

London Borough of Waltham Forest

# **DRAFT** **STATEMENT of** **ACCOUNTS 2020/21**



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## Preface from the Leader of the Council

None of us have had the year we had hoped. The tragedy and disruption caused by Covid-19 has hit Waltham Forest hard, with worries about health, livelihoods and education, and being separated from our loved ones. But despite being apart, our borough has come together like never before to tackle the pandemic and protect our most vulnerable. The demands brought about by Covid-19 over the past year have had a huge impact on the services we provide, and from the start of the pandemic we mobilised our workforce to meet the challenges that continue to affect our daily lives.

### Our Role in the Pandemic...

- Caring for our elderly and vulnerable residents was our first priority. We acted immediately to cut through bureaucracy to better support the NHS and safely discharge patients from Whipps Cross Hospital.
- We stepped up as the fourth emergency service, with our Community Help Network supporting more than 2,000 households during the first lockdown, ensuring everyone had access to food and prescriptions.
- 157 rough sleepers have been brought off the streets, and we have now moved a third of them into secure long-term accommodation.
- Working with some of our fantastic volunteers, our friendly check in service has made more than 37,000 calls to vulnerable residents, with more than 2,000 referrals made to further support.
- Vital services were rapidly transformed so they could be maintained during the first lockdown. We've supported more than 1,000 domestic abuse survivors since the start of the pandemic, including almost 100 people at the newly set-up drop-in service.

Day-to-day our core frontline services, provided by our key workers from refuse collectors to carers, carried on in the face of huge obstacles. And it soon became clear that local government would play a pivotal role, not just in protecting our vulnerable residents but also in controlling the spread of the virus. We've set up our community testing sites and local contact tracing service. Officers have carried out thousands of compliance checks to make our neighbourhoods safer. And we have worked with local NHS partners to set up two mass vaccination sites at Chingford Leisure Centre and Walthamstow Library, alongside an extensive community engagement programme to support the vaccine rollout.

### The Financial Pressures of Covid

All of this has come at a huge cost to the Council, which like other local authorities up and down the country, has already faced years of significant financial pressure. The cost of Covid is around £40m in increased spending and lost income, and we have received around £28m from the Government.

### Future Outlook Post-Covid

We are now focussed on doing everything we can to support the local recovery and ensure the sacrifices our community have made over the last year lead to a better future. Connecting people to jobs is one of our key priorities for the year ahead. We are investing in new housing and infrastructure in every part of our borough to directly stimulate the local economy. Our award-winning Choose Local campaign highlighted our fantastic local businesses, encouraging residents to use their spending power locally. We know that many residents have had more of an opportunity to explore their local area in the last twelve months.

- We are leading the way in creating 15 minute neighbourhoods where residents can meet their needs within a short walk or bike ride.
- We've created people-friendly streets, investing in parks, play areas and cycle hangars and saw an increase in cycling journeys in 2020.
- We are building on the legacy of our year as London Borough of Culture, with work ongoing to redevelop the EMD Cinema, which will bring £50m into the local economy over the next decade.
- And later this year we will return to the newly refurbished Town Hall and open up Fellowship Square, a new neighbourhood and cultural hub in the heart of our borough.
- As a council we have never taken our eyes off the need to improve our resident's quality of life.
- If we are to give everyone confidence in the future, we must confront the inequalities that have been exposed by the pandemic, with work underway on our Equalities, Diversity and Inclusion Strategy.
- We have launched our 'No Space for Hate' campaign, building on the recommendations of our first ever Citizens Assembly to stop hate in our borough.
- Our independent Climate Emergency Commission published their recommendations last year, and we are now developing our Action Plan to support a green recovery, create green jobs and plan how to achieve a zero carbon future.
- Despite the challenges we've all faced our ambition for Waltham Forest is undimmed. It is only through our sound financial management over the last decade that we have been able to weather the pressures caused by Covid-19, and are in a position to continue delivering for our residents.

Leader of Waltham Forest Council, Clare Coghill



## SECTION – 1

### REVIEW AND STATUTORY CERTIFICATIONS

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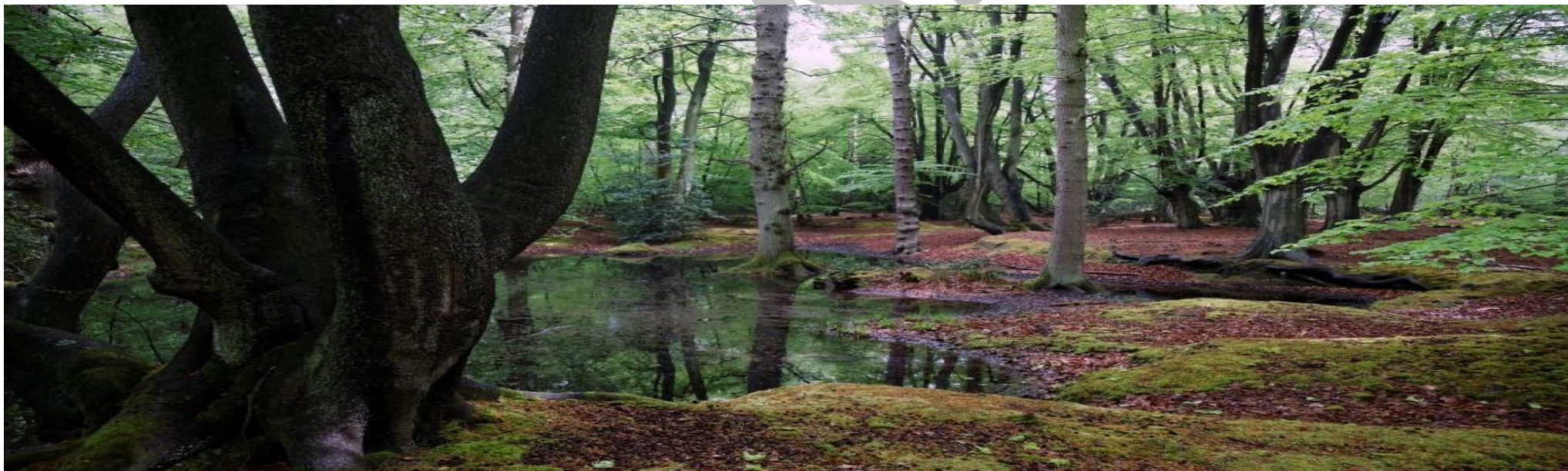
## Narrative Report

### Welcome to Waltham Forest!

Waltham Forest is a London borough with strong economic growth, vibrant multi-cultural communities and a thriving cultural and creative sector and was the first-ever London Borough of Culture in 2019 and the Municipal Journal (MJ) Local Authority of the Year.

Located in the north east of London, Waltham Forest features a mix of both inner and outer London characteristics. The borough extends from beyond the North Circular and the Green Belt in the North, to the Queen Elizabeth Olympic Park in the South. The borough is strongly defined by the natural landscape with the Lea Valley to the West and Epping Forest to the East and North; two of the largest public spaces in London. The north of the borough is less densely populated with larger homes and an older population, while in the south the population is younger, more diverse and transient, with more people living in private rented accommodation. Identified as one of the capital's key growth areas by the Mayor of London, the borough is experiencing increased pressure on land to be used for employment and housing purposes.

The borough is rapidly changing. With a population estimated at around 277,000, redevelopment and regeneration has brought significant new housing and employment opportunities over the last decade, with a thriving small business economy. This current and projected growth in population has created pressure on transport, housing and living costs, and over 1/3 of children in the borough are estimated to be living in poverty <sup>[1]</sup>.



Epping

<sup>[1]</sup> Child Poverty Action Group: Child Poverty in London: Waltham Forest (2018)

## Some Key Facts about the Area

### Population

- Waltham Forest has a population of around 277,000 people - an average sized London borough in terms of the population <sup>[2]</sup>. The borough has seen rapid population growth, increasing by approximately 40,000 people in the last ten years – largely driven by international migration, particularly from the EU countries.
- The net domestic migration, however, continues to be negative, with increasingly more people born in the UK moving out of the borough than moving in <sup>[3]</sup>. Current demographic projections forecast a further 5.7% population growth for Waltham Forest by 2022 (by over 15,000 people), which would make Waltham Forest the ninth fastest growing borough in London <sup>[4]</sup>.
- Waltham Forest has a young age structure, with a higher proportion of children and working-age residents compared to the UK. The average age of Waltham Forest residents is 34.5 years compared to the national average of 39.9 years <sup>[5]</sup>. The 0-17 age group makes up 25% of the resident population, compared to 65% for the working age population (18-64).
- Waltham Forest is one of the most ethnically diverse areas in London. More than half (53%) of residents are from a minority ethnic background (other than White British/Irish) compared to 42% in London as a whole according to 2020 figures. The largest ethnic group is White British/Irish (32%), followed by White Other (20%), Pakistani (11.5%) and Black African (7.86%) <sup>[6]</sup>.
- Nearly a third (33%) of Waltham Forest residents are born outside the UK, with the top 5 countries of birth excluding the UK being Romania (11,000), Hungary, Poland (both 6,000 residents) and Bulgaria and Lithuania (5,000 residents from each) <sup>[7]</sup>.
- Nearly a third (33%) of Waltham Forest residents are born outside the UK, with the top 5 countries of birth excluding the UK being Romania (11,000), Hungary, Poland (both 6,000 residents) and Bulgaria and Lithuania (5,000 residents from each) <sup>[7]</sup>.
- Waltham Forest is the 12th most deprived borough in London and was ranked 82nd out of the 317 local authorities in England in 2019 for deprivation, improving since 2015 from 7th and 35th most deprived respectively <sup>[8]</sup>.
- Almost half (47.4%) of children in Waltham Forest are estimated to be living in poverty as of 2019, ranking 5th highest in London and the UK in terms of the child poverty rate <sup>[9]</sup>.

### Economy and Employment

- Waltham Forest is a low-earning borough, where full-time working residents earn on average 5% less than the average London resident (£34,911 vs. £36,797 as of 2019) <sup>[10]</sup>. Men's median hourly wage is 16% higher than women's on average in the borough, and across London there is a significant employment gap between white (79.6%) and ethnic minority groups (66.4%) <sup>[11]</sup>.
- In the 12 months to March 2020, the employment rate for the working-age population was 73.6%, above the London average (69.6%). However, since the Covid-19 pandemic numbers of universal credit claimants has risen to over 18,000 people (9.8%), significantly higher than the London average (8%) <sup>[12]</sup>.

<sup>[2]</sup> 2017 mid-year population estimates, Office for National Statistics

<sup>[7]</sup> ONS Annual Population Survey, 2017

<sup>[12]</sup> Waltham Forest Statistics about the borough:

<https://www.walthamforest.gov.uk/content/statistics-about-borough>

<sup>[3]</sup> Office for National Statistics

<sup>[8]</sup> DCLG Indices of Deprivation 2019

<sup>[4]</sup> GLA 2017-based population projections (central trend scenario)

<sup>[9]</sup> End Child Poverty

<sup>[5]</sup> Office for National Statistics

<sup>[10]</sup> Annual survey of hours and earnings, ONS

<sup>[6]</sup> Office for National Statistics

<sup>[11]</sup> Office for National Statistics



## Some Key Facts about the Area (continued)

- Although a relatively modest-sized economy, Waltham Forest has had strong business and employment growth in recent years, in line with national and regional trends <sup>[13]</sup>. Waltham Forest had a total of 11,855 business enterprises registered with HMRC for Value Added Tax and/or Pay As You Earn as of March 2020 <sup>[14]</sup>. The number of businesses increased by 425 (3.4%) between 2019 and 2020, above the London growth rate.
- Employers in the borough tend to be small, with 94% of businesses employing less than ten people in 2020 <sup>[15]</sup>. Only 0.8% of business in the borough employ more than 50 people.

## Housing

- The average house price in Waltham Forest is £504,978, rising by 18% between 2018 and 2020 alone <sup>[16]</sup>. There are around 100,000 homes in Waltham Forest and 60% are owner-occupied, with almost 1/5 of households are rented from the Council or a housing association. To support rapid population growth, 20,788 homes are expected to be built over the next decade.
- Residents can expect to pay 14x their annual earnings on purchasing a home, with the ratio of average house prices to earnings more than doubling between 2002 and 2020 <sup>[17]</sup>. Rapidly increasing house prices in the borough appear to be the main factor contributing to the high levels of domestic out-migration, as this has put pressure on households – particularly on families with children – to look for more affordable areas.
- The private rented sector is estimated to account for 37% (39,685) of housing in the borough as of December 2018 <sup>[18]</sup>, an increase from 26% recorded in the 2011 Census. The average monthly rents in the private rental market have also increased by 12.6% in Waltham Forest between 2015 and 2019, compared to 7.4% in London as a whole <sup>[19]</sup>.

<sup>[12]</sup> Waltham Forest Statistics about the borough: <https://www.walthamforest.gov.uk/content/statistics-about-borough>

<sup>[13]</sup> ONS: office for National Statistics [UK business; activity, size and location](#)

<sup>[14]</sup> *ibid*

<sup>[15]</sup> Waltham Forest Statistics about the borough: <https://www.walthamforest.gov.uk/content/statistics-about-borough>

<sup>[16]</sup> Rightmove [House Prices in Waltham Forest](#)

<sup>[17]</sup> Waltham Forest Statistics about the borough: <https://www.walthamforest.gov.uk/content/statistics-about-borough>

<sup>[18]</sup> LBWF/Metastreet 2018 estimate

<sup>[19]</sup> Valuation Office Agency [Average Private Rents, Borough](#)

## Some key facts about the Council

Waltham Forest Council has 60 elected members and operates a cabinet style administration. Cabinet members meet monthly and make most administrative and political decisions. When required, decisions are taken to Full Council for approval or delegated to specialist, politically balanced Council committees.

## Did you know.....

### The Council is responsible for:

- 44 nurseries, schools and pupil referral units
- 6 swimming pools, gyms and leisure centres
- 70 parks, gardens, and open spaces
- 10,000 units of social housing
- Collecting an average of 99,250 tonnes of household waste annually

### It also:

- collects £187m Council Tax and Business Rates each year
- administers £165m housing benefit
- provides social care to 30,000 adults
- maintaining 405km of roads, paths and verges
- empties bins for 107,000 households each week!



## Our key achievements 2020/21

The Covid-19 pandemic has inevitably dominated our work and achievements over the last 12 months. The Covid-19 health crisis has meant almost 8,000 residents have been shielding in the borough, over 550 residents have tragically died, and many more face longer-term health needs. It has also significantly impacted the finances of the borough's residents and businesses, with over 23,500 residents on furlough at some point since March 2020, and more than 18,500 Universal Credit claimants. Over £3.4m has been distributed through more through 750 Discretionary and Additional Restrictions Grants to support businesses over the last 12 months, whilst more than 21,000 claims for self-employment income support have been registered from the borough.

We have faced challenges before, and we have overcome them. A decade ago, Waltham Forest was the 10<sup>th</sup> most deprived borough in London and faced over £100mn of budget cuts. But in 2019, we won MJ Council of the year and were London's first Borough of Culture.

Public service has been at the heart of Waltham Forest's response to the pandemic, both in how residents helped each other and how the council has faced the challenges. This understanding of public service requires more leadership and responsibility from the Council, not less. We will need to listen more and find new ways to work alongside residents, partners and businesses.

