capable, and creative workforce to deliver our Vision. The strategy invests in initiatives and practices which will attract, grow and retain talent and increase productivity.

New staff are supported through an induction programme, which is communicated via the Council's Intranet. Ongoing identification of development needs for staff, including senior officers, is provided through the performance appraisal framework and the Council has various programmes and training offers in place to meet those needs including People Management Essentials. Member induction and training is coordinated by Governance Services.

The health, safety and wellbeing of staff remain a priority alongside equity, diversity and inclusion. Our aim is to be the most inclusive borough, and with this aim we are delivering actions identified in H&F's Equality Action Plan. Our Race Equality groups are firmly embedded across H&F - reaching both our workforce and our residents. We have introduced a number of staff diversity networks under the umbrella of 'The H&F Way' with co-production continuing to be a focus. During 2022, we won the London Councils Best Contribution by a New Apprentice and the Race Equality Matters (REM) Trailblazer Award for our Tea break Tuesday initiative. This year, we have won several awards and have been shortlisted for an LGC award for our Diversity and Inclusion Programme 2023.

In terms of ensuring a capable and creative workforce, The H&F Academy aims to develop inclusive employment pathways for our residents, and internal development and progression for our workforce with a focus on skills for future resilience. The H&F Academy consists of apprenticeships, inclusive apprenticeships, supported interns, work experience opportunities, promoting the achievement of Care Experienced residents (focused on our work with care leavers), and our Get Ahead Programme, which promotes internal staff progression and development opportunities.

Additionally, we are investing in a number of initiatives to ensure we can remain competitive in a challenging marketplace. With a tight labour market, attracting the best talent is more important than ever, and ensuring that we have a diverse and inclusive recruitment process puts us in the best place to do this. We've signed up to and are accredited with a number of key charters and partner organisations to support our inclusive recruitment and retention strategies. Most recently we have joined Timewise (an accreditation to demonstrate that we are a fair and flexible employer) and we've pledged our commitment to the Age Friendly Employer Pledge, as we recognise the value of older workers. We're also members of the Opening Doors Campaign and Race at Work Charter, demonstrating our commitment to removing barriers to recruitment from disadvantaged groups and reach out to untapped talent and a more diverse talent pool.

To help address the challenges faced with the recruitment of Social Workers, we're partnering with the London Innovation and Improvement Alliance, supporting London to recruit Social Workers. We are also working in partnership with other boroughs and educational establishments to develop innovative approaches to address attraction and retention of 'hard to fill roles' such as, but not limited to, Environmental Health, Regulatory Compliance, Trading Standards and Planning.

H&F has maintained a focus on workforce planning, workforce effectiveness, and staff wellbeing and resilience in 2022/23. Workforce resilience remains strong despite the turbulence of the marketplace, and we continue to closely monitor our position. We continue to measure our performance through staff engagement, regular communications strategies and benchmarking against key metrics.

H&F has worked closely with Trade Unions and has established regular forums to develop partnership working and a collaborative approach to resolving workforce matters, resulting in a highly commended award during 2022, and shortlisted finalists in 2023.

Control systems and environment

H&F'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 H&F and includes significant work on the main financial and information management systems, corporate programmes and partnerships.

Based upon the programme of work for 2022/23, the Director of Audit, Fraud, Risk and Insurance's opinion on H&F's control environment, governance arrangements and risk management arrangements is that they are satisfactory. Whilst some areas of improvement have been identified and reported to the Audit Committee, good progress has been made to implement recommendations in a timely manner, with no significant issues outstanding.

From 2021/22, the service moved to a '3 plus 9' annual audit plan – setting out the next three months of audit activity in detail, keeping the remaining nine months more flexible. Regular conversations, reviews of risk registers, and scanning the external risk environment has enabled audit work to keep pace with the organisation.

H&F 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 Committee receives regular updates on our anti-fraud and corruption arrangements, including how it is responding to emerging fraud risks.

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. The statements received in this regard generally indicated that management systems were viewed as effective or very effective, with actions being implemented in specific areas where the need for improvement in controls had been identified.