That is why we developed our new Public Service Strategy to set out how we plan to take on the immediate challenges faced by residents, communities and businesses throughout the Covid-19 pandemic. Our achievements this year can be measured against our 4 immediate priorities as set out within the Public Service Strategy:

Immediate priority:	Achievements in the last 12 months:
<b>Connecting people with jobs</b> <i>Principles:</i> <ol style="list-style-type: none"> <li>1. Creating a local jobs economy</li> <li>2. A single front door for jobs</li> <li>3. Opportunities for our children and young people</li> <li>4. Community support for jobs</li> <li>5. Waltham Forest as the green jobs borough</li> </ol>	<p><b>Economic Recovery Plan:</b> The Council's Economic Recovery Plan has seen rapid jobs brokerage work with 350 residents. This programme has already supported 200 of these residents back into work. Most recently the Council has helped secure 60 residents roles in COVID testing centres. Furthermore, the Council's Kickstart Gateway has supported 30 Small and Medium Sized Enterprises (SMEs) offer up to 100 placements for young people across the borough. This will form a key part of the Council's new youth offer, which will be developed further through the course of 2021.</p> <p><b>High Streets Action Plan:</b> As part of its Economic Recovery Plan, the Council published its High Streets Action Plan in June 2020, setting out the steps to help town centres and their businesses recover from the pandemic and re-open. This included the high-profile Choose Local campaign and programme of cultural activity and animation working with town teams and partnerships. The plan also focused on bringing forward regeneration plans, such as The Mall in Walthamstow and repurposing Council commercial assets to secure investment and re-imagine high streets in the years to come.</p> <p><b>Business Support toolkit:</b> Since the pandemic began, the Council has provided £4m in discretionary business support grants. We have distributed a further £46m in small business grant support. We have distributed a further round of grants (Local Restrictions Support Grants and Restart Grants) from November 2020 worth £26m. We have provided £31m in retail discount and a further £694K in nursery relief. A weekly newsletter to over 10,000 businesses is provided, and direct support has been given to 100 businesses to pivot and re-open through the Save the High Street Programme.</p> <p><b>Adult Learning Service:</b> Despite the pandemic, the Adult Learning Service has continued with the new Virtual Learning offer to support local residents to upskill. This has included building a broadcasting studio with GLA funding, with essential kit bought for learners to access remotely. Despite lockdown, learner numbers are at 1,117 with 1,921 enrolments. In 2019, these numbers were at 1,538 and 2,630 respectively, so although these have dipped, they remain strong under the circumstances.</p> <p><b>Night Time Enterprise Zone (NTEZ):</b> In September 2019, the London Borough of Waltham Forest was selected by the Mayor of London to run the first Night Time Enterprise Zone pilot. Walthamstow High Street was reclaimed for evening use through the High Street Adventures event, encouraging businesses to stay open longer into the evening and pairing them with local creatives and artists to host events. 40 free pop-up activities were hosted by 25 businesses and six local venues, boosting innovation and entrepreneurial activity after 6pm to achieve 22% increase in footfall; 64% of participating businesses seeing new customers; 60% of businesses being busier than usual; 90% of businesses wishing to participate in similar events again in the future. The pilot allowed the Council to fast-track our partnerships with local people and businesses, test new activities and create an action plan for future growth of the night-time economy. It demonstrated that co-curation of cultural activity on the high street improved safety perceptions and created a more inclusive and welcoming environment which is vital as High Streets recover from lockdown.</p>

## Our key achievements 2020/21 (continued)

Immediate priority:	Achievements in the last 12 months:
<p><b>Connecting people with jobs (continued)</b></p>	<p><b>Suntrap Centre:</b> A £4.5m redevelopment of the Suntrap Forest Education Centre to make it fit for the future and accessible for educational visits about the environment and sustainability. This has included a multi-functional 'camping pavilion' which can provide space for 80 people seated, catering and dining facilities and integrated toilets and shower blocks. There will also be camping pods, an outdoor classroom and multi-purpose space with an amphitheatre overlooking a green space. A range of sustainability measures are being included such as Solar PV panels, wind turbines, Ground Source Heat Pumps and EV Charging points. The space is due to open in Spring 2021.</p> <p><b>Volunteering:</b> Following on from the successful Borough of Culture Events the voluntary programme at Waltham Forest has supported the council's responses to COVID-19. More than 4,000 volunteers are now signed up to the 'Legends of the Forest' programme, a 400% increase at the start of the pandemic until recruitment was paused. Volunteers have helped set up foodbanks in neck breaking speed, delivered over 3400 food parcels to vulnerable residents self-isolating and are currently supporting the NHS in the biggest vaccination programme in British history. To date they have completed over 900 shifts and over 3600 hours since Jan 2021.</p> <p><b>Apprenticeships offer:</b> There are currently 94 apprentices for the current year, with a view to increasing this to 110 after a successful apprenticeship week. The apprenticeship manager continues to support apprentices to successfully complete their chosen apprenticeships. The Council is currently looking to expand the apprenticeship offer to managers and leaders and currently has 13 staff undertaking a leadership and management apprenticeship and a further 10 staff undertaking a Team Leader level apprenticeship.</p>
<p><b>Safe and healthy lives</b></p> <p><i>Priority:</i></p> <ol style="list-style-type: none"> <li>1. Protecting people from Covid-19 and placing them at the centre of decision making</li> <li>2. New ways to work together</li> <li>3. Safe neighbourhoods and town centres</li> <li>4. Improving mental health support</li> <li>5. Homelessness and quality housing</li> </ol>	<p><b>Covid-19 resilience programme:</b> COVID-19 has not only shone a light on food poverty and other inequalities, but in many cases exacerbated their impact. During the early part of the pandemic, the Council provided 3400 food parcels to residents. Food bank partners are now providing meals to over 2000 households a week and have seen an increase in recent weeks. Since October the Council has provided 260,000 individual food items to our partnered food banks, in response to the increasing demand that food banks are facing. Through the Winter Pressure Grant the Council helped over 1000 families by supporting them with access to food, essential items such as winter clothing and kitchen goods, as well as utility bills. Over £500,000 was spent on providing free school meal provision over the Christmas and half term holidays, supporting more than 9000 children.</p> <p><b>Community testing:</b> Community testing has been a vital tool focused on testing asymptomatic residents, to minimise the spread of infection. The Council has ensured the borough has continuously achieved a higher rate of testing than the London average, identifying cases quickly and preventing the spread of the virus. To date, 40,084 tests have been conducted across 7 community test sites and test sites within specific settings. The community testing centres are strategically located in the heart of communities, prioritising locations where there are higher rates of transmission. The sites have good coverage, nearly all residents now live within a 15-minute walk radius, drawing on the Council's 15-minute neighbourhood ambition. This is complemented by a strong coverage of PCR test sites for testing residents who are symptomatic.</p> <p><b>Covid-19 workforce reallocation:</b> Priorities for the Council shifted overnight when the first wave of lockdown hit. This required a rapid redistribution of resources across the council. To support this, the Council set up a new service for workforce reallocation, which allowed for best use of staff skills to support key Covid-19 priorities, such as ensuring food is distributed to vulnerable and older residents and staffing the community test sites.</p> <p><b>Violence against Women and Girls (VAWG) project:</b> Last year the Council provided advocacy, therapeutic and refuge services to over 1000 survivors of VAWG. The Council also implemented a multiagency Domestic Abuse Perpetrator Panel to improve grip and accountability of the highest risk perpetrators of domestic abuse. When Covid-19 restrictions took effect the Council quickly adapted VAWG services to ensure safe operation and ensure we were able to manage the increased demand and complexity. This included an ambitious awareness raising campaign to ensure survivors knew how and where to get support and opening a daily drop in service for survivors in the borough.</p> <p><b>Violence Reduction Partnership:</b> The Violence Reduction Partnership (VRP) was established in 2019 with an ambition to reduce violence in Waltham Forest so that our residents feel safer. The Partnership is made up of almost 50 organisations and continues to find new ways to reduce serious violence, with a focus on youth violence.</p> <p><b>Whipps Cross redevelopment:</b> One of 6 hospitals in the country to be rebuilt. Plans are in place for a brand new taller, state of the art hospital which would provide a new A&amp;E and a full range of acute health services under the roof.</p>

## Our key achievements 2020/21 (continued)

Immediate priority:	Achievements in the last 12 months:
<p><b>Safe and healthy lives (continued)</b></p>	<p><b>Ask me Ambassadors:</b> The Council's Ask me ambassadors are working to tackle youth violence. Together with local young people, the Ask Me team has built an online resource answering common questions about gang and county lines drug dealing issues and compiled an up-to-date database of support services available to young people in Waltham Forest.</p> <p><b>Is this Ok chatbot:</b> Online chatbot, Is This OK? Is offering support to young people who are victims of abuse, criminal exploitation and sexual exploitation in Waltham Forest. The chatbot was designed by young people from the borough with experience of abuse and exploitation, to ensure their voices remained at the centre of a project dedicated to their needs.</p> <p><b>Families at the heart of place:</b> The Families at the Heart of Our Place strategy was approved by Cabinet in December 2020. This strategy is a key delivery arm of the Public Service Strategy and puts individuals and families at the centre of everything the Council does to ensure that every person within the borough can feel supported to live well, be safe, as independent as possible, and connected to their communities. The focus of the support will be on prevention, considering the wider determinants of health and wellbeing and adopting a Life Course Approach. With partners and the community, the Council will come together to build resilience and challenge the structural and systemic issues that affect residents' abilities to reach their potential and live their best quality lives.</p> <p><b>Social housing:</b> Throughout the pandemic the Council has implemented additional checks on the welfare of vulnerable residents, including those in sheltered housing, and has provided emergency accommodation to more than 50 rough sleepers at any one time. The team also successfully launched the new Allocation Scheme on 4 February 2021 which has required contacting all existing customers to update their applications via the online housing registration form. The programme of building safety works has also continued to progress as waking watches have been installed across all our high-rise tower blocks and the Council has committed to a £40 million investment programme of housing building safety improvements, with many works already underway. Throughout lockdown the Council has sustained it's 100% gas safety compliance record.</p> <p><b>Council homebuilding programme:</b> The Council is contributing to new housing supply through direct delivery of new homes and through releasing council sites for housing development. The Council completed 18 social rent homes on three former garage sites (Wadham Avenue, Churchill Terrace and St Egberts Way) and 29 shared ownership homes on the Marlowe Road estate regeneration project in 2020. There will be 479 homes under construction across seven sites in the Council homebuilding programme going into 2021/22, and 116 homes under construction in Phase 2A of the Marlowe Estate regeneration project, with completions scheduled up to December 2022. Council sites released for housing development include the Score Centre (750 new homes), the Fellowship Square Campus and Willow House (around 585 new homes), and the Lea Bridge Station sites (around 300 new homes).</p> <p><b>No Space for Hate:</b> Following the pioneering and UK-first Citizens Assembly on Hate Crime at the start of 2020, the Council has begun to implement the recommendations of the panel to reduce hate incidences in the borough through the No Space for Hate programme. This has included Bystander Intervention training and a continuation of engagement with panel members. A dedicated Hate Crime Officer has been funded to continue the work of the assembly alongside BAU functions.</p>
<p><b>Our 15-minute neighbourhood</b></p> <p><i>Priority:</i></p> <ol style="list-style-type: none"> <li>1. Local neighbourhood life</li> <li>2. People-friendly streets</li> <li>3. Regeneration for everyone</li> <li>4. The greenest borough</li> <li>5. Celebrating culture in challenging times</li> </ol>	<p><b>Enjoy Waltham Forest programme:</b> Since beginning in 2014, the cycling focused Mini-Holland scheme has transformed into the more holistic Enjoy Waltham Forest programme. The scheme has created safer streets for walking and cycling and encouraged cycle journeys in the borough to more than double. In 2020, record numbers of people have used cycle routes, with 56% more journeys recorded by cycle counters compared to 2019. Since January 2020, 12.6km new and upgraded protected cycle routes have been created. 27 modal filters have been introduced across four low traffic neighbourhood schemes.</p> <p><b>Climate Emergency Commission –</b> London's first Climate Emergency Commission concluded in November, with their report presented at December 2020 cabinet. 29 recommendations were provided by the Commissioners which focused on a range of themes including transport; homes; businesses; biodiversity, adaptation and resilience; waste and the circular economy and behaviour change and collective action. The Commissioners have set the target of being a zero-carbon borough by 2030. In 2021, The Council will launch its response to the recommendations of the Commission, outlining the actions and initiatives that will be taken to reduce emissions in the borough.</p>

## Our key achievements 2020/21 (continued)

Immediate priority:	Achievements in the last 12 months:
<p><b>Our 15-minute neighbourhood (continued)</b></p>	<p><b>Lowering carbon emissions:</b> Waltham Forest has the 4th lowest carbon emissions per person in 2019 across all London Boroughs, producing 2.36tCO<sub>2</sub> per person. This is due to a 42% reduction over the last decade.</p> <p><b>EMD Cinema update:</b> The redevelopment of the EMD Cinema is the Council's flagship cultural regeneration scheme, the centrepiece of a new 15- Minute Cultural Neighbourhood in Walthamstow. On completion it will provide a new 950 seat theatre, bar and restaurant, new community space which will be key to supporting the economic recovery to the high street post Covid-19. Completion is forecasted for May 2022 and will see the venue refurbished and transformed into a live performance venue with a year-round programme of comedy, theatre and pantomime, hosted by the Council's partner, Soho Theatre.</p> <p><b>School streets:</b> Eight School Streets were introduced in 2020, bringing the current total to 10 with 43 roads now included in a School Streets zone. A further five School Street trials will be introduced in spring 2021 which will benefit 4,000 more pupils.</p> <p><b>Bike Hangars:</b> 190 Bike-hangars were installed since January 2020, bringing the current total to 506. A trial of seven digital Bike-hangars is taking place in town centre locations around the borough.</p> <p><b>EV Charging points:</b> By the end of the 2020/21 financial year the Council will have installed 233 EV Charging points. Funding has been secured to install a further 70 in 2021/22.</p> <p><b>Zero emissions Delivery (ZED):</b> ZED delivered 38,000 parcels in 2020 which was an increase of 7.2% on 2019 levels despite the impacts of Covid-19.</p> <p><b>Cultural events in Covid-19:</b> Despite the challenges of the Covid-19 pandemic, with cultural sites closed for large parts of the year, there were significant successes in the follow-on from the London Borough of Culture year. The #WVirtualCulture programme was launched in April, enabling local creatives to deliver a rapid response to the Covid-19 pandemic supporting families, isolated individuals and older people in their homes. 60,000 people engaged with online content, and more than 2,000 experienced a screening, activity, workshop or talk as part of Leytonstone Loves Film, supporting high street recovery. Walthamstow Garden Party moved online, with more than 20,000 residents getting involved in the programme. #WVirtualCulture also ventured outside during the summer with the first Cycle in Cinema in Leyton and Chingford, with the year culminating in the Winter Music sessions, which brought small live performances to residential streets, enjoyed by local residents from their doorsteps and balconies.</p> <p><b>Make it Happen Funding:</b> As part of the Borough of Culture year's legacy, the Council announced a new round of Make it Happen funding, with £100,000 available for artists, organisations, and individuals to create locally relevant, ambitious cultural activity right across the borough from April 2020 until March 2021. These projects continued to be delivered despite the Covid-19 pandemic.</p>
<p><b>Confidence in our future</b></p> <p><i>Priority:</i></p> <ol style="list-style-type: none"> <li>1. Facing and tackling inequalities head on</li> <li>2. Growing local economic strength</li> <li>3. Building the highest % of affordable housing in London</li> <li>4. Local leadership in building back greener</li> <li>5. A conversation about the future of Waltham Forest</li> </ol>	<p><b>Fellowship Square:</b> The most significant Council investment scheme in the Borough is the Fellowship Square Programme, the redevelopment of the town hall campus. The project is a once in a lifetime opportunity to create a vibrant new neighbourhood in the heart of the Borough. The aspirations for the project are ambitious and far reaching, split into two major delivery phases:</p> <ul style="list-style-type: none"> <li>• Phase One: The Refurbishment of the Town Hall and creation of Fellowship Square.</li> <li>• Phase Two: New civic building and residential development within Fellowship Square and Willow House</li> </ul> <p>Despite the impact of Covid-19, June 2020 saw the scheme commencement of on-site delivery, with works continuing at pace throughout the pandemic. The refurbishment to the Town Hall as well as Fellowship Square, including a new fountain, will be complete in summer 2021. A Series of events are planned to be held between June and August 2021, marking the reopening.</p> <p><b>Affordable housing:</b> Between 2016-2020, Waltham Forest delivered the highest proportion of affordable housing in London – 42% against the London average of 17%. The Council has also brought forward the largest council housebuilding programme in Waltham Forest in a generation.</p>

## Our key achievements 2020/21 (continued)

Immediate priority:	Achievements in the last 12 months:
Confidence in our future (continued)	<p>Pension fund fossil fuel investment: Waltham Forest Council was the first public body in England to announce that the organisation is stopping investing pension funds in fossil fuels.</p> <p><b>Choose Local. Support Everyone:</b> In 2020 the Council launched the <i>Choose Local. Support Everyone. Campaign</i> focused on motivating our community to support the local economy to come back stronger and thrive into the future. Real local businesses were used to create a connection between spending locally and supporting people, creating a sense of pride and collective goodwill. Post campaign evaluation showed that the campaign was seen over 660,000 times online, over 350 people made recommendations to others publicly about what local business they loved. An increase of eight percent of residents said they have used local businesses more often since lockdown (41% v 49%), equating to 8,800 households, and of those that saw the campaign 95% of them were persuaded to shop locally.</p> <p><b>Equality, Diversity and Inclusion Strategy:</b> The events of the last 12 months have shown the need for a refreshed approach to Equalities, Diversity and Inclusion. By demonstrating the range of systemic challenges faced by groups in the borough, the Council will tackle the inequalities highlighted by the pandemic and the murder of George Floyd. The Council is about to publish the 'State of the Borough Report', evidencing the entrenched inequalities that people in the Borough face, to act as an evidence based for the conversations about the future of Waltham Forest. The engagement process, to take place throughout 2021, will create a set of tangible recommendations for the EDI Strategy.</p> <p><b>Community Asset Review:</b> The Council has appointed a dedicated Asset Review Manager to review all of the Voluntary and CSO's rents and agreements in Waltham Forest to ensure fair costs and suitable venues. Fundraising training is being delivered to all organisations and support is being given on areas of communications and compliance.</p> <p><b>Workforce Strategy:</b> The Council's Workforce Strategy will radically change the offer to staff, the way in which the organisation works and delivers services and will help to address the structural inequalities that exist within the workforce. The Workforce Strategy will review the Council's recruitment processes and support a new leadership development programme. The Strategy and delivery plan will be presented to Cabinet in May for approval. The delivery plan will be fully aligned with the Ethnicity Pay Gap strategy and Gender Pay Gap Year 2 action plan.</p> <p><b>Ethnicity Pay Gap Strategy:</b> The ethnicity pay gap at Waltham Forest is 11.72% (median) or £2.17 per hour and is the difference between the average pay for Black, Asian and ethnic minority staff and White staff. It is largely caused by underrepresentation at senior levels. A project to understand the wider causes and lived experiences behind this has involved analysing workforce data and listening to employees – 609 responded to a staff survey, 429 took part in a virtual crowdsourcing event and around 20 attended focus groups. Informed by the findings, an action plan has been developed with staff and will form an ethnicity pay gap strategy to be implemented over 2021/22.</p>

## **Our key achievements 2020/21 (continued)**

The Public Service Strategy also set out 5 principles that we should work towards as a Council in order to respond to the pandemic and support our immediate priorities. Work is already underway to meet all of these principles, as set out below.