The Head of Paid Service is the Chief Executive. They have overall corporate management and operational responsibility for the Council. They are supported in this responsibility through the operation and business of SLT, which meets weekly. They also provide professional advice to members in the decision-making process in line with the Constitution. The Head of Paid Service and Monitoring Officer have ensured in 2022/23 that records of the Council's decisions are kept and published. The Head of Paid Service has had an active role in this year representing the Council interests on various local, sub-regional and regional partnerships and external bodies. The Head of Paid Service oversees the Chief Executive's Office, which provides day to day support for the effective discharge of their function.

The Director of Finance is responsible for the proper administration of H&F's financial affairs, as required by Section 151 of the Local Government Act 1972, and H&F'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).

H&F 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 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 is a member of SLT. They maintained the Constitution in this year, which was agreed at Full Council and oversaw the receiving and registering of Members' interests. The Monitoring Officer was supported in the discharge of their responsibilities through the work and responsibilities of H&Fs Legal Services and Democratic Services. Legal Services provide legal implications on all Executive decisions. The Monitoring Officer and Legal Services are regularly consulted for advice as part of the Council's day to day business and are represented on key governance groups.

The Monitoring Officer has a 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. H&F's Legal Services has advised on all H&F's legal matters during the year unless the Assistant Director for Legal Services has commissioned external legal advice.

However, the Monitoring Officer has noted the position regarding housing repairs and has taken action to hold the responsible officers to account in support of instructions given by the Chief Executive, to target priorities and ensure that appropriate resources and monitoring arrangements are more fully in place to facilitate service delivery and recognise the urgent need for service improvement for our tenants.

Managing information

Information governance policies and standards are in place which provide assurance about the security of our information assets and data handling procedures. Information Management requirements are considered as part of H&F's Key Decisions. The Senior Information Risk Owner is ultimately accountable for the assurance of information security at H&F. The Head of Information and Data Protection Officer monitors internal compliance and advises on data protection obligations as required under Article 39 of the GDPR. Caldicott Guardians are responsible for ensuring that health and social care information is managed appropriately, and that our annual Data Security and Protection Toolkit submission meets the required levels of compliance.

H&F has continued to meet the requirements of the General Data Protection Regulations (GDPR) and the Data Protection Act 2018 in 2022/23. Formal assessments of data privacy and security risk have been completed for projects involving personal data and to assess the security of applications and third-party connections to the H&F corporate network.

H&F's updated GDPR training programme is mandatory for all staff to ensure they are fully aware of legal responsibilities when handling personal data. A new National Cyber Security Centre (NCSC) training module 'staying safe online' has been added to the employee induction programme. Training is extended to Members to support their handling of personal data which is held either by H&F or shared directly by residents. All officers and Members sign an updated Personal Commitment Statement, outlining our expectations when using corporate devices or connecting to the corporate network.

H&F's Information Asset Register was updated in 2021 to provide greater transparency of information processes and satisfy the requirement for a Record of Processing Activity under the UK GDPR. In early 2022, a software solution to manage the information assets was procured, providing greater oversight of the information held. This further increases H&F's resilience to cyber security threats through enhanced risks assessments, data mapping and incident response capabilities. The register has been populated and has improved H&F's ability to comply with data protection law through the ability to produce a Record of Processing Activity.

H&F has implemented additional technical controls and cyber security solutions in 2022 to further protect H&F from the every-present cyber threat landscape that affects all organisations.

On 31st January 2023, H&F was advised that one of its external care service providers CareTech had suffered a ransomware attack. Digital Services took immediate action to block the providers email domains to prevent phishing messages originating from compromised CareTech systems. The National Crime Agency was contacted, and the Information Commissioners Office was notified of the breach due to the potential loss of personal data resulting from the incident. A review of files was undertaken by Children's Services, and Digital Services and appropriate action taken. Phase 1 of the CareTech incident has identified no personal data from H&F which has been compromised, however this investigation is ongoing.

On 3 April 2023, Capita plc announced that it had experienced a cyber incident which primarily impacted access to their internal Microsoft Office 365 applications. H&F was subsequently alerted to media reports that indicated there had been data loss from Capita systems and that the data is for sale on the dark web. Actions were taken to block Capita domains and to review any open ports or connections between H&F and Capita systems. Capita has assured H&F that no customer data was compromised in the incident.

H&F has continued to work with other London Boroughs and partners to produce pan-London data sharing agreements (DSA) to support joined-up working through the lawful sharing of personal data. This work is being led by the Information Governance for London (IGfL) group, supported by the London Office of Technology and Innovation (LOTI).

Significant issues in 2022/23

Table 1: Progress against significant issues for the year 2022/23

Response to Covid-19 pandemic Continuing close management and control of infection
In 2022/23, we gradually stood down our formal emergency planning structures and moved Covid-19 management into 'business as usual', regarding Covid-19 as a disease we now live with in society. It was accordingly removed from the corporate risk register in November 2022. During 2022/23, we continued to have close management and control of infection and monitoring of government guidelines. We had effective governance and control arrangements in place, including our Local Outbreak Management Plan, to ensure they could react to any changes in terms to infection rates. Over the year, we continued to monitor the threat of other infections, including Novo-virus, Flu variants, Monkeypox, Polio, Strep A and Measles. We provided vulnerable residents with specialist infection protections support and maintained our data monitoring for health surveillance, to facilitate any need to step up services in an emergency response. We also continued to work closely with the voluntary and community sector, including neighbourhood and community groups who helped form our Community Aid Network during the pandemic. These partners have continued to offer valuable targeted support, advice, teaching and guidance. We also continued to work closely with – and build the trust of – black and ethnic minority communities, as well as "hard to reach" and transient communities, to encourage take-up of vaccinations and support individuals to self-care. A senior group of officers is ensuring H&F is ready to participate in the Covid-19 Public Inquiry as and when required.
Hammersmith Bridge Working towards securing a fair, affordable funding solution to enable the re-opening and refurbishment of this important national heritage infrastructure asset
Hammersmith Bridge Stabilisation Work is progressing well and is programmed to be completed this summer. H&F will continue to work towards securing a fair, affordable funding solution to enable the full re-opening and refurbishment of this national treasure. In 2022/23, we submitted the Outline Business Case – Stage 2, for Strengthening and Restoration Works. We hope to receive a decision from the Department for Transport (DfT) on the Outline Business Case soon. H&F will continue to work with the DfT and Transport for London (TfL) to progress the Strengthening and Restoration Bridge Work. But we will remain clear that any contribution from H&F will need to be funded through a Toll Order/ Road User Charging Scheme (RUCS) to ensure that an unfair burden is not placed on our residents and is instead funded by those who use the bridge. The Hammersmith Bridge Programme Board (H&F officers and key external advisors) has continued to meet regularly to review and provide the necessary governance arrangements, for this major project as well as seeking to secure a fair, affordable funding solution. The Continued Case for Safe Operation (CCSO) Board is made up of leading engineers and safety experts, and acts

as the technical approval authority. It continues to meet regularly, to assess all matters relating to the safety and stability of the bridge. The CCSO is responsible for making recommendations to H&F on the protocols and management controls required, to ensure the Continued Case for Safe Operation. This provides the necessary engineering/technical assurances with regards to the safety of the bridge.

Securing assurance for residents on the quality and value for money of housing repairs

Over the past year, we have worked commercially and operationally with our general repairs patch contractors in an effort to enhance performance, decrease the backlog of repairs, and address new issues as they enter the system. We have also expanded our repairs capacity by hiring additional contractors and more tradespeople directly employed by the Council and have undertaken business planning to take this further in 2023/24.

We are continuing to develop and implement a Repairs Improvement Plan, detailed in our forward look for 2023-2024. This includes improved delivery and prioritisation of works, customer care, systems management, and complaint handling. This follows receiving an unacceptable number of maladministration and severe maladministration findings from the Housing Ombudsman due to contractor shortcomings and inadequate case management by Council officers.