### **Financial sustainability and commerciality**

Over the last decade we have faced profound austerity, but we have not used this as an excuse for inaction. We will not let a lack of money stand in the way or become an excuse. The outbreak has provoked uncertainty and financial challenges, meaning finding ways to increase our efficiency is key to a successful recovery. This may mean finding new commercial opportunities to benefit local residents while delivering new service funding streams.

### **Working differently**

The pandemic has highlighted our workforce's strength in adapting to new challenges and innovating to overcome them. To take this further, we will produce a new workforce strategy, highlighting the strength of performance within the council, and challenging us to further improve and enhance productivity. We will design a completely different way of working and develop new ways of measuring the success and efficiency of our services.

### **Radically agile**

Public service requires creativity and adaptability to the demands of the people it serves. The pandemic created flexibility in the council with over 200 staff redeployed to provide new services and support others. Moving forwards, we will enable the council and its staff to work more flexibly, including with the use of resources, to ensure that we can move quickly towards our residents' needs. We will increase the use of technology to make services more responsive and efficient, and our workforce more agile.

### **New approaches to partnership and communities**

It is more important than ever that we stand alongside our residents, and that we develop new partnerships with a shared sense of mission. We want to be uniting, and accountable to our communities. We have worked hard to listen and will encourage new conversations with anyone who wants to take part. We will use this resident and community insight to improve how we operate and deliver services.

### **Providing exceptional service**

The pandemic has demonstrated the importance of our core services in supporting residents, with new public appreciation for services such as repairs and maintenance services and waste collection. Whatever the challenges facing the borough, we will agree a new customer experience strategy to ensure that our customer service is high quality, responsive and reliable. We will constantly drive improvements in all our services, ensuring they are easy to use, accessible and responsive for our residents. Above all, we need to listen to our residents on big and small issues.

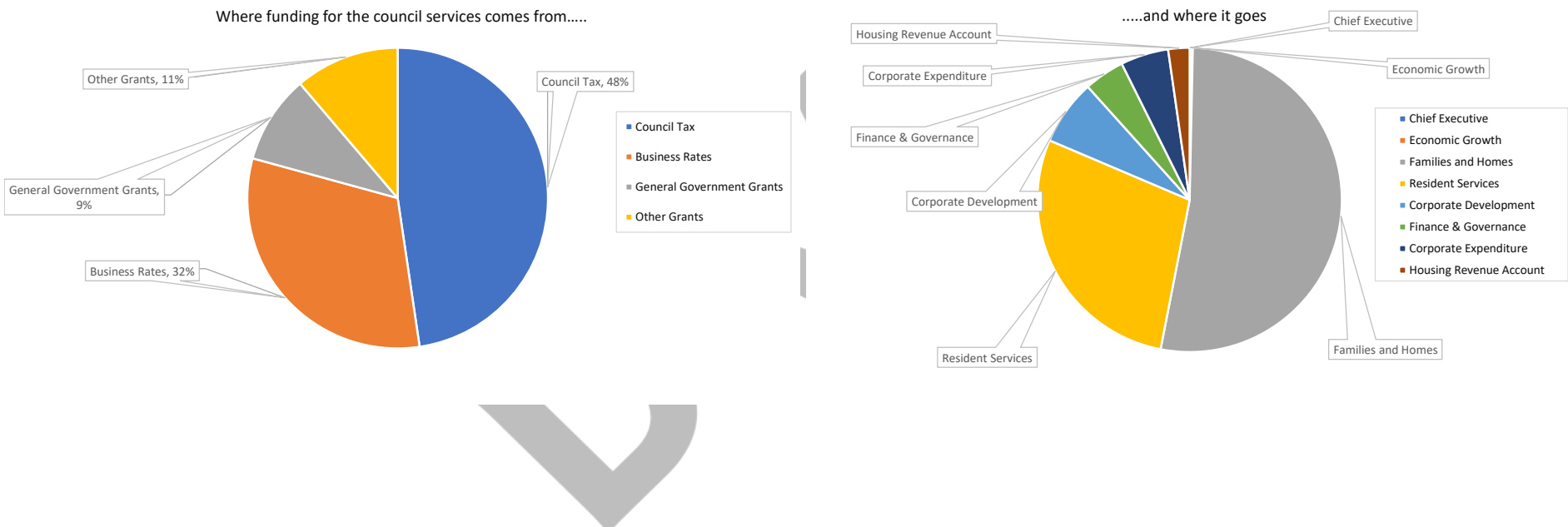
# Financial Performance

Band D Council Tax for 2020/21 was set at £1,760.30, an increase of 3.92% on the previous year. Other key sources of revenue funding are:

- Business rates
- Fees and charges for Council services
- Government grants, primarily DfE funding for schools.

The net revenue budget was set at £414m for 2020/21 (including capital charges and contingencies). Allocations to service areas are shown below:

The Council's Net Revenue Budget for 2020/21



Actual expenditure in 2020/21 was managed to within the overall budget. **Page 30** of the Statement of Accounts sets out net revenue costs by service area in 2020/21, and the Expenditure and Funding Analysis in **Note 8** provides further details of the Council's income and expenditure.



## Revenue Expenditure

A summary of the outturn of the General Fund for 2020/21 at Directorate level is set out below. The 2020/21 actual figures are compared with the revised budget.

	A	B	C	B+C-A
	Final Revised Budget	BAU Actual	Covid-19 Actual	Over/(under Spending)
	£'000	£'000	£'000	£'000
Chief Executive	13	13	-	-
Corporate Development	5,017	4,791	201	(25)
Families	136,909	138,631	6,088	7,810
Finance & Governance	5,757	5,306	1,194	743
Economic Growth	2,223	937	1,292	6
Resident Services	54,648	53,505	9,014	7,871
Corporate Expenditure	17,110	20,655	3,871	7,416
<b>Total for Directorates</b>	<b>221,677</b>	<b>223,838</b>	<b>21,660</b>	<b>23,821</b>
Contingency	4,645	-	-	(4,645)
Financing and Investment	21,804	21,822	-	18
Levies	9,349	9,349	-	-
Other Operating Expenditure	11,968	11,968	-	-
Accounting Adjustment	(69,553)	(70,671)	-	(1,118)
Contribution to/(from) Earmarked Reserves	9,483	9,483	-	-
Contrib.to/(from)Earmarked Grant Reserves	14,035	11,824	2,211	-
Contrib. to/(from) Capital Grants	8,803	8,803	-	-
Capital Grants and Contributions Received	(22,631)	(22,664)	-	(33)
<b>Waltham Forest Expenditure</b>	<b>209,580</b>	<b>203,752</b>	<b>23,871</b>	<b>18,043</b>
New Homes Bonus	(3,001)	(3,001)	-	-
Revenue Support Grant	(18,804)	(18,804)	-	-
Other Government Grants	(5,901)	(117)	(23,871)	(18,087)
National Non-Domestic Rates (NNDR)	(35,653)	(35,653)	-	-
Top-up Grant	(48,439)	(48,439)	-	-
Council Tax	(110,290)	(110,290)	-	-
Collection Fund	12,508	12,508	-	-
<b>Total</b>	<b>-</b>	<b>(44)</b>	<b>-</b>	<b>(44)</b>

## Capital Expenditure

The capital outturn was £92.6m in 2020/21. This investment is financed from a variety of sources, principally capital grants and contributions, external or prudential borrowing and sales of Council assets as shown in **Note 23**

Major items of capital expenditure consist of:

- Maintaining and extending social and affordable housing stock
- Maintaining and improving schools
- Maintaining and improving Council buildings
- Local regeneration initiatives.

CAPITAL SUMMARY	Budget	Expenditure	Variance
	£'000	£'000	£'000
Adult Social Care	332	65	(267)
Housing & Growth	81,903	61,075	(20,828)
Public Health	1,348	824	(524)
Schools	16,492	18,117	1,625
Resident Services	11,891	11,444	(447)
Regeneration, Planning & Delivery	1,988	1,001	(987)
Corporate Development	20	20	-
Property & Delivery	51,413	43,140	(8,273)
Contingency	1,574	-	(1,574)
<b>Total</b>	<b>166,961</b>	<b>135,686</b>	<b>(31,275)</b>

Current projects include the Town Hall campus, Town Square and Central Parade redevelopments and the new Walthamstow library.



Walthamstow Library

## Balance Sheet

The Balance Sheet on **page 32** sets out the Council's assets and liabilities at 31 March each year:

2019/20		2020/21
£'m		£'m
2,261	Property plant and equipment	2,323
42	Heritage assets	57
8	Investment property	7
1	Other long and short term assets	7
40	Long and short term investments	43
94	Debtors	140
37	Cash and Cash equivalents	37
<b>2,483</b>	<b>TOTAL ASSETS</b>	<b>2,614</b>
(303)	Long and short term borrowing	(366)
(104)	Creditors and receipts in advance	(142)
(18)	Provisions	(22)
(677)	Pension Fund liabilities	(760)
(51)	Other long term liabilities	(49)
<b>(1,153)</b>	<b>TOTAL LIABILITIES</b>	<b>(1,339)</b>
<b>1,330</b>	<b>NET ASSETS</b>	<b>1,275</b>

Property plant and equipment mostly consists of social housing stock plus other land and buildings used to deliver services. Further analysis of Council assets is provided in **Note 16**. A comprehensive, independent revaluation of all land and buildings has recently been carried out and the results are reflected in the balances shown above.

Most external borrowing (over 80%) is fixed rate loans from the Public Works Loan Board, averaging 4.8% interest rates and repayable between 2018 and 2060.

The Council's largest single liability represents staff pension entitlements. Other long-term liabilities relate to contractual commitments in respect of finance lease and service concession arrangements.

Provisions are set aside to cover future Business Ratepayers' appeals, insurance claims and potential litigation. **Note 37** provides details of any additional liabilities which are not included in the Council's accounts because the risk of any eventual payment seems remote.

The Council has maintained cash balances within target levels during 2020/21. A comprehensive cash flow and treasury management system ensures that surplus cash is invested wisely, that any new borrowing represents value for money, and that there is sufficient cash available to meet liabilities as they fall due.

## Usable and unusable reserves

Net assets in the Balance Sheet are matched by reserves which are classified as either usable or unusable. Unusable balances reflect statutory or accounting requirements and cannot be used to fund services. At 31 March 2021 total unusable reserves were £1,098m (£1,168m at 31/03/2020), see **Note 30** for further details.

Useable reserves on the other hand totalled £177m (£161m at 31/3/2020). This balance represents a combination of:

- Monies held on behalf of schools
- Funds earmarked for revenue or capital projects, see **Note 15**
- Working balances maintained to cover contingencies.

Current Council policy is to maintain a General Fund working balance between £10m to £15m, which is set aside to protect services and local taxpayers from unexpected events.

## The Collection Fund

The Collection Fund on **page 112** shows the transactions of the Council as a billing authority in relation to Business Rates and Council Tax. Total amounts collected (£178m in 2020/21) are distributed between the Council, the Greater London Authority and Central Government to help fund provision of services.

The Council Tax collection rate was 93.75% (95.81% in 2019/20), and we aim to improve this to 98% within 5 years. The Business Rates collection rate was 78.66% (95.96% in 19/20), against a target rate of 93.7%.

## Social Housing

The Council is required to prepare a separate account for social housing provision and to ensure that expenditure on repairs, maintenance and management is covered by rents and other charges for services and facilities. These transactions are set out in the Housing Revenue Account on **page 103**.

During 2020/21, 42 homes were sold under the Right to Buy, and 52 new homes were created, resulting in a total of 10,001 dwellings (9,991 at 31 March 2020). The working balance on the Housing Revenue Account has reduced from £7m to £3m during the year.



*Flats at Wood Street, Walthamstow*

## Pension Fund

In addition to the Council, 49 other employers are members of the London Borough of Waltham Forest Pension Fund. These include, for example, local academy schools and not for profit organisations. The Pension Fund Accounts on **page 117** provide details of pension fund transactions during 2020/21.

The Fund held investment assets valued at £1,053m at 31 March 2021. (£863m at 31 March 2020). This portfolio is externally managed, and a recent actuarial valuation has confirmed that the scheme was 80% funded as at 31 March 2021.

## Group activities

Investments in limited companies are not material so Group accounting is not required. Nevertheless, these activities do make a significant contribution to the borough. For example:

- 60 Bricks Limited are expecting to build over 400 new houses in Waltham Forest over the next 5 years, up to 50% of which will be affordable housing
- More Homes Waltham Forest has also been established in partnership with Mears Housing Management to provide temporary rented accommodation for homeless households
- WF Services Limited and WF Trading Limited offer Council support to local businesses

Oversight of company activities is exercised by control of voting rights and through corporate risk management processes which also cover partnerships and joint venture arrangements. Details of transactions with Group companies are set out in **Note 35**.

## Outlook and Future Issues

Setting the annual revenue budget has been a challenging process for a number of years. Reductions in Government spending resulted in £8m savings requirement over the two years ended 31 March 2021. So far, the Council has managed to use a combination of clear prioritisation, good financial planning, partnership working and procurement to deliver a balanced budget against the backdrop of continued funding reductions, a growing population and increasing demand for services. However, the position beyond 2021/22 is very uncertain.

Key risks have been identified as:

- Uncertainty about the Government's future spending targets and policy plans
- The potential impact of Brexit and Covid-19 on the local and UK economy
- Business Rates income – budget pressures will increase if business rates income falls due to poor collection performance, business closures, increased numbers of properties claiming charitable relief, and a higher volume of losses from successful rating appeals.
- Budget Pressures in demand led service areas due to continued demographic change, particularly children's services and adults social care
- Unforeseen changes to inflation and bank base interest rates
- Pressure on Housing Services due to the increasing shortage of affordable housing, increasing numbers of homeless households and the new duty to prevent homelessness which came into effect in April 2018
- Slippage in delivery of identified savings plans
- Continuing pressure on schools funding leading to more schools falling into deficit

These risks will continue to be managed as follows:

- The Medium-Term Financial Strategy is reviewed and updated throughout the year so that the Council can understand and manage its financial standing and associated budget risks. The regular review of General Fund and HRA balances, coupled with the rigorous monthly monitoring of revenue budgets against actual and forecast spending ensures that action is taken promptly to address budget pressures.
- The Council has an embedded process to manage risk and assist in the achievement of its objectives, alongside performance targets. The Corporate Risk Register plays an integral role to support delivery of the Council's priorities and is subject to quarterly review by the Audit and Governance Committee. The latest corporate risk register can be found at:

<https://democracy.walthamforest.gov.uk/ieDocHome.aspx>.

## Further Information

Further information about the Council's accounts is available from the Finance Directorate – telephone 020 8496 8182. The Council also publishes a wide range of other financial information including Summary Accounts, Budgets, the Medium Term Financial Strategy, a Council Tax Guide and the Annual Audit Letter on its website:

<https://www.walthamforest.gov.uk/content/council-finances>

The Council is constantly seeking to improve communications with citizens, businesses and other stakeholders, so please tell us whether this information meets your requirements or what changes or additional information you would find helpful.