We have committed to investing £600 million in our stock over the next decade. This investment will help to improve resident safety and reduce the volume of future repairs and carbon emissions. We've already invested £53 million of this funding in 2022 and plans to invest £235 million over the next four years were approved by Cabinet in February 2023. Works are already on-going across several large estates and street properties with £60 million of investment targeted to start during 2023.

Our housing team has been working closely with the regeneration team to develop a retrofit strategy, aiming to further enhance our housing stock to ensure it meets H&F's Net Zero target by 2030.

However, the increase in spending has impacted the Housing Revenue Account (HRA). We have observed rising costs and limited availability of materials and labour within the construction industry, due to inflation, labour market, and supply chain pressures in the broader economy. To address this, we have established an HRA Budget Board to monitor expenditures closely and facilitate effective collaboration between Finance and Housing departments, ensuring that any savings and spending targets are met.

Securing assurance on delivery of the Civic Campus Programme

The build programme for the Civic Campus (restoration of the Town Hall element – 'Contract A') has been affected by the impact of the site incident in May 2022. A recovery programme was agreed and works recommenced on the affected part of the site in October 2022.

Robust governance is in place for the programme and is delivered in accordance with H&F's Programme Management Office standards. In addition to the build workstream, resources and plans are in place for delivering workstreams relating to establishing operations, digital solutions, place shaping, and commercial activities.

Housing Fire Safety

The new Fire Safety Regulations went live on 23 January 2023, setting out prescriptive requirements dependent on building height, and frequency of checks for the design and materials of external walls, floor plans, fire doors, firefighting equipment, lifts, wayfinding signage and communication with residents. Systems are in place to undertake and report accordingly.

Type 1 Fire Risk Assessments (FRAs) are in place for all communal areas of Council properties, with those for properties six storeys and above published on our website, with others available upon request.

All actions emanating from the FRAs are logged on a property compliance system and addressed through specific programmes, capital works by contractors, or by a team of H&F staff, called the H&F Direct Labour Organisation (DLO). There are currently circa 1,297 actions, with over 20,000 actions thus far either completed or superseded. All actions are programmed as either capital works, or via internal fire safety teams. Higher priority actions, P1s, are monitored weekly with interim mitigation measures in place as required.

Funding for Schools
Funding for pupils with high needs is provided through Dedicated Schools Grant (DSG) from government

The HNB element of the Dedicated Schools Grant has continued to be under pressure in supporting children with special educational needs. The HNB is expected to return a slight surplus in 2022/23 financial year after mitigations including budgeted transfers from both the Schools Block and Central Services Schools Block agreed at Schools Forum. In the medium term, there are uncertainties around future legislative changes and levels of government funding.

The HNB programme seeks to reduce the underlying overspend in this area. This is overseen by H&F's HNB Board, and reported to the DfE on a quarterly basis as part of the Safety Valve Agreement. The full Safety Valve funding allocation has been received in the first three financial years of the agreement to 2022/23 following satisfactory performance against the agreed programme and milestones. Additionally, the DfE has advanced the profiled payment for 2023/24 early in recognition of positive progress against the Safety Valve agreement.

Housing Revenue Account – Financial Sustainability
The financial position of the HRA in 2022/23 was challenging with a base budget deficit of £4.1m that was funded from reserves. To strengthen resilience, a supplementary rent increase was implemented in November 2022 (that resulted in an overall rent increase of 3.1% compared to the maximum limit of 4.1%). In addition, a policy for the full recovery of service charges was implemented at the same time (reports available from Cabinet October 2022). These actions, and other service mitigations, resulted in an improved outturn on the HRA for 2022/23 (a further use of only £1.5m of reserves compared to the anticipated 2.3m). The overall position on reserves was therefore improved with a general balance reserve of £10m at the end of March 2023, compared to an anticipated reserve of £9.2m. These actions also resulted in an improvement of the medium-term position for future years. These matters will continue to be kept under close review and will continue to be considered through the Annual Governance Statement process for 2023/24. This matter will also be monitored with regard to the findings of the External Audit Annual Report.

Significant issues for 2023/24

Table 2: Significant issues for the year 2023/24

Hammersmith Bridge Working towards securing a fair, affordable funding solution to enable the re-opening and refurbishment of this important national heritage infrastructure asset
During 2023/24, we hope to receive a decision on the business case from the DfT and TfL. This will be followed by a procurement exercise (lasting 18-24 months) to award the Design, Build, Finance and Maintain (DBFM) contract. We will also be working closely with DfT and TfL to progress a Toll Order or a Road User Charging Scheme (RUCS) so that it is available before the award of the above contract. Meanwhile, we will progress the project by submitting a planning application for the reference design of a temporary truss solution, undertaking detailed geotechnical investigations, and diverting the Cadent Gas mains away from the bridge in preparation for the strengthening and restoration works.
Securing assurance for residents on the quality and value for money of housing repairs
Acknowledging that the current state of H&F's Repairs Service is not meeting expectations, we are dedicated to implementing improvements in the upcoming year. The insufficient reduction in Work in Progress (WIP) cases highlights the need for a thorough transformation plan to address these issues. To ensure residents receive quality and value for money in housing repairs, we have devised a four-pronged approach focusing on cultural changes and service enhancements: • Proactive maintenance: We plan to invest in our housing stock, allocating £63 million for major estate investment schemes starting this financial year, with the goal of reducing repair needs and maintaining properties efficiently. A long-term asset management strategy will be developed to support future investment planning. • Capacity and quality enhancement: We aim to procure £41.1 million of additional capacity over the next three years to tackle the backlog, enabling us to address complex works and ensure greater resilience for general repairs. Our focus will be on improving the performance of our main patch contractors and expanding our specialist contractor and DLO capacity. We have also begun planning our long-term repairs model for post August 2025, when our main contracts expire. • Management improvement: By strengthening our management structure, we intend to promote a resident-centric approach, fostering a culture of transparent communication and dedication to delivering high-quality repairs. Key changes will include the creation of a new Assistant Director for Repairs and the recruitment of additional operational managers. We will also work to improve our communication with residents, surveyor capacity, and post-inspection of works. • Focus on related functions: We will maintain a continuous emphasis on monitoring and evaluation, damp and mould, and complaints management to contribute to better service delivery. We have made progress in managing damp and mould cases and will implement a strategic plan to address complaints more effectively. Our aim is to cultivate a culture of accountability and collaboration, achieving improved interdepartmental coordination, and open communication with external stakeholders and contractors.

By executing this comprehensive strategy and fostering cultural changes, we strive to ensure that residents receive quality and value for money in housing repairs, ultimately increasing tenant trust in the Housing Service, and generating longer-term reductions in HRA revenue pressures for H&F.

Securing assurance on delivery of the Civic Campus Programme

Following the site incident (May 2022) and recommencement of works (October 2022), safety tests have taken place and remedial ground works are underway, and the recovery programme is scheduled to be completed by mid-2023. An updated programme was received from the contractor in April 2023 and arrangements are now in place for close monitoring of progress on site in accordance with it.

Robust governance is in place for the programme and is delivered in accordance with H&F's Programme Management Office standards. In addition to the build workstream, resources and plans are in place for delivering workstreams relating to establishing operations, digital, place shaping and commercial activities.

Clear governance arrangements are also in place for the Joint Venture company – between H&F and A2Dominion – delivering the new build works under 'Contract B'.

Housing Fire Safety

As of April 2023, The Building Safety Act requires H&F to register our 49 high-rise buildings and supply basic fire and structural safety information by September 2023. From October 2023, safety case reports and safety case files for each building are required to be submitted.

Major capital work enhancement programmes continue including external works, installation of suppression systems, and upgrading of fire doors.

We will continue to offer Personal Emergency Evacuation Plans (PEEPs) to our housing residents with priority focus on higher rise premises, and persons known to adult social care.

Funding for Schools
Funding for pupils with high needs is provided through Dedicated Schools Grant (DSG) from government

Delivery against the Safety Valve plan will be a priority in 2023/24 to ensure the HNB continues to move towards a position of structural balance by the end of the agreement in 2025/26. The £3m profiled Safety Valve payment for 2023/24 was paid early in 2023/24 in recognition of progress with respect to the Safety Valve plan.