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## Explanation of the Financial Statements

The **Statement of Responsibilities** sets out the respective responsibilities of the Council and Director of Finance.

The **Auditor's Report** gives the auditor's (Ernst Young) opinion of the financial statements and of the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.

The **Core Statements** are:

The **Comprehensive Income and Expenditure Statement (CIES)** records all of the Council's income and expenditure for the year. The top half of the statement provides an analysis by service area. The bottom half of the statement deals with corporate transactions and funding. Expenditure represents a combination of:

- Services and activities that the Council is required to carry out by law (statutory duties) such as planning, Highways, homelessness and housing benefits administration, and
- Discretionary expenditure focussed on local priorities and needs.

The **Movement in Reserves Statement (MiRS)** summarises the changes to the Council's reserves over the course of the year. Reserves are divided into "usable", which can be invested in capital projects or service improvements, and "unusable" which must be set aside for specific purposes.

The **Balance Sheet** is a "snapshot" of the Council's assets, liabilities, cash balances and reserves at the year-end date.

The **Cash Flow Statement** shows the reason for changes in the Council's cash balances during the year and whether that change is due to operating activities, new investment, or financing activities.

Disclosure Notes provide more detail about the transactions and balances set out in core statements, in particular:

- **Note 1** sets out the accounting policies that have been followed in preparing the accounts and how key accounting requirements have been met in practice
- **Note 6** compares the CIES with the levels of income and expenditure which are taken into account when setting the annual budget and Council Tax and provides a subjective analysis of the Council's income and expenditure.

The **Supplementary Statements** are:

- The **Housing Revenue Account (HRA)** - this separately identifies the Council's statutory landlord function as a provider of social housing under the Local Government and Housing Act 1989.
- The **Collection Fund** which summarises the collection of Council tax and business rates, and the redistribution of some of that money to the Greater London Authority (GLA) and central government.
- The **Pension Fund Accounts**, which reports the contributions received, payments to pensioners and the value of the net assets invested in the Local Government Pension Scheme on behalf of employees of the Council and other employers within the London Borough of Waltham Forest Pension Fund.
- The **Annual Governance Statement** which sets out the governance structures of the Council and an evaluation of its key internal controls.

A **Glossary** of key terms can be found at the end of this publication.

## Statement of Responsibilities

### The Council's Responsibilities:

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the Strategic Director of Finance and Governance.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- to approve the Statement of Accounts.

### The Strategic Director of Finance and Governance's Responsibilities:

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

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

- selected suitable accounting policies and then applied them consistently,
- made judgements and estimates that were reasonable and prudent, and
- complied with the Local Authority Code.

The Strategic Director of Finance and Governance 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.

### Issue Date

The date that these Financial Statements were authorised for issue was DD MMMM YYYY. All known material events that have occurred up to and including this date which relate to 2020/21 or before have been reflected in the statements and notes.

### Certification by the Strategic Director of Finance and Governance

I certify that this Statement of Accounts gives a true and fair view of the financial position of the London Borough of Waltham Forest as at 31 March 2021 and its income and expenditure for the year ended 31 March 2021 and I hereby authorise its issue.

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Date

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John Turnbull CPFA  
Strategic Director of Finance and Governance

## Approval of the Statement of Accounts 2020/21

The Audit and Governance Committee of the London Borough of Waltham Forest, constituted on the basis of political balance, under delegation from full Council, approved the Statement of Accounts for 2020/21 on DD MMMM YYYY.

The Audit and Governance committee is the committee of the Council which is 'charged with governance' in accordance with the requirements of the Accounts and Audit Regulations 2012. It also receives the report of the external auditors, in person, under the same regulations at the end of their annual audit.

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Date

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**Councillor Joe Lacey-Holland**

Chair, Audit and Governance committee  
London Borough of Waltham Forest

## INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements.

Opinion

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SECTION – 2

CORE FINANCIAL STATEMENTS

Core Financial Statements	Page Number
• Comprehensive Income and Expenditure Statement	30
• Movement in Reserves Statement	31
• Balance Sheet	32
• Cash Flow Statement	33

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## Comprehensive Income and Expenditure Statement

The **Comprehensive Income and Expenditure Statement (CIES)** records all of the Council's revenue income and expenditure for the year. Expenditure represents a combination of statutory duties and discretionary spend focussed on local priorities and needs.

2019/20*				2020/21			Note
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
£'000	£'000	£'000		£'000	£'000	£'000	
232	(4)	228	Chief Executive	251	-	251	
36,417	(37,654)	(1,237)	Economic Growth	41,590	(40,996)	594	
408,379	(264,323)	144,056	Families and Homes	422,388	(288,135)	134,253	
164,476	(156,055)	8,421	Finance & Governance	158,534	(147,575)	10,959	
145,687	(78,483)	67,204	Resident Services	145,451	(73,324)	72,127	
28,231	(6,423)	21,808	Corporate Development	20,067	(2,398)	17,669	
11,468	(2,219)	9,249	Corporate Expenditure	14,112	(1,145)	12,967	
36,616	(61,610)	(24,994)	Housing Revenue Account	56,090	(61,858)	(5,768)	
<b>831,506</b>	<b>(606,771)</b>	<b>224,735</b>	<b>Cost of Services</b>	<b>858,483</b>	<b>(615,431)</b>	<b>243,052</b>	
		10,228	Other operating expenditure			10,678	5
		30,380	Financing and investment income and expenditure			31,810	6
		(271,091)	Taxation and non-specific grant income and expenditure			(253,439)	7
		<b>(5,748)</b>	<b>(Surplus)/deficit on provision of services</b>	<b>858,483</b>	<b>(615,431)</b>	<b>32,101</b>	
		570	(Surplus) or deficit on financial assets measured at FVOCI			766	30d
		(19,824)	(Surplus) or deficit on revaluation of property, plant and equipment assets			(39,434)	30a
		31,803	Remeasurement of the net defined benefit liability			61,541	30e, 31
		<b>12,549</b>	<b>Other Comprehensive income and expenditure</b>			<b>22,873</b>	
		<b>6,801</b>	<b>Total Comprehensive income and expenditure</b>			<b>54,974</b>	

\*The 2019/20 CIES has been restated to reflect the changes made to the Directorate Structure in 2020/21. The Internal recharges expenditure and income are netted off.

## Movement in Reserves Statement

The **Movement in Reserves** Statement shows the movement in year on reserve balances held by the Council.

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves*	Total Council Reserves	Note
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Balance at 1 Apr 2019</b>	<b>(14,572)</b>	<b>(104,998)</b>	<b>(5,016)</b>	<b>(32,347)</b>	<b>(9,684)</b>	<b>(166,617)</b>	<b>(1,169,399)</b>	<b>(1,336,016)</b>	
<b>Movement in reserves during 2019/20</b>									
(Surplus)/deficit on provision of services	22,916	-	(28,664)	-	-	(5,748)	-	(5,748)	
Other Comprehensive income and expenditure	-	-	-	-	-	-	12,549	12,549	
<b>Total Comprehensive Income and Expenditure</b>	<b>22,916</b>	<b>-</b>	<b>(28,664)</b>	<b>-</b>	<b>-</b>	<b>(5,748)</b>	<b>12,549</b>	<b>6,801</b>	
Adjustments from income and expenditure charged under the accounting basis to the funding basis	(39,999)	-	20,152	9,504	21,415	11,072	(11,072)	-	14
<b>Increase or (decrease) before transfers to earmarked reserves</b>	<b>(17,083)</b>	<b>-</b>	<b>(8,512)</b>	<b>9,504</b>	<b>21,415</b>	<b>5,324</b>	<b>1,477</b>	<b>6,801</b>	
Transfer to/(from) - earmarked reserves	16,793	(4,517)	6,200	-	(18,476)	-	-	-	15
<b>Balance at 31 Mar 2020</b>	<b>(14,862)</b>	<b>(109,515)</b>	<b>(7,328)</b>	<b>(22,843)</b>	<b>(6,745)</b>	<b>(161,293)</b>	<b>(1,167,922)</b>	<b>(1,329,215)</b>	
<b>Movement in reserves during 2020/21</b>									
(Surplus)/deficit on provision of services	38,794	-	(6,693)	-	-	32,101	-	32,101	
Other Comprehensive income and expenditure	-	-	-	-	-	-	22,873	22,873	
<b>Total Comprehensive Income and Expenditure</b>	<b>38,794</b>	<b>-</b>	<b>(6,693)</b>	<b>-</b>	<b>-</b>	<b>32,101</b>	<b>22,873</b>	<b>54,974</b>	
Adjustments from income and expenditure charged under the accounting basis to the funding basis	(70,671)	-	15,997	(6,000)	14,164	(46,510)	46,510	-	14
<b>Increase or (decrease) before transfers to earmarked reserves</b>	<b>(31,877)</b>	<b>-</b>	<b>9,304</b>	<b>(6,000)</b>	<b>14,164</b>	<b>(14,409)</b>	<b>69,383</b>	<b>54,974</b>	
Transfer to/(from) - earmarked reserves	31,828	(18,530)	(5,294)	-	(8,946)	(942)	942	-	15
<b>Balance at 31 Mar 2021</b>	<b>(14,911)</b>	<b>(128,045)</b>	<b>(3,318)</b>	<b>(28,843)</b>	<b>(1,527)</b>	<b>(176,644)</b>	<b>(1,097,597)</b>	<b>(1,274,241)</b>	

\* see **Note 30** for further details

## Balance Sheet

The **Balance Sheet** is fundamental to the understanding of the Council's financial position at the year end. It shows the value as at the Balance Sheet date of assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by reserves held by the Council.

2019/20		2020/21	
31-March-2020		31-March-2021	
£'000		£'000	Note
2,260,687	Property, Plant and Equipment	2,323,477	16
41,883	Heritage Assets	56,845	18
7,816	Investment Property	7,351	19
1,131	Intangible Assets	530	
-	Long-term Investments	44	21
5,355	Long-term Debtors	28,766	27
<b>2,316,872</b>	<b>Total Long-term Assets</b>	<b>2,417,013</b>	
40,180	Short Term Investments	43,052	21
-	Assets Held for Sale	5,975	
29	Inventories	72	
88,262	Short term debtors	111,102	27
36,837	Cash and Cash Equivalents	36,583	20
<b>165,308</b>	<b>Current Assets</b>	<b>196,784</b>	
(11,534)	Cash and Cash Equivalents	(7,911)	20
(58,776)	Short-term Borrowing	(110,564)	21
(95,215)	Short-term Creditors	(134,628)	28
(5,302)	Short-term Provisions	(8,934)	29
(8,900)	Grants Receipts in Advance – Capital	(7,472)	13
<b>(179,727)</b>	<b>Current Liabilities</b>	<b>(269,509)</b>	
(12,618)	Long-term Provisions	(12,755)	29
(232,503)	Long-term Borrowing	(247,552)	21
(677,247)	Pension Liability	(760,344)	31
(3,456)	Financial Liability (accumulated losses in companies)	(4,266)	
(3,904)	Finance lease liability	(3,903)	24
(43,510)	PFI Creditors	(41,227)	25
<b>(973,238)</b>	<b>Long-term Liabilities</b>	<b>(1,070,047)</b>	
<b>1,329,215</b>	<b>Net Assets</b>	<b>1,274,241</b>	
(161,293)	Usable Reserves	(176,644)	
(1,167,922)	Unusable Reserves	(1,097,597)	30
<b>(1,329,215)</b>	<b>Total Reserves</b>	<b>(1,274,241)</b>	

## 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.

2019/20		2020/21	
£'000		£'000	Note
5,748	Net surplus or (deficit) on the provision of services	(32,101)	
80,411	Adjustment to surplus or (deficit) on the provision of services for non-cash movements	108,352	32
(65,983)	Adjustment for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	(62,834)	32
<b>20,176</b>	<b>Net cash flows from operating activities</b>	<b>13,417</b>	
(47,886)	Investing Activities	(73,354)	33
34,636	Financing Activities	63,305	34
<b>6,926</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>3,368</b>	
18,377	Cash and cash equivalents at the beginning of the reporting period	25,303	
<b>25,303</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>28,671</b>	20

## SECTION – 3

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## Notes to the Core Financial Statements

### Note 1: Basis of Preparation

#### 1.1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, supported by International Financial Reporting Standards (IFRS).

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".

### Note 2: Accounting Policies

#### 2.1. Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Revenue relating to Council Tax and Business Rates is measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.
- Accruals are recognised where the value exceeds £10,000 for revenue purposes and £50,000 for capital.

#### 2.2. Cash and Cash Equivalents

Cash and cash equivalents are represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

#### 2.3. Minimum Revenue Provision (MRP)

The Council is required to make an annual contribution from revenue towards provision for the reduction in its overall borrowing requirement equal to either an amount calculated on a prudent basis by the Council or in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisation charges are replaced by MRP by an adjustment between the General Fund and the Capital Adjustment Account in the Movement in Reserves Statement (MiRS) for the difference between the two.



## Note 2: Accounting Policies (continued)

### 2.4. Employee Benefits

#### **Benefits Payable During Employment**

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and recognised as an expense for services in the year in which employees render service to the authority. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. 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 the relevant service line in the Comprehensive Income and Expenditure Statement (CIES) but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

#### **Termination Benefits**

Termination benefits are payable following a decision by the Council to terminate an officer's employment before their normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. Costs are charged on an accruals basis to the respective Service line in the CIES at the earlier of when the Council can no longer withdraw the offer of the benefits or when the Council recognises costs for a restructuring.

Where termination benefits include the enhancement of pension benefits, regulations require the General Fund to be charged with the amount payable to the pension fund rather than the amount calculated under accounting standards. Entries are made in the MiRS to transfer the accounting standards based entries to the Pension Reserve and replace these with the amount payable to the pension fund.

#### **Post-employment Benefits**

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

- the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE)
- the Local Government Pension Scheme (LGPS), administered by the London Borough of Waltham Forest.
- The NHS Pension Scheme, administered by NHS Business Service Authority

All the above schemes provide defined benefits to members (e.g. retirement lump sums and pensions), earned as employees working for the Council or for related parties.

However, the arrangements for the Teachers' scheme and the NHS scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. These schemes are therefore accounted for as if they were defined contribution schemes and no liability for future payments of benefits is recognised in the Balance Sheet. The Children and Families, and the Public Health and Leisure services line in the CIES are charged with the employer's contributions payable to Teachers' Pensions and NHS Pensions respectively in the year.

#### **The Local Government Pension Scheme**

The LGPS is accounted for as a defined benefits scheme.

The liabilities of the London Borough of Waltham Forest Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method.

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

## Note 2: Accounting Policies (continued)

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

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price

Changes in the net pensions liability is analysed into the following components:

- Service cost comprising:
  - Current service cost for the increase in liabilities arising from the service earned in the year is recognised as a charge in the CIES to the services for which the employees worked.
  - Past service cost arises from decisions taken in the current year relating to service earned in the previous year and is charged to Non-Distributed Costs in the Provision of Services in the CIES.
  - Net interest expense on the net defined benefit liability is charged to the Financing and Investment Income and Expenditure (FIIE) line of the CIES. It reflects the cost of unwinding the discount applied in calculating the defined benefit liability because members are one year closer to receiving their pension.
- Remeasurements comprising the return on plan assets and actuarial gains and losses are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure (OCIE).
- The Council's contributions to the London Borough of Waltham Forest Pension Fund are charged to the General Fund via a transfer with the Pension Reserve via the MiRS in accordance with statutory requirements.

### **Discretionary Benefits**

The Council provides discretionary post-employment benefits which arise from additional service for early retirements. These benefits are unfunded, with costs met directly from the Council's revenue account.

### **2.5. Financial Instruments**

Financial instruments are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. They are classified based on the business model for holding the instruments and their cashflow characteristics.

#### **Financial Liabilities**

The Council's financial liabilities are all classified as liabilities at amortised cost. They are initially measured at fair value and subsequently carried at amortised cost using the effective interest rate.

Financial liabilities are carried in the Balance Sheet at the outstanding principal repayable plus accrued interest. Interest is charged to the FIIE line in the CIES.

The fair value of Public Works Loan Board (PWLb) loans is calculated using the certainty rate published by the PWLB on 31 March 2021.

For non-PWLb loans the fair value is deemed to be the standard new loan rate also published by the PWLB on 31 March 2021.

Where premiums and discounts have been charged to the CIES, regulations require the impact on the General Fund Balance to be spread over future years. In line with statutory requirements where premiums and discounts have been charged to the CIES, they are transferred to the Financial Instruments Adjustment Account (FIAA) via an entry in the MiRS. The General Fund is then charged with 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 via a transfer from the FIAA to the MiRS.

## Note 2: Accounting Policies (continued)

### **Financial Assets**

Financial assets are classified based on the business model for holding the assets and their cashflow characteristics. The authority holds financial assets measured at:

- assets at amortised cost; and
- designated at fair value through other comprehensive income (FVOCI)

#### Financial Assets at Amortised Cost

Financial assets at amortised cost are initially measured at fair value and subsequently carried at amortised cost. For the Council this means that the amount presented in the Balance Sheet is the outstanding principal receivable plus accrued interest. Interest is credited to the FIIE line in the CIES at the effective interest rate of the instrument.

Any gains or losses on derecognition of an asset are debited or credited to the FIIE line in the CIES.

Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit loss model. Changes in loss allowances (including balances outstanding at the date of recognition of an asset) are debited/credited to the FIIE line in the CIES.

#### Financial Assets measured at FVOCI

Financial Assets that are measured at FVOCI are initially measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are charged to OCIE within the CIES and taken to the Financial Instruments Revaluation Reserve (FIRR).

FVOCI instruments with a surplus fair value are carried in the Balance Sheet as long-term investments, and FVOCI instruments with a deficit value are carried as Other Long-Term Liabilities in the Balance Sheet. On disposal of the asset any accumulated revaluation gains or losses on the instrument are credited or debited to the FIIE within the CIES by a transfer from the FIRR.

### **2.6. Government Grants and Contributions**

Government grants and third-party contributions are recognised when there is reasonable assurance that:

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

Where conditions attached to grants or contributions have not been satisfied, monies received to date are carried in the Balance Sheet as creditors and credited to the CIES when the conditions are satisfied.

### **Community Infrastructure Levy**

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Council) with appropriate planning consent. The council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the CIES 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 charges may be used to fund revenue expenditure.

## **Note 2: Accounting Policies (continued)**

### **2.7. Heritage Assets**

Heritage assets are assets held and maintained principally for their contribution to knowledge and culture. The Council recognises war memorials, civic regalia and its historic artefacts and museum stocks in this category.

Heritage assets are recorded within the accounts at valuation arrived at by a reasonable basis. Insurance valuations, determined by our in-house experts with input from specialist external valuers where appropriate, have been used, along with estimated replacement costs for war memorials. The Council considers these assets to have an indefinite useful life and therefore depreciation is not applied.

### **2.8. Interests in Companies and Other Entities**

The Council has interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures. The value of these companies and entities is not material and therefore the Council is not required to prepare group accounts. In the Council's own single-entity accounts, the interests in these companies and other entities are recorded as financial assets at FVOCI.

### **2.9. Investment Property**

Investment properties are measured initially at cost and subsequently at fair value. Investment properties are not depreciated but are revalued annually according to market conditions at the year end.

Revaluation gains and losses are recognised in the FIIE line in the CIES. The same treatment is applied to gains and losses on disposal. However, regulations do not permit unrealised gains and losses to impact the General Fund balance. Therefore, gains and losses are reversed via the MiRS and posted to the Capital Adjustment Account.

Net rental income together with any revaluation gains and losses or impairments are recognised in the FIIE line within the CIES.

### **2.10. 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 start of the lease at the lower of fair value measured at the start of the lease or the present value of the minimum lease payments. The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

## Note 2: Accounting Policies (continued)

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 CIES).

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

The 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 MiRS for the difference between the two.

### Operating Leases

Rentals paid under operating leases are charged to the CIES as an expense of the services benefitting from use of the leased assets. 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. if there is a rent-free period at the commencement of the lease).

### ***The Council as Lessor***

### Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the balance sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the balance sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the CIES 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 CIES 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 CIES).

The gain credited to the CIES 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 MiRS. 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 MiRS. 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 non current assets 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 MiRS.

## Note 2: Accounting Policies (continued)

### 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 CIES. 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.

### 2.11. Overheads and Support Services

Where support services are a department in their own right, they are recognised in the CIES in line with the Council's departmental management structure. Otherwise overheads are recharged to services in accordance with the Council's arrangements for accountability and financial performance.

### 2.12. 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.

Property, plant and equipment is recognised where the initial cost or value exceeds £20,000.

#### **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 initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred while 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:

Asset type	Measurement basis
Vehicles, plant and equipment, infrastructure, community assets	Depreciated historical cost
Council dwellings	Current value, determined using the basis of existing use value for social housing (EUV-SH)
Assets under construction	Cost
Surplus assets	Fair value, estimated at highest and best use from a market participant's perspective
School buildings and other specialised assets	Depreciated replacement cost which is used as an estimate of current value
All other assets	Current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

## Note 2: Accounting Policies (continued)

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.

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 for any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- where there is a credit balance for the asset in the Revaluation Reserve, the impairment loss is charged against that balance until it is used up;
- thereafter, if there is no credit balance for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

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

### **Depreciation**

Depreciation is provided for on all property, plant and equipment 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).

Depreciation is calculated using the straight-line method to allocate the cost or revalued amount of assets, net of their residual value, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

- council dwellings - 55 - 60 years
- other buildings - 5 - 60 years
- vehicles, plant, furniture and equipment - 4 - 25 years
- infrastructure - 10 - 25 years

Where an asset is material and has major components, whose cost is significant (lower of 20% or £400,000) in relation to the total cost (de minimis of £2m) of the asset, the components are depreciated separately. This will only be considered and applied in cases where the omission to recognise and depreciate a separate component may result in material differences in the accounts and is not currently applied to dwellings.

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.

## Note 2: Accounting Policies (continued)

### Disposals

When an asset is disposed of or decommissioned, the gain or loss on disposal is recognised in the Other Operating Expenditure line in the CIES. Gains and losses on disposals comprise the following elements:

- The capital receipt from the proceeds of the sale. Only receipts over £10,000 are classed as capital receipts. The capital receipt element of the gain/loss on disposal is transferred to the Capital Receipts Reserve via the MiRS;
- The carrying value of the asset disposed of or decommissioned, which is transferred to the Capital Adjustment Account via the MiRS;
- Any costs of administering the disposal

Any revaluation gains accumulated for the asset in the Revaluation Reserve are written out to the Capital Adjustment Account.

A proportion of capital receipts relating to housing disposals is payable to the Government.

### 2.13. Service Concessions

Service concessions (also known as PFI and similar contracts) are contracts to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the contractor. The Council recognises the assets used under the contracts in its Balance Sheet within Property, Plant and Equipment because it both controls the services provided under these contracts 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 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.

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 five elements:

- Fair value of services received during the year – debited to the relevant service in the CIES;
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the FIIE line in the CIES;
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the FIIE line in the CIES;
- 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); and
- Lifecycle replacement costs – a proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

### 2.14. Provisions, Contingent Liabilities and Contingent Assets

#### Provisions

Provisions are recognised where the Council has a legal or constructive obligation arising from a past event that will probably require settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the CIES 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.



## **Note 2: Accounting Policies (continued)**

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***

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities in a note to the accounts unless the outflow of resources is remote.

### ***Contingent Assets***

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts.

### **2.15. Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund balance in the MiRS to the relevant earmarked reserve.

Where revenue expenditure is financed from a reserve a credit is made the General Fund or the HRA Balance from the relevant earmarked reserve via the MiRS.

### **2.16. Revenue Expenditure Funded from Capital under Statute**

Legislation requires defined items of expenditure charged to services within the CIES to be treated as capital expenditure. All such expenditure is transferred from the General Fund balance to the Capital Adjustment Account via the MiRS and is included in the Capital Expenditure and Financing disclosure.

### **2.17. Schools**

The Code confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the group accounts). Therefore, schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

### **2.18. VAT**

The CIES excludes amounts relating to VAT. VAT is only recognised as an expense if it is not recoverable from Her Majesty's Revenue and Customs (HMRC). VAT receivable is excluded from income.

## Note 2: Accounting Standards Issued but Not Yet Adopted

Paragraph 3.3.2.13 of the Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. Paragraph 3.3.4.3 requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.

Paragraph 3.3.4.3 and Appendix C of the Code adapt IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors on an annual basis to limit the impact of standards that have been issued but not yet adopted to those listed in Appendix C of the Code in the relevant year of account (in this case the 2021/22 Code). This adaptation has been in place since the inception of the IFRS based Code in 2010/11. Additional clarification confirming this adaptation has been included in the 2021/22 Code which at the time of drafting has been approved by CIPFA and LASAAC (though the Code has not yet fulfilled its final due process steps and publication has been delayed until June). However, this clarification has not changed the Code's requirements in this area.

This means that only the standards listed below are included in the requirements for IAS 8 for standards that have been issued and not yet adopted. This excludes IFRS 16 Leases and IFRS 17 Insurance Contracts from being included in these reporting requirements.

The standards introduced by the 2021/22 Code and relevant for additional disclosures that will be required in the 2020/21 financial statements in accordance with the requirements of paragraph 3.3.4.3 of the Code are:

- a. Definition of a Business: Amendments to IFRS 3 Business Combinations
- b. Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- c. Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS

### Note 3: Critical Judgements in Applying Accounting Policies

In applying the accounting policies, 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:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be materially impaired as a result of a need to close facilities and substantially reduce levels of service provision.
- School service concessions – the Council is deemed to control the services and the residual assets created under the contracts for Lammas School, Grouped Schools and Frederick Bremer School. The accounting policies for service concessions have been applied to these contracts and assets valued at £53.6m recognized on the Council's Balance Sheet.
- The Council has completed a school by school assessment across the different schools operated within the Borough in order to determine the individual accounting treatments. Judgements have been made to determine the arrangements in place and the accounting treatment of the Non-Current Assets. As a result, the Council recognises school assets for Community schools on the Balance Sheet. The Council does not recognise assets relating to Academies, Voluntary Aided (VA), Voluntary Controlled (VC) or Free Schools as the view has been adopted that these entities were deemed to be owned by the relevant Dioceses or Trust following consultation and review
- The Council has reviewed its partnership arrangements entered into under section 75 of the National Health Service Act 2006 and determined that the Better Care Fund is a non pooled fund and, therefore, only accounts for the Council's own expenditure and income in the relevant service line within the Comprehensive Income and Expenditure Statement.
- The Council has a number of interests in other entities which fall within the group accounting boundary on the grounds of control and significant influence. If accounted for on a Group basis, in aggregate these interests would reduce net worth and short term debtors by £4.3m and £1.6m respectively, and increase current liabilities and the deficit on the Comprehensive Income and Expenditure Statement by £3m and £1.0m respectively in 2020/21. The Council's view is that this does not warrant producing consolidated group financial statements on the grounds of materiality. In line with the Code, a range of narrative disclosures have been included in Note 35 Related Party Transactions. The movement in the net worth of these entities is reflected in the Financial Instruments Revaluation Reserve in Note 30 and the Financial Instruments

## Note 4: Assumptions Made About the Future and Other Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet as at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, plant and equipment - depreciation	<p>Assets are depreciated over useful lives that are dependent upon assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p> <p>Assets have been valued by the Authority's external valuers on the basis of a five year rolling valuation programme. In the current economic climate, the Balance Sheet valuation of £2,311m may be subject to fluctuations.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £2.5m for every year that useful lives had to be reduced.</p> <p>If the asset valuation of all property plant and equipment were to fall by 1% a reduction in value of £23m would arise. This would normally be reversed to the Revaluation Reserve. Where revaluation losses exceed unrealised gains, the net loss would be charged to the Consolidated Income and Expenditure Statement and subsequently written off to the Capital Adjustment Account.</p>
Valuation of operational and council dwellings - Covid-19 impact	All property valuations undertaken by the Council's valuers were undertaken as at 31 March 2020, and then indexed back to 31 March 2019, 31 March 2018 and 1 April 2017 using local and regional indices for reporting values in the Statement of Accounts	The outbreak of Covid-19 had had an unprecedented impact on global financial markets and as at the valuation date, less weight can be attached to previous markets evidence to inform opinions of values. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid.
Fair Value Measurements	<p>When the fair values of financial assets and liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or discounted cash flow model). The Council uses the "Investment Method" of valuation to measure the fair value of its investment properties.□</p> <p>Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties the valuation officer will use their expertise and experience).</p>	The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels and the respective covenant strength of tenants. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties.
Provisions	The Council has made a number of provisions. Provisions are defined as probable future liabilities based on past events and therefore, there are inherent uncertainties related to amounts set aside as provisions. If future liabilities exceed the amount set aside in a provision, the additional expense would have to be met from the Council's revenue accounts.	An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £1.8m to the provision needed.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	<p>The effect on the net pensions liability of changes in individual assumptions can be measured. Variations in the key assumptions will have the following impact on the net liability:</p> <ul style="list-style-type: none"> <li>• A 0.1% increase in the discount rate will reduce the net liability by £19.5m</li> <li>• a 0.1% increase in inflation will increase the net liability by £19.8m</li> <li>• An increase of one year in longevity will increase the net liability by £37.8m</li> </ul>

**Note 4: Assumptions Made About the Future and Other Sources of Estimation Uncertainty (continued)**

Item	Uncertainties	Effect if actual results differ from assumptions
Arrears	At 31 March 2020, the Council had a balance of sundry debtors of £24.5m. Bad debt provision is reviewed annually and adjusted in accordance with current collection performance.  However, with the impact of Covid-19 the Council, it is difficult to ascertain that such an allowance would be sufficient. The Council will continue to closely monitor this position.	If collection rates were to deteriorate, a doubling of the amount of doubtful debts would require a doubling of the bad debt provision, which would be charged to the Council's Revenue Account.
Business Rates	The Council collected approximately £66m in business rates. From 2019/20 the council will retain 75% of the business rates income it collects and also receive a £53.34 top-up from the London pooling pilot.  The 2017 revaluation a new check challenge appeal process was introduced by the Valuations Office. We currently have 20 checks outstanding and a total of 680 have been received since the list was created.  The Council has made a provision on the basis of past experience which is held in the collection fund.	The Council's safety net position is currently 92.5% while it remains part of the pooling pilot. Its loss would therefore be capped at £5.2m.

**Note 5: Other Operating Expenditure**

2019/20		2020/21
£'000		£'000
9,694	Levies	9,355
1,310	Payments to the Government housing capital receipts pool	1,310
705	Pension administration expenses	752
(1,481)	(Gains)/losses on the disposal of non-current assets	(739)
<b>10,228</b>	<b>Total</b>	<b>10,678</b>

**Note 6: Financing and Investment Income and Expenditure**

2019/20		2020/21
£'000		£'000
17,189	Interest payable and similar charges	17,641
14,292	Net interest on the net defined benefit liability (asset)	14,833
(1,112)	Interest receivable and similar income	(999)
(243)	Income and expenditure relating to investment properties and changes in their fair value	(133)
254	Changes in fair value of investment properties	468
<b>30,380</b>	<b>Total</b>	<b>31,810</b>

## Note 7: Taxation and Non-Specific Grant Income

2019/20 Restated*		2020/21
£'000		£'000
(106,287)	Council tax income	(109,368)
(95,725)	Non-domestic rates income and expenditure	(72,505)
(4,087)	Non-ringfenced government grants	(21,817)
(7,541)	Covid-19 grants	(23,975)
(57,450)	Capital grant and contributions	(25,774)
<b>(271,090)</b>	<b>Total</b>	<b>(253,439)</b>

\* 2019/20 figures have been restated following a review of allocations; the overall figure has not changed.

## Note 8: Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how the Council has used available funding for the year (i.e. government grants, rents, council tax and business rates) in providing services, in comparison with those resources that the Council has consumed or earned in accordance with generally accepted accounting practices. It also shows how the Council has allocated this expenditure for decision making purposes between the Council's departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2019/20				2020/21		
Net Expenditure in the Comprehensive Income and Expenditure Statement	Adjustments between Funding and Accounting Basis	Net Expenditure Chargeable to the General Fund and HRA Balances		Net Expenditure in the Comprehensive Income and Expenditure Statement	Adjustments between Funding and Accounting Basis	Net Expenditure Chargeable to the General Fund and HRA Balances
£'000	£'000	£'000		£'000	£'000	£'000
228	-	228	Chief Executive	251	-	251
(1,237)	(1,918)	(3,155)	Economic Growth	635	(2,717)	(2,082)
144,056	(19,568)	124,488	Families and Homes	134,499	(28,259)	106,240
67,204	(6,906)	60,298	Resident Services	11,004	(10,869)	135
21,808	(1,535)	20,273	Corporate Development	72,218	(9,782)	62,436
8,421	(8,056)	365	Finance & Governance	17,701	(1,630)	16,071
9,249	(392)	8,857	Corporate Expenditure	12,512	(1,088)	11,424
(24,994)	20,109	(4,885)	Housing Revenue Account	(5,768)	14,647	8,879
<b>224,735</b>	<b>(18,266)</b>	<b>206,469</b>	<b>Net Cost of Services</b>	<b>243,052</b>	<b>(39,698)</b>	<b>203,354</b>
(230,483)	(1,581)	(232,064)	Other Income and Expenditure	(210,951)	(14,976)	(225,927)
<b>(5,748)</b>	<b>(19,847)</b>	<b>(25,595)</b>	<b>(Surplus)/Deficit</b>	<b>32,101</b>	<b>(54,674)</b>	<b>(22,573)</b>
		(124,586)	Opening General Fund and HRA Balance			(131,705)
		18,476	Transfer to/(from) - earmarked reserves			8,004
		<b>(131,705)</b>	<b>Closing General Fund and HRA Balance*</b>			<b>(146,274)</b>

\* for a split of this balance between the general fund and the HRA – see the movement in reserves statement

**Note 8a: Expenditure and Funding Analysis (continued)**

2019/20					2020/21			
Adjustments for Capital Purposes	Net Change for Pension Adjustments	Other Adjustments	Total Adjustments		Adjustments for Capital Purposes	Net Change for Pension Adjustments	Other Adjustments	Total Adjustments
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
-	-	-	-	Chief Executive	-	-	-	-
(727)	(1,232)	41	(1,918)	Economic Growth	(1,639)	(1,034)	(44)	(2,717)
(7,419)	(12,567)	417	(19,569)	Families and Homes	(17,046)	(10,754)	(460)	(28,260)
(3,055)	(5,175)	173	(8,057)	Finance & Governance	(6,556)	(4,136)	(177)	(10,869)
(2,619)	(4,435)	149	(6,905)	Resident Services	(5,900)	(3,723)	(159)	(9,782)
(582)	(986)	33	(1,535)	Corporate Development	(983)	(620)	(26)	(1,629)
(145)	(246)	-	(391)	Corporate Expenditure	(656)	(414)	(18)	(1,088)
21,667	(1,533)	(25)	20,109	Housing Revenue Account	15,531	(875)	(9)	14,647
<b>7,120</b>	<b>(26,174)</b>	<b>788</b>	<b>(18,266)</b>	<b>Net Cost of Services</b>	<b>(17,249)</b>	<b>(21,556)</b>	<b>(893)</b>	<b>(39,698)</b>
-	-	(1,581)	(1,581)	Other income and expenditure from the Funding Analysis	-	-	(14,976)	(14,976)
<b>7,120</b>	<b>(26,174)</b>	<b>(793)</b>	<b>(19,847)</b>	<b>Difference between (Surplus)/Deficit and the CIES Statement (Surplus)/Deficit on Provision of Services</b>	<b>(17,249)</b>	<b>(21,556)</b>	<b>(15,869)</b>	<b>(54,674)</b>

**Note 8b: Expenditure and Funding Analysis (continued)****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**

This column adjusts for the net change for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* pension related expenditure and income:

- **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- **For Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.

## Note 8c: Expenditure and Funding Analysis (continued)

### 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 statutory adjustments 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 NDR 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.

### Other Non-statutory Adjustments

Other non-statutory adjustments represent amounts debited/credited to service segments which need to be adjusted against the 'Other income and expenditure from the Expenditure and Funding Analysis' line to comply with the presentational requirements in the Comprehensive Income and Expenditure Statement:

- For **financing and investment income and expenditure** the other non-statutory adjustments column recognises adjustments to service segments, e.g. for interest income and expenditure and changes in the fair values of investment properties.
- For **taxation and non-specific grant income and expenditure** the other non-statutory adjustments column recognises adjustments to service segments, e.g. for unringfenced government grants.

### Expenditure and income analysed by nature

2019/20		2020/21
£'000		£'000
	<b>Expenditure</b>	
284,772	Employee Benefit Expenses	271,207
507,938	Other Service Expenses	535,025
39,502	Depreciation, Amortisation, Impairment	53,010
31,481	Interest Payments	32,474
9,694	Precepts and Levies	9,348
1,310	Payments to the Housing Capital Receipts Pool	1,310
-	Losses on Disposals	-
<b>874,697</b>	<b>Total expenditure</b>	<b>902,374</b>
	<b>Income</b>	
(216,970)	Fees, charges and other service income	(173,942)
(1,101)	Interest and investment income	(664)
(202,013)	Income from council tax, non-domestic rates	(181,873)
(458,880)	Government grants and contributions	(513,055)
(1,481)	Gains on Disposals	(739)
<b>(880,445)</b>	<b>Total income</b>	<b>(870,273)</b>
<b>(5,748)</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>32,101</b>



## Note 9: Partnership Arrangements

Section 75 of the National Health Service Act 2006 gives powers for NHS bodies and local authorities to establish and maintain pooled funds out of which payment may be made towards expenditure incurred in the exercise of prescribed local authority and prescribed NHS functions.

### Better Care Fund (BCF)

Waltham Forest Council and Waltham Forest CCG are partners in the provision of integrated local health and social care systems. The Care Act 2014 amended the NHS Act 2006 to provide the legislative basis for the Better Care Fund and in accordance with Section 75 of the act, an agreement exists for the pooled fund between the Council and WFCCG for the 2020/21 financial year.

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

There are three work streams that oversee the delivery of the Better Care Together programme:

#### 1. Wellbeing

Objective: To provide the necessary support to local residents to support them with appropriate and timely information, advice and signposting as well as care in their homes to prevent their needs escalating. The target population are residents with lower level health and social care needs therefore the interventions will be time limited. We will work together with our housing and voluntary sector to develop new ways to access services and information to enable self-care.

#### 2. Integrated pathways

Objective: To ensure we have the right services at the right time and that resources are co-ordinated and deployed across the whole health and social care system in the best interests of ensuring Waltham Forest residents can stay in their home or return there as soon as possible following hospital treatment; maximising their independence and where possible their wishes.

#### 3. Strategic Enablers

Objective: To ensure that across all health and social care partners we have the right tools for the job, a shared understanding to use them and the resources to enable effective service delivery. The enablers have been scoped as core elements to the integrated care programme. They will be developed and carried out alongside the programmes.

### Improved Better Care Fund (iBCF)

The improved Better Care fund was announced in the Spending Review 2015; in addition to this a further improvement was announced in March 2017.

**Note 9: Partnership Arrangements (continued)**

The improved Better Care fund was announced in the Spending Review 2015; in addition to this a further improvement was announced in March 2017. The fund is held by Waltham Forest Council and supplements the work across the three work streams that oversee the delivery of the Better Care Together programme.

2019/20			2020/21	
BCF Restated	iBCF		BCF	iBCF
£'000	£'000		£'000	£'000
		<b>Funding from:</b>		
(2,145)	(8,119)	L B Waltham Forest	(2,425)	(9,208)
(18,363)	-	Waltham Forest CCG	(19,321)	-
<b>(20,508)</b>	<b>(8,119)</b>		<b>(21,746)</b>	<b>(9,208)</b>
		<b>Expenditure</b>		
2,145	8,119	L B Waltham Forest	2,425	9,208
18,363	-	Waltham Forest CCG	19,321	
<b>20,508</b>	<b>8,119</b>		<b>21,746</b>	<b>9,208</b>

**Note 10: Members' Allowances**

The Council paid allowances to its members in 2020/21 of £1.262 million (£1.269 million in 2019/20). Full details are available here:

<https://www.walthamforest.gov.uk/content/councillors%E2%80%99-allowances-and-expenses>

**Note 10a: Exit packages and termination benefits**

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
£0 - £20,000	32	18	3	10	35	28	249	213
£20,001 - £40,000	3	3	1	5	4	8	117	255
£40,001 - £60,000	1	-	-	2	1	2	46	86
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	1	-	-	-	1	-	87
£100,001 - £150,000	1	2	-	-	1	2	113	286
<b>Total</b>	<b>37</b>	<b>24</b>	<b>4</b>	<b>17</b>	<b>41</b>	<b>41</b>	<b>525</b>	<b>927</b>

## Note 10b: Officers' Remuneration

The remuneration of senior employees, defined as those who are members of Management Board, or those holding statutory posts is as follows:

2020/21	Salary including fees and allowances	Taxable Expenses	Total Remuneration excluding Pension costs	Employers Pension Contributions	Total Remuneration including Pension contributions	Notes
	£	£	£	£	£	
Post holder information						
Chief Executive - Mr Martin Esom	213,647	-	213,647	-	213,647	
Strategic Director of Economic Growth	160,187	-	160,187	24,348	184,535	
Strategic Director of Finance & Governance	148,960	-	148,960	-	148,960	
Strategic Director of Resident Services	154,125	-	154,125	23,427	177,552	
Strategic Director of Families	151,556	-	151,556	23,036	174,592	
Strategic Director of Corporate Development	142,591	-	142,591	21,674	164,265	
Director of Governance & Law	125,355	-	125,355	19,054	144,409	
Director of Public Health	103,445	-	103,445	15,723	119,168	

Note 1: Section 57 of the Health and Social Care Act 2012 defines the Director of Public Health as a statutory chief officer by amendment to section 2(6) of the Local Government and Housing Act 1989, but is not a member of LBWF Management Board.

2019/20	Salary including fees and allowances	Taxable Expenses	Total Remuneration excluding Pension costs	Employers Pension Contributions	Total Remuneration including Pension contributions	Notes
	£	£	£	£	£	
Post holder information						
Chief Executive - Mr Martin Esom	221,610	-	221,610	-	221,610	1
Deputy Chief Executive - Families - Linzi Roberts-Egan	78,753	-	78,753	10,808	89,561	
Strategic Director of Economic Growth	157,524	-	157,524	22,914	180,438	
Strategic Director of Finance & Governance	146,983	-	146,983	-	146,983	
Strategic Director of Resident Services	143,133	-	143,133	20,798	163,931	
Strategic Director of Corporate Development	136,063	-	136,063	19,711	155,774	
Director of Governance & Law	129,859	-	129,859	17,888	147,747	
Director of Public Health	100,676	-	100,676	14,799	115,475	2
Strategic Director of Families	75,446	-	75,446	10,882	86,328	3

Note 1: The Deputy Chief Executive left the council in September 2019.

Note 2: Section 57 of the Health and Social Care Act 2012 defines the Director of Public Health as a statutory chief officer by amendment to section 2(6) of the Local Government and Housing Act 1989, but is not a member of LBWF Management Board.

Note 3: The Strategic Director for Families commenced the role in September 2019.

**Note 10b: Officers' Remuneration (continued)**

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration band	2019/20 Restated*			2020/21		
	Number of employees			Number of employees		
	Schools	Non Schools	Total	Schools	Non Schools	Total
£50,000 - £54,999	54	79	133	64	109	173
£55,000 - £59,999	56	61	117	35	62	97
£60,000 - £64,999	34	29	63	32	45	77
£65,000 - £69,999	28	29	57	35	28	63
£70,000 - £74,999	23	12	35	25	23	48
£75,000 - £79,999	14	10	24	13	5	18
£80,000 - £84,999	14	5	19	5	7	12
£85,000 - £89,999	8	4	12	13	14	27
£90,000 - £94,999	3	2	5	4	5	9
£95,000 - £99,999	4	5	9	5	1	6
£100,000 - £104,999	1	7	8	4	3	7
£105,000 - £109,999	1	3	4	-	8	8
£110,000 - £114,999	2	3	5	-	4	4
£115,000 - £119,999	3	1	4	-	3	3
£120,000 - £124,999	-	3	3	1	3	4
£125,000 - £129,999	-	1	1	-	2	2
£130,000 - £134,999	-	-	-	1	-	-
<b>Total</b>	<b>245</b>	<b>254</b>	<b>499</b>	<b>237</b>	<b>322</b>	<b>558</b>

The figures do not include staff employed by academies.

\* The 2019/20 comparators have been restated following a review during external audit.

## Note 11: External Audit Fees

The Council's external auditors for the audit of the Statement of Account in 2020/21 are EY LLP. The Council's external auditors for the certification of grant claims are KPMG LLP. The Authority has incurred the following expenditure for services provided by the external auditors for the relevant year:

2019/20		2020/21
£'000		£'000
265	Fees payable in relation to the audit of the Statement of Accounts *	265
25	Fees payable in relation to certification of grant claims and returns	25
<b>290</b>		<b>290</b>

\* The audit work for 2019/20 has not yet been completed and the final fee is still to be determined.

## Note 12: Dedicated Schools Grant (DSG)

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 Schools and Early Years Finance (England) Regulations 2017. Schools Budget includes elements for a range of educational services provided on an authority-wide basis and the Individual Schools Budget, which is divided into a budget share for each maintained school, funding for early years providers, and high-needs payments to providers.

In 2020/21 the authority has accumulated a deficit of £942k which has been transferred to a newly created DSG Adjustment Account as shown in Note 30. This is a statutory requirement under Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020.

2019/20			Schools budget funded by Dedicated Schools Grant	2020/21		
Central expenditure	Individual Schools budget (ISB)	Total		Central expenditure	Individual Schools budget (ISB)	Total
£'000	£'000	£'000		£'000	£'000	£'000
		262,399	Final DSG before Academy recoupment			269,248
		(103,148)	Academy figure recouped			(105,418)
		<b>159,251</b>	<b>Total DSG after recoupment</b>			<b>163,830</b>
		2,012	Brought forward DSG			573
		(1,263)	Less carry forward agreed in advance			-
<b>3,622</b>	<b>156,378</b>	<b>160,000</b>	<b>Agreed Initial budgeted distribution</b>	<b>4,654</b>	<b>159,751</b>	<b>164,403</b>
-	538	538	In year adjustments	-	(153)	(153)
<b>3,622</b>	<b>156,916</b>	<b>160,538</b>	<b>Final Budgeted Distribution</b>	<b>4,654</b>	<b>159,598</b>	<b>164,250</b>
(3,472)	-	(3,472)	less Actual central expenditure	(4,726)	-	(4,726)
-	(157,756)	(157,756)	less Actual ISB deployed to schools	-	(160,466)	(160,466)
		-	DSG deficit transferred to DSG Adjustment Account	72	870	942
<b>150</b>	<b>(840)</b>	<b>573</b>	<b>Carry Forward</b>	-	-	-

## Note 13: Grant Income

The authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement

2019/20		2020/21
£'000		£'000
	<b>Credited to Taxation and non-specific grant income</b>	
-	Revenue Support Grant	(18,804)
(3,864)	New Homes Bonus Grant	(3,001)
(7,764)	Other General Government Grants	(23,988)
<b>(11,628)</b>	<b>Total of Non-ringfenced government grants</b>	<b>(45,793)</b>
	<b>Capital grant and contributions</b>	
(21,546)	Basic Need (DfE)	(5,841)
(8,057)	Transport for London (TfL)	(5,164)
(2,215)	Capital Maintenance (DfE)	(3,206)
(2,248)	Local Community Infrastructure Levy Income	(1,774)
(4,477)	Other grants (government)	(4,096)
(13,211)	Other grants (non-government)	(3,164)
(5,697)	Other capital contributions	(2,529)
<b>(57,451)</b>	<b>Total Capital grant and contributions</b>	<b>(25,774)</b>
	<b>Credited to services</b>	
(90,925)	Rent Allowance: subsidy (DWP)	(83,762)
(16,176)	Rent rebates outside HRA: subsidy (DWP)	(17,249)
(27,074)	Rent rebates granted to HRA tenants: subsidy (DWP)	(21,775)
(1,370)	Housing Benefit and Council Tax Benefit admin grant DWP)	(1,581)
(1,557)	Further education funding 19+ (SFA)	(262)
(2,600)	Sixth Form Funding (DfE)	(2,633)
(8,407)	PFI special grant (DfE)	(8,407)
(159,251)	Dedicated Schools Grant (DfE)	(163,830)
(6,956)	Pupil Premium grant (DfE)	(6,615)
(5,276)	Flexible Homelessness Support Grant (MHCLG)	(6,440)
(1,860)	Adult Social Care Support Grant (MHCLG)	(6,445)
(8,119)	Improved Better care grant	(9,207)
(15,511)	Public Health Grant (DH)	(16,162)
-	Covid-19 revenue grants (government)	(21,393)
(19,903)	Other revenue grants (government)	(25,343)
(24,816)	Other revenue grants and contributions	(50,383)
<b>(389,801)</b>	<b>Total of Government Grant credited to Net Cost of Services</b>	<b>(441,487)</b>

**Note 13: Grant Income (continued)**

The Council has received a number of grants and contributions that have yet to be recognised as income, as they have conditions attached to them that could require the money to be returned to the awarding body. The balances as at 31 March 2021 are as follows:

2019/20		2020/21
£'000		£'000
(8,900)	Capital grants receipts in advance	(7,472)
	Revenue grants receipts in advance (within short term creditors)	
(3,756)	NNDR - MHCLG	(10,797)
(2,407)	NNDR - GLA	-
(7,786)	Other government grants	(34,359)
(109)	Other non-government grants	(447)
(14,058)	Total	(45,603)

## Note 14: Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure.

2020/21	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments to the Revenue Resources</b>						
<b>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:</b>						
Pensions costs (transferred to (or from) the Pensions Reserve)	(20,681)	(875)	-	-	-	(21,556)
Financial instruments (transferred to the Financial Instruments Adjustments Account)	545	40	-	-	-	585
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	(15,561)	-	-	-	-	(15,561)
Holiday pay (transferred to the Accumulated Absences Reserve)	(883)	(9)	-	-	-	(892)
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):	(57,532)	(14,332)	-	-	-	(71,864)
<b>Adjustments between Revenue and Capital Resources:</b>						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	16,013	15,841	(25,992)	-	-	5,862
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserves)	(8)	(121)	129	-	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(1,310)	-	1,310	-	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	11,367	-	(11,367)	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	7,301	-	-	-	-	7,301
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,445	5,178	-	-	-	6,623
<b>Adjustments to Capital Resources:</b>						
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	18,553	-	-	18,553
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	11,367	-	11,367
Application of capital grants to finance capital expenditure	-	-	-	-	14,164	14,164
Cash payments in relation to deferred capital receipts	-	(1,092)	-	-	-	(1,092)
<b>Total Adjustments</b>	<b>(70,671)</b>	<b>15,997</b>	<b>(6,000)</b>	<b>-</b>	<b>14,164</b>	<b>(46,510)</b>



# **Note 14: Adjustments Between Accounting Basis and Funding Basis Under Regulations (continued)**

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure.

2019/20	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000

## **Adjustments to the Revenue Resources**

**Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:**

Pensions costs (transferred to (or from) the Pensions Reserve)	(24,641)	(1,536)	-	-	-	(26,177)
Financial instruments (transferred to the Financial Instruments Adjustments Account)	544	41	-	-	-	585
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	1,036	-	-	-	-	1,036
Holiday pay (transferred to the Accumulated Absences Reserve)	(826)	(25)	-	-	-	(851)
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):	(26,520)	(348)	-	-	-	(26,868)

## **Adjustments between Revenue and Capital Resources:**

Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-	9,950	(10,322)	-	-	(372)
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserves)	-	(133)	133	-	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(1,310)	-	1,310	-	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	10,587	-	(10,587)	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	7,951	-	-	-	-	7,951
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	3,767	1,271	-	-	-	5,038

## **Adjustments to Capital Resources:**

Use of the Capital Receipts Reserve to finance capital expenditure	-	-	18,383	-	-	18,383
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	10,587	-	10,587
Application of capital grants to finance capital expenditure	-	-	-	-	21,415	21,415
Cash payments in relation to deferred capital receipts	-	345	-	-	-	345
<b>Total Adjustments</b>	<b>(39,999)</b>	<b>20,152</b>	<b>9,504</b>	<b>-</b>	<b>21,415</b>	<b>11,072</b>

## Note 15: Earmarked Reserves

Movement in Earmarked reserves	01 April 2019	Transfers Out	Transfers In	Balance at 31 March 2020	Transfers Out	Transfers In	Balance at 31 March 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Corporate / Cross cutting	(19,176)	11,865	(21,612)	(28,923)	10,821	(21,685)	(39,787)
Budget Strategy Reserve	(44,793)	16,390	(1,041)	(29,444)	6,476	(5,684)	(28,652)
<b>Total Corporate reserves</b>	<b>(63,969)</b>	<b>28,255</b>	<b>(22,653)</b>	<b>(58,367)</b>	<b>17,297</b>	<b>(27,369)</b>	<b>(68,439)</b>
Service Reserves	(13,900)	13,163	(14,253)	(14,990)	5,010	(4,422)	(14,402)
<b>General Fund earmarked reserves</b>	<b>(77,869)</b>	<b>41,418</b>	<b>(36,906)</b>	<b>(73,357)</b>	<b>22,307</b>	<b>(31,791)</b>	<b>(82,841)</b>
Grant related reserves (General Fund)	(13,918)	15,278	(18,707)	(17,347)	9,713	(22,848)	(30,482)
Schools reserves	(8,565)	5,791	(5,191)	(7,965)	6,715	(7,595)	(8,845)
HRA earmarked reserves	(4,646)	500	(6,700)	(10,846)	18,348	(13,380)	(5,878)
<b>Total Earmarked reserves</b>	<b>(104,998)</b>	<b>62,987</b>	<b>(67,504)</b>	<b>(109,515)</b>	<b>57,083</b>	<b>(75,614)</b>	<b>(128,046)</b>

The **Corporate/Cross Cutting Reserve** holds funds for corporately controlled activities.

The **Budget Strategy Reserve** has been set aside to support the overall budget strategy; it will be used to manage risks, contribute towards managing any future reductions in government support, provide a source for investing in achieving future reductions and, enable some of the Council's urgent priorities access to funds.

The **Service Reserve** hold funds earmarked for service activities.

The **Grant Related Reserve** holds unused grant monies received by the Council.

The **Schools Reserves** are at the disposal of the schools and are not available to the Council for general use.

A full list of earmarked reserves is published annually as part of the Council's Revenue and Capital Outturn Report to Cabinet.

## Note 16: Property, Plant and Equipment

Values as at 31 March 2021

The tables on the following pages show a breakdown of the opening and closing values of PPE assets and summarise the transactions during the year, for each class of asset.

Movements in 2020/21	Operational assets					Non-operational assets		Total
	Council dwellings	Other land and buildings	Vehicles, plant and equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	Property, plant and equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>								
<b>At 1 April 2020</b>	<b>859,689</b>	<b>1,128,251</b>	<b>16,580</b>	<b>210,699</b>	<b>34,359</b>	<b>8,702</b>	<b>111,017</b>	<b>2,369,297</b>
Additions	13,035	35,244	762	7,435	386	26	69,862	126,750
Revaluation increases/(decreases) recognised in the revaluation reserve	21,201	697	-	-	-	(35)	-	21,863
Revaluation increases/(decreases) recognised in the surplus/(deficit) on the provision of services	(19,857)	(7,958)	-	-	-	-	-	(27,815)
Derecognition – disposals	(3,762)	(1,430)	-	-	(8,690)	-	(16,116)	(29,998)
Other transfers/movements	56,291	2,863	-	(445)	-	(2,418)	(62,269)	(5,978)
<b>At 31 March 2021</b>	<b>926,597</b>	<b>1,157,667</b>	<b>17,342</b>	<b>217,689</b>	<b>26,055</b>	<b>6,275</b>	<b>102,494</b>	<b>2,454,119</b>
<b>Accumulated depreciation and impairment</b>								
<b>At 1 April 2020</b>	<b>-</b>	<b>(3,016)</b>	<b>(6,885)</b>	<b>(98,557)</b>	<b>(79)</b>	<b>-</b>	<b>(73)</b>	<b>(108,610)</b>
Depreciation charge	(10,935)	(15,914)	(1,284)	(9,081)	(7)	-	(126)	(37,347)
Depreciation written out to the revaluation reserve	-	2,486	-	-	-	-	126	2,612
Depreciation written out to the surplus/(deficit) on the provision of services	10,887	1,713	-	-	-	-	-	12,600
Derecognition – disposal	48	56	-	-	-	-	-	104
Other transfers/movements	-	(30)	-	30	-	-	-	-
<b>At 31 March 2021</b>	<b>-</b>	<b>(14,705)</b>	<b>(8,169)</b>	<b>(107,608)</b>	<b>(86)</b>	<b>-</b>	<b>(73)</b>	<b>(130,641)</b>
<b>Net book value at 31 March 2020</b>	<b>859,689</b>	<b>1,125,235</b>	<b>9,695</b>	<b>112,142</b>	<b>34,280</b>	<b>8,702</b>	<b>110,944</b>	<b>2,260,687</b>
<b>Net book value at 31 March 2021</b>	<b>926,597</b>	<b>1,142,962</b>	<b>9,173</b>	<b>110,081</b>	<b>25,969</b>	<b>6,275</b>	<b>102,421</b>	<b>2,323,478</b>

### Impairment Losses/(Reversals)

During 2020/21 the Authority charged £9.0m of impairments (£9.7m reversed in 2019/20) in respect of its Council Dwellings to the surplus or deficit on the Provision of Services. These have been charged in the Comprehensive Income & Expenditure Statement against the Housing Revenue Account line leaving a balance of £91.3m of impairment losses to be recovered (£83.8m in 2019/20).

**Note 16: Property, Plant and Equipment (continued)**

Values as at 31 March 2020

The tables on the following pages show a breakdown of the opening and closing values of PPE assets and summarise the transactions during the year, for each class of asset.

Movements in 2019/20	Operational assets					Non-operational assets		Total
	Council dwellings	Other land and buildings	Vehicles, plant and equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	Property, plant and equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>								
<b>At 1 April 2019</b>	<b>846,991</b>	<b>1,114,056</b>	<b>13,685</b>	<b>200,180</b>	<b>33,672</b>	<b>5,450</b>	<b>62,954</b>	<b>2,276,988</b>
Additions	21,980	23,895	2,895	10,519	591	54	47,099	107,033
Revaluation increases/(decreases) recognised in the revaluation reserve	(4,031)	6,348	-	-	-	273	-	2,590
Revaluation increases/(decreases) recognised in the surplus/(deficit) on the provision of services	3,540	(15,031)	-	-	-	-	-	(11,491)
Derecognition – disposals	(8,791)	-	-	-	-	-	-	(8,791)
Other transfers/movements	-	(1,017)	-	-	96	2,925	964	2,968
<b>At 31 March 2020</b>	<b>859,689</b>	<b>1,128,251</b>	<b>16,580</b>	<b>210,699</b>	<b>34,359</b>	<b>8,702</b>	<b>111,017</b>	<b>2,369,297</b>
<b>Accumulated depreciation and impairment</b>								
<b>At 1 April 2019</b>	<b>-</b>	<b>(2,593)</b>	<b>(6,069)</b>	<b>(89,788)</b>	<b>(72)</b>	<b>-</b>	<b>(25)</b>	<b>(98,547)</b>
Depreciation charge	(10,587)	(14,786)	(816)	(8,769)	(7)	(126)	-	(35,091)
Depreciation written out to the revaluation reserve	10,477	6,631	-	-	-	126	-	17,234
Depreciation written out to the surplus/(deficit) on the provision of services	-	7,684	-	-	-	-	-	7,684
Derecognition – disposal	110	-	-	-	-	-	-	110
Other transfers/movements	-	48	-	-	-	-	(48)	-
<b>At 31 March 2020</b>	<b>-</b>	<b>(3,016)</b>	<b>(6,885)</b>	<b>(98,557)</b>	<b>(79)</b>	<b>-</b>	<b>(73)</b>	<b>(108,610)</b>
<b>Net book value at 31 March 2019</b>	<b>846,991</b>	<b>1,111,463</b>	<b>7,616</b>	<b>110,392</b>	<b>33,600</b>	<b>5,450</b>	<b>62,929</b>	<b>2,178,441</b>
<b>Net book value at 31 March 2020</b>	<b>859,689</b>	<b>1,125,235</b>	<b>9,695</b>	<b>112,142</b>	<b>34,280</b>	<b>8,702</b>	<b>110,944</b>	<b>2,260,687</b>

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Sanderson Weatherall undertook valuations on behalf of the Council in 2020/21 for operational property and investment property. HRA stock was valued at 31st March 2021.

The 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. The value of Council dwellings has been adjusted annually on the basis of property valuation indices, taking into account an adjustment factor to reflect the lower value of social housing. Valuations concerning vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices, with consideration given for the condition of the asset.

## Note 17: Capital Commitments

### Capital Commitments

At 31 March 2021, the Council had a number of capital schemes/projects planned for future years. This refers to schemes with a contractual commitment in excess of £1 million. Similar commitments at 31 March 2020 amounted to £47.7m. As at 31 March 2021, the Council had the following major commitments:

	2020/21
	£'000
Housing & Growth Programme	5,438
EMD	4,833
Juniper House	20,952
Fellowship Square (Town Hall Campus)	1,494
<b>Total</b>	<b>32,717</b>

**Note 17: Capital Commitments (continued)**

**Assets under construction**

Assets under construction relate to assets for which capital expenditure has been incurred, but not yet brought into working condition. The expenditure has been capitalised at cost and will be depreciated over the life of the asset(s) when brought into use. A breakdown of the movement in assets under construction during the year is shown below:

2019/20		2020/21
£'000		£'000
62,928	<b>Balance at 1 April</b>	<b>110,944</b>
	<b>Expenditure:</b>	
-	Central Parade	2,981
6,580	WTH Campus Development	2,862
15,394	Marlow Flats GF Housing	61
2,932	Marlowe Road Estate Redevelopment	2,291
11,948	New Build Schemes (Housing)	4,773
3,146	Sixty Bricks Sites	30,358
2,285	EMD Cinema	4,833
2,206	Juniper House Conversion to Residential	10,120
-	Sun Trap	2,326
-	Belmont Housing Development	2,346
-	ECB Hub & Leyton Cricket Club	797
-	Montague Rd Redevelopment	3,424
2,608	Other schemes	2,472
<b>47,099</b>	<b>Sub-total</b>	<b>69,644</b>
	Derecognition	(15,825)
917	Other transfers/movements	(62,342)
<b>110,944</b>	<b>Balance at 31 March</b>	<b>102,421</b>

## Note 18: Heritage Assets

It is the Council's policy that the museum collections may be added to on an ad hoc basis, according to the suitability of items that become available and occasionally items may be disposed of taking into account various criteria including a presumption that the item will remain in the public domain. Care is taken to preserve the condition and protect the security of all heritage assets; regular inspections are undertaken and experts may be called upon for conservation works.

2019/20		2020/21
£'000		£'000
41,883	Balance at 1 April	41,883
-	Additions	-
-	Revaluations	14,962
41,883	Balance at 31 March	56,845

## Note 19: Investment Property

Investment properties are measured initially at cost and subsequently at fair value. Investment Properties are not depreciated but are revalued annually according to market conditions at the year-end.

The following table summarises the movements in the carrying values of investment properties over the year.

2019/20		2020/21
£'000		£'000
8,070	Balance at 1 April	7,816
-	Additions	-
-	Enhancement	3
(254)	Net gains/(losses) from fair value adjustments	(468)
7,816	Balance at 31 March	7,351

The following items of income and expenditure have been accounted for in the Comprehensive Income and Expenditure Statement, under the Financing and investment income and expenditure line:

2019/20		2020/21
£'000		£'000
(406)	Rental income from investment property	(259)
163	Direct operating expenses arising from investment property	126
(243)	Total	(133)

**Note 19: Investment Property (continued)**

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 enhancement.

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. There are contractual obligations to repair and maintain the fabric of the investment property which is reflected in the valuation.

The minimum lease rental income receivable is as follows:

2019/20		2020/21
£'000		£'000
407	Within one year	269
1,292	Between one and five years	655
265	Later than five years	107
<b>1,964</b>	<b>Total</b>	<b>1,031</b>

**Note 20: Cash and Cash Equivalents**

2019/20		2020/21
£'000		£'000
38	Cash held by the Council	38
9,234	Bank current accounts	8,485
27,565	Short-term deposits	28,059
36,837	<i>Disclosed in current assets</i>	36,582
(11,534)	Less bank overdraft - disclosed in current liabilities	(7,911)
<b>25,303</b>	<b>Net cash and cash equivalents</b>	<b>28,671</b>



## Note 21: Financial Instruments

### By Category

2019/20				2020/21		
Non-Current	Current	Total		Non-Current	Current	Total
£'000	£'000	£'000		£'000	£'000	£'000
-	-	-	<b>Financial Assets</b>	-	-	-
-	-	-	<i>Fair value through profit and loss</i>	-	-	-
			<i>Amortised cost</i>			
-	40,180	40,180	Investments	-	43,052	43,052
3,812	-	3,812	Finance lease	3,811	-	3,811
1,542	30,046	31,588	Debtors	6,812	38,877	45,689
-	36,837	36,837	Cash and cash equivalents	-	36,583	36,583
<b>5,354</b>	<b>107,063</b>	<b>112,417</b>		<b>10,623</b>	<b>118,512</b>	<b>129,135</b>
-	-	-	Fair value through other comprehensive income	44	-	44
<b>5,354</b>	<b>107,063</b>	<b>112,417</b>	<b>Total financial assets</b>	<b>10,667</b>	<b>118,512</b>	<b>129,179</b>
			<b>Financial Liabilities</b>			
			<i>Amortised cost</i>			
(232,503)	(58,776)	(291,279)	Loans outstanding	(247,552)	(110,564)	(358,116)
(43,510)	-	(43,510)	PFI contracts	(41,226)	-	(41,226)
(3,905)	-	(3,905)	Finance leases	(3,904)	-	(3,904)
-	(53,481)	(53,481)	Creditors	-	(57,679)	(57,679)
-	(11,534)	(11,534)	Bank overdraft	-	(7,911)	(7,911)
<b>(279,918)</b>	<b>(123,791)</b>	<b>(403,709)</b>		<b>(292,682)</b>	<b>(176,154)</b>	<b>(468,836)</b>
(3,456)	-	(3,456)	Fair value through other comprehensive income	(4,266)	-	(4,266)
<b>(283,374)</b>	<b>(123,791)</b>	<b>(407,165)</b>	<b>Total financial liabilities</b>	<b>(296,948)</b>	<b>(176,154)</b>	<b>(473,102)</b>

**Note 21: Financial Instruments (continued)**

**Income, Expense, Gains and Losses**

2019/20				2020/21		
Financial Liabilities	Financial Assets			Financial Liabilities	Financial Assets	
Liabilities at amortised cost	Loans and Receivables	Fair value through other comprehensive income		Liabilities at amortised cost	Loans and Receivables	Fair value through other comprehensive income
£'000	£'000	£'000		£'000	£'000	£'000
			Net gains/Losses on:			
-	-	-	Net Loss on financial assets at fair value through profit and loss		-	-
17,341	-	-	Interest expense	17,641	-	-
-	-	-	Impairment Losses	-	-	-
17,341	-	-	Total expense in Surplus/Deficit on the Provision of Service	17,641	-	-
-	(1,112)	-	Interest income	-	(999)	-
-	(1,112)	-	Total Income in Surplus/Deficit on the Provision of Services	-	(999)	-
			Interest revenue			
-	-	(219)	Gains on Revaluation	-	-	(230)
-	-	789	Losses on Revaluation	-	-	996
-	-	570	Surplus/Deficit arising on Revaluation of financial Assets in Other Comprehensive Income and Expenditure	-	-	766
17,341	(1,112)	570	Net gain/Loss for the Year	17,641	(999)	766

## Note 22: Nature and Extent of Risks Arising from Financial Instruments

### Overall procedures for managing risk

The Council's overall risk management procedures focus on the unpredictability of financial markets and seeks to minimise potential adverse risks on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy and the annual investment strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risks and the investment of surplus cash.

### Credit Risk

Credit risk is the possibility that other parties might fail to pay amounts due to the Council.

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to Council customers. This risk is minimised through the Annual Investment Strategy available on the Council website.

### Credit Risk - Treasury Investments

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

31-March-2020			Fitch Rating	31-March-2021		
FVOCI	Loans and Receivables	Cash and cash equivalents		FVOCI	Loans and Receivables	Cash and cash equivalents
£'000	£'000	£'000		£'000	£'000	£'000
-	-	27,555	AAA	-	-	14,344
-	15,131	-	A+	-	10,046	-
-	-	-	A	-	5,001	13,705
-	-	-	A-	-	-	-
-	15,023	-	AA-	-	-	-
-	-	-	BBB+	-	-	-
-	-	-	BBB	-	-	-
-	5,012	-	BB-	-	5,002	-
-	40,414	9,282	Not Applicable	44	72,502	8,534
-	<b>75,580</b>	<b>36,837</b>		<b>44</b>	<b>92,551</b>	<b>36,583</b>

The maximum single commercial exposure is to Royal Bank of Scotland at £10m, which is at the individual counterparty limit of £10m for investments. Overall the portfolio is diversified by the use of 18 counterparties.

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies. The estimated loss is negligible as the investments mature within 12 months, therefore no loss allowance has been provided.

**Note 22: Nature and Extent of Risks Arising from Financial Instruments (continued)****Credit Risk - Trade Debtors**

The Council does not allow credit for customers, as such, all unpaid balances are past due date for payment. The gross past due sundry debtor amount can be analysed by age as follows:

31-March-2020		31-March-2021
£'000		£'000
15,046	Less than three months	11,180
1,531	Three to six months	1,163
2,363	Six months to one year	2,459
7,380	More than one year	6,707
<b>26,320</b>	<b>Total</b>	<b>21,509</b>

The impairment allowance on trade debtors has been calculated using the lifetime credit losses basis:

2019/20		2020/21
£'000		£'000
15,449	Balance c/f	13,968
(1,481)	Increase in impairment allowance	2,458
<b>13,968</b>	<b>Balance c/f</b>	<b>16,426</b>

**Liquidity risk**

Liquidity risk is the risk that the Council will have insufficient funds in its bank account to make the payments necessary to meet its financial obligations.

The Council has a comprehensive cash flow management system which seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets, the Public Works Loans Board and its treasury investment portfolio which is considered to be liquid. There is no significant risk that the Council will be able to raise finance to meet its commitments under financial instruments.

31-March-2020		31-March-2021
£'000		£'000
125,715	Less than three months	179,033
6,141	Between 1 and 2 years	21,903
22,570	Between 3 and 5 years	21,692
41,802	Between 6 and 10 years	43,476
207,481	More than 10 years	202,732
<b>403,709</b>	<b>Total</b>	<b>468,836</b>

**Note 22: Nature and Extent of Risks Arising from Financial Instruments (continued)****Market risk**

Market risk is the possibility that financial loss might arise as a result of changes in interest rates.

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

Borrowings at variable rates	The interest expense charged to the Comprehensive Income and Expenditure Statement will rise
Borrowings at fixed rates	The fair value of the borrowing 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)

Investments measured at amortised cost and loans borrowed are not carried at fair value on the Balance Sheet, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement.

However changes in interest payable and receivable on variable rate borrowings and investments will be posted to the surplus or deficit on the provision of services and affect the General Fund balance.

The Council has limited interest rate risk from its short-term borrowing which needs to be regularly refinanced as part of the strategy to benefit from low short-term interest rates. This risk is mitigated by the ability of the Council to switch from short-term to long-term borrowing should the UK enter a period of rising interest rates.

As part of a balanced portfolio, the interest rate risk is further mitigated by the following:

- (i) maturing short-term investments can be used to pay down debt, should it become cost-effective to do; and
- (ii) having a substantial part of the loan debt portfolio with maturity dates spread evenly over the next 30 years at fixed interest rates reducing the re-financing risk.

The treasury team will monitor the market and forecast interest rates within the year to adjust exposures 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.

At 31 March 2021, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on receivable rate investments	(280)
<b>Impact on surplus/deficit on the provision of services</b>	<b>(280)</b>

**Note 22: Nature and Extent of Risks Arising from Financial Instruments (continued)**

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

Impact on other comprehensive income and expenditure	£'000
Decrease in fair value of fixed rate investment assets	-
Decrease in fair value of fixed rate borrowings liabilities	54,275

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. The above sensitivity analysis is based on the loans and investments as at 31 March 2021.

## Note 23: Capital Expenditure and Financing

The capital financing requirement (CFR) is a Prudential Code indicator which shows the underlying need for the Council to borrow to fund its non current assets. The requirement is increased by capital expenditure financed from borrowing and decreased by revenue or capital resources put aside for the repayment of debt. An explanation of the movement in the year ended 31 March 2021 is shown in the table below.

Total expenditure incurred on improvement, enhancement and acquisition of non-current assets in 2020/21 was £138m (2019/20, £123m). This is made up of £135m of capital expenditure and £3m of lifecycle works on PFI schools. The financing sources used are shown below and include amounts used to finance REFCUS expenditure.

2019/20		2020/21
£'000		£'000
426,594	<b>Opening capital financing requirement</b>	448,684
	<b>Capital investment</b>	
107,033	Property, plant and equipment	126,750
-	- Investment Properties	3
-	- Intangible Assets	-
15,776	Revenue expenditure funded from capital under statute	11,590
	<b>Sources of finance</b>	
(18,383)	- Capital receipts	(18,552)
(58,760)	- Government grants and other contributions	(37,420)
(10,587)	- Major repairs res`	(11,367)
	<b>Sums set aside from revenue</b>	
(5,038)	- Direct revenue financing	(6,623)
(7,951)	- Minimum revenue provision	(7,301)
448,684	<b>Closing capital financing requirement</b>	505,764
	<b>Explanation of movements in year:</b>	
22,090	Increase/(decrease) in underlying need to borrow	57,080
22,090	<b>Increase/(decrease) in CFR for the year</b>	57,080

## Note 24: Leases

### Council as lessee

#### Finance leases

The Council has interests in three industrial estates acquired under finance leases. The assets are carried as operational land and buildings in the Balance Sheet at £8.180m (£8.365m 2019/20).

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

31-March-2020		31-March-2021
£'000		£'000
	Finance lease liabilities (net present value of minimum lease payments):	
1	- current (not later than one year)	1
3,904	- non-current (later than one year)	3,903
20,868	Finance costs payable in future years	20,537
<b>24,773</b>		<b>24,441</b>

The minimum lease payments will be payable over the following periods:

2019/20			2020/21	
Minimum lease payments	Finance lease liabilities		Minimum lease payments	Finance lease liabilities
£'000	£'000		£'000	£'000
332	1	Not later than 1 year	332	1
1,328	5	Later than 1 year and not later than 5 years	1,328	5
23,113	3,899	Later than 5 years	22,781	3,898
<b>24,773</b>	<b>3,905</b>		<b>24,441</b>	<b>3,904</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2020/21, £0.837m of contingent rents were payable by the Council (£0.678m in 2019/20).

The Authority has sub-let industrial units held on the sites held under these finance leases. At 31 March 2021, the minimum payments expected to be received under non-cancellable sub-leases was £8.872m (£6.063m at 31 March 2020). These are included within the disclosures of operating leases where the Council is lessor below.



**Note 24: Leases (continued)****Operating Leases**

The Council enters into operating lease agreements to acquire the use of plants, vehicles and equipment. The future minimum lease payments are made up of the following amounts:

31-March-2020		31-March-2021
£'000		£'000
502	Not later than 1 year	479
907	Later than 1 year and not later than 5 years	888
1,517	Later than 5 years	1,293
<b>2,926</b>		<b>2,660</b>

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year comprised:

2019/20		2020/21
£'000		£'000
687	Minimum lease payments	590
27	Contingent rents	27
<b>714</b>		<b>617</b>

**Council as lessor****Finance leases**

The Council has leased out property at the Selborne Walk shopping centre to the Mall Limited Partnership on a finance lease. The lease commenced in 1988 for an initial term of 99 years with an option to extend to 125 years; it is expected that this option will be exercised and based upon this, the remaining term is calculated to be 91 years.

The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term. The minimum lease payments comprise settlement of the long term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

31-March-2020		31-March-2021
£'000		£'000
	Finance lease debtor (net present value of minimum lease payments):	
1	- current (not later than one year)	1
3,811	- non-current (later than one year)	3,811
19,874	Unearned finance income	19,620
<b>23,686</b>	<b>Gross investment in the lease</b>	<b>23,432</b>

**Note 24: Leases (continued)**

These amounts will be received over the following periods

2019/20			2020/21	
Gross investment in the lease	Minimum lease payments		Gross investment in the lease	Minimum lease payments
£'000	£'000		£'000	£'000
255	1	Not later than 1 year	255	1
1,019	3	Later than 1 year and not later than 5 years	1,019	3
22,412	3,808	Later than 5 years	22,158	3,808
<b>23,686</b>	<b>3,812</b>		<b>23,432</b>	<b>3,812</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2020/21, £0.185m contingent rents were receivable by the Council (£0.159m in 2019/20).

**Operating leases**

The Council leases out property and equipment under operating leases for the provision of community services, such as sports facilities, tourism services and community centres; and for economic development purposes to provide suitable affordable accommodation for local businesses.

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

2019/20			2020/21
£'000			£'000
3,992	Not later than 1 year		3,767
14,174	Later than 1 year and not later than 5 years		11,699
57,489	Later than 5 years		57,370
75,655			72,836

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. In 2020/21, £0.314m contingent rents were receivable by the Council (£0.314m in 2019/20).

## Note 25: Private Finance Initiative and Similar Contracts

The Council has 3 PFI contracts for the design, build, finance and operation of the following schools:

Contract	Schools covered		Original asset value £'000	Duration of Contract	Contractor	Shareholders	Holdings	Facilities Management contractor
	Maintained	Academy						
Lammas School		Lammas <sup>Note 1</sup>	12,320	25 Years (2001 - 2026)	NewSchools (Leyton) Ltd	Innisfree M&G PPP Fund LP	100%	Sodexo
Grouped Schools Project	Heathcote Comprehensive	Lime Larkwood Primary	50,241	32 Years (2004 - 236)	Academy Services (Waltham Forest) Holdings Ltd	Innisfree PFI Secondary Fund	100%	Kier Group Plc
	Chase Lane Primary	Riverley Primary						
	Downsell Primary	Hillyfield Primary						
	South Grove Primary							
Frederick Bremer School	Chase Lane Primary		20,061	25 Years (2008 - 2033)	BY Education (Holdings) Ltd	Waltham Forest LEP Ltd	10%	BY Education (Waltham Forest) Ltd
						Building Schools for the Future LLP	9%	
						Infrared Infrastructure Yield Holdings Ltd	72%	
						LB Waltham Forest	9%	

**Note 1** - Lammas school converted to academy status on 1 December 2018.

Under each PFI contract, the Council pays a unitary charge. The unitary charge is benchmarked every five years to update the charge for the services provided against the market. The unitary charge is subject to annual indexation. The unitary charge is also subject to variations to the scope of works and services, and academy conversions.

Under the contracts, the Council has exclusive rights to the assets of the maintained schools and the academy trusts have exclusive rights to the academy schools. In each contract the contractor is responsible for facilities management including repairs and maintenance and lifecycle replacements of components throughout the relevant contract.

At the end of the contract term, the assets of the maintained schools revert to the Council at no further consideration. In the case of the academy schools the assets transfer to the academy trusts at no further consideration, but are held under long-term lease from the Council. At the end of the leases, the academy assets revert to the Council.

The unitary charge is met from three sources: government revenue grant, contribution from the Dedicated Schools Budget and a contribution from the relevant school's governing body. In the case of the academy schools they also make a contribution toward the unitary charge from their governing bodies.

**Note 25: Private Finance Initiative and Similar Contracts (continued)****Value of the assets under PFI contracts**

The value of the maintained schools assets under the PFI contract are held on the Council's balance sheet within property, plant and equipment as follows:

2019/20					2020/21			
Lammas <sup>(Note 2)</sup>	Grouped	Frederick Bremer	Total		Lammas	Grouped	Frederick Bremer	Total
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
-	135,740	45,190	180,930	Opening balance	-	134,620	44,710	179,330
-	-	-	-	In-year capital expenditure	-	383	12	395
-	1,093	656	1,749	Lifecycle works	-	957	639	1,596
-	(1,128)	(416)	(1,544)	Depreciation	-	(1,128)	(414)	(1,542)
-	(1,085)	(720)	(1,805)	Revaluation gains/(loss)	-	(1,705)	(639)	(2,344)
-	134,620	44,710	179,330	Closing balance	-	133,127	44,308	177,435

**Note 2** - Lammas School converted to an academy on 1 December 2018.

**Payments**

The Council makes payments to the PFI operators which cover the charge for services provided, repayment of the liability in respect of each contract and interest on those liabilities. Payments remaining to be made under the three contracts at the year-end are set out below.

2019/20					2020/21			
Service cost	Repayment of liability	Interest	Total		Service cost	Repayment of liability	Interest	Total
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
(9,339)	(2,283)	(3,404)	(15,026)	within 1 year	(9,098)	(2,878)	(3,201)	(15,177)
(48,202)	(12,559)	(11,024)	(71,785)	within 2-5 years	(37,785)	(12,283)	(9,908)	(59,976)
(56,988)	(12,813)	(8,374)	(78,175)	within 6-10 years	(41,401)	(12,814)	(7,362)	(61,577)
(49,376)	(13,590)	(3,004)	(65,970)	within 11-15 years	(36,529)	(13,025)	(1,982)	(51,536)
(6,895)	(2,265)	(54)	(9,214)	within 16-20 years	(474)	(226)	(1)	(701)
(170,800)	(43,510)	(25,860)	(240,170)	Closing balance	(125,287)	(41,226)	(22,454)	(188,967)

**Note 25: Private Finance Initiative and Similar Contracts (continued)**

**Movement on the value of the liabilities**

Although the payments made to each contractor are described as unitary payments, they have been calculated to compensate each 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 be paid to the contractors for capital expenditure is set out below.

2019/20		2020/21
£'000		£'000
(45,605)	Balance b/f	(43,510)
2,095	Repayment	2,283
(43,510)	Balance at 31 March	(41,227)

## Note 26: Fair value of assets and liabilities

### Fair values of financial and non-financial assets and financial liabilities

(a) classes of financial