Following consultation with Schools in Autumn 2022 further contributions to support High Needs were agreed in the schools' budget for 2023/24. Budget work for 2024/25 will commence through Schools Forum in Autumn 2023 once provisional funding allocations have been advised by the DfE.

Housing Revenue Account – Financial Sustainability

The financial position on the HRA will continue to be reviewed and monitored as part of the financial planning and budget setting processes of the Council. It is anticipated that the base deficit of £4.1m in 2022/23 will be reduced considerably in part due to the mitigations implemented in 2022/23 and the reliance on the use of reserves to balance the annual budget will be reduced. Further, it is expected that a strategy to maintain minimum balances on the HRA will be agreed in consultation with our External Auditors.

In addition, the HRA Business Plan that was approved in February 2022 will be scrutinised and updated and reported to a future Cabinet meeting.

6.0 Review conclusion

H&F is satisfied that the governance arrangements continue to be regarded as fit for purpose. A good level of assurance has been achieved following the conclusion of the review. Corporate governance arrangements have operated effectively in supporting H&F in meeting its challenges and responsibilities, not least the response to the cost-of-living crisis. These will continue to be monitored to ensure that they remain effective and legally compliant throughout 2023/24 and into the future.

Signed:

Leader of the Council, Councillor Stephen Cowan

Signed:

Chief Executive, Sharon Lea

Date:

On behalf of the London Borough of Hammersmith & Fulham

Appendix A – Hammersmith & Fulham's Governance Framework

Our Constitution

The H&F Constitution sets out the functions of key governance officers, including the statutory posts of 'Head of Paid Service' (fulfilled by the Chief Executive), 'Monitoring Officer' (Director of Corporate Resources), 'Director of Children's Services' (DCS) (Strategic Director of Children's Services), 'Director of Adult Social Services' (DASS) (Strategic Director of Social Care) and 'Section 151 Officer' (Director of Finance) and explains the role of these officers for ensuring that processes are in place for enabling H&F to meet its statutory obligations and also for providing advice to Members, officers and committees on staff management, financial, legal and ethical governance issues.

Local Code of Corporate Governance

H&F has in place a Local Code of Corporate Governance. The Code identifies the principles of good governance and transparency to which H&F subscribes and identifies the structures, systems and processes that it has established to ensure that good governance in practice is achieved. This can be found within the H&F Constitution.

Policy and Accountability Committees (PACs)

Full Council established the new Policy and Oversight Board in May 2022, to oversee H&F's overview and scrutiny function. In 2022/23 this was delivered through six Policy and Accountability Committees (PACs), covering all of our major service areas. This included some changes to the PACs to reflect Cabinet Member portfolios. The PACs in 2022/23 were:

- Children and Education Policy and Accountability Committee
- Climate Change and Ecology Policy and Accountability Committee
- Health and Adult Social Care Policy and Accountability Committee
- Housing and Homelessness Policy and Accountability Committee
- Social Inclusion and Community Safety Policy and Accountability Committee
- The Economy, Arts, Sports and Public Realm Policy and Accountability Committee.

The members of the Policy and Oversight Board include each of the Chairs of the PACs. The PACs have cross cutting remits designed to reflect H&F'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 Children and Education PAC are entitled to vote on education matters.

Committee members had access to the list of Key Decisions (a rolling list of Key Decisions which the Cabinet and individual Cabinet Members 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. They feedback their views to the Cabinet and individual Cabinet Members, officers, external partners and service providers. Through the PACs, 30 non-executive members and 7 co-opted members participate in scrutinising Council business, external organisations such as the NHS, the Police, and other statutory bodies.

The Chair of the Health and Adult Social Care PAC is also a member of the North West London Joint Health Overview & Scrutiny Committee, alongside representatives from the boroughs of Brent, Camden, Ealing, Harrow, Hounslow, Kensington and Chelsea, Richmond, Wandsworth and Westminster. It meets with representatives of NHS inner North West London to consider matters concerning health care subject to consultation.

Managing risk

All Members and managers are responsible for ensuring that risk implications are considered in the decisions they take. This is especially important as H&F reshapes its services to meet its financial challenges. Members and senior management identify the principal risks to H&F achieving its objectives. 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.

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 external inspection assurances

In accordance with statutory requirements, the annual external 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. The audit of the 2020/21 accounts was signed off by the external auditor on 26 May 2023

The Internal Audit service is a key means of assurance. It is responsible for reviewing the adequacy of the controls throughout all areas of H&F and is managed and delivered in accordance with the Public Sector Internal Audit Standards (PSIAS). The Audit Committee receive update reports at each of their meetings, along with the Head of Internal Audit's Annual Opinion.

The Audit 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.

Council services are also subject to statutory external inspections, through various regulatory bodies including Ofsted and Care Quality Commission (CQC)[1]. 2022/23 has seen some changes to the external inspection framework, with a new local area inspection framework for Special Education Needs (SEND), a new framework for the inspection of Adult Social Services by CQC, new regulatory for high-rise buildings and enhancements to the inspection powers of the Regulator of Social Housing.

SLT and management assurance

The SLT is chaired by the Chief Executive and includes six directors. It is responsible for the forward-looking approach to delivering services and H&F's transformation programmes - ensuring we are 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. SLT meets weekly on thematic topic to ensure rigour extends across assurance, business matters and financial focus.

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 our statutory functions.

Commissioning and procurement of goods and services

H&F recognises the value of considering different service delivery options in delivering our objectives. 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 H&F's e-tendering system, contract letting, contract management and the use of consultants are included in the Contract Standing Orders which form part of H&F's Constitution. H&F's Sourcing Strategy sets out the approach to secure resident outcomes; value for money; modern and efficient operations through our forward plan; the operational procedures and training; and by securing added value.

Pillars of governance framework

The three pillars of H&F's governance framework are set out in the table overleaf.

[1] CQC are the independent regulator of health and ACS in England.

Table 3: Pillars of H&Fs governance framework in 2022/23

Corporate Governance	Management Team	Services are delivered economically, efficiently & effectively
• Constitution (including statutory officers, scheme of delegation, financial management and contract standing orders) • Audit Committee • Standards Committee • Pension Fund Committee • Internal Audit and External Audit • Independent external sources (e.g. inspections) • Council, Cabinet, Policy and Oversight Board and Policy and Accountability Committees • Medium Term Financial Strategy • Complaints system • People and Talent (HR) policies and procedures • Whistleblowing and other countering fraud arrangements • Risk management framework • Performance management frameworks • Codes of conduct	• The role of Chief Officers • Delivery of H&F'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 • SLT 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 • Ombudsman reports • Electoral Commission reports • Policy and Oversight Board and PAC reviews • Effectiveness reviews of Audit Committee, Policy and Oversight Board, PACs and Internal Audit • Employee performance • Compliance with procurement regulations • Stakeholder engagement • Evaluation of benefits gained from investments and projects.

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 capital charges that are made to service revenue accounts. It is updated annually to reflect new acquisitions, disposals, revaluations and depreciation.

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 authority'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 fixed 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 fixed assets are 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 a fixed asset.

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

FIXED ASSET
An asset that yields benefits to the Council and the services it provides for a period of more than a year.

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 authority.

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 a fixed asset.

HOUSING REVENUE ACCOUNT
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
Fixed assets 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
Fixed 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.

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 CIES each year and set aside as a provision for the repayment of external loans and meeting other credit liabilities.

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: Department for Levelling Up, Housing and Communities (33%), The London Borough of Hammersmith and Fulham (30%) and the Greater London Authority (37%).

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
A fixed asset 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' 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.

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 2022/23 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, NNDR 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 fixed assets owned by the Council. Such expenditure incurred during the year is treated as revenue expenditure and charged to the relevant service in the CIES.

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 NNDR 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 DLUHC under pooling arrangements.

STOCKS
The amount of unused or unconsumed stocks held in expectation of future use.

SUPPORTED CAPITAL EXPENDITURE
This is 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 a fixed asset.

WRITE-OFFS
Elimination of an asset or liability over a defined period, usually by means of charging or crediting the CIES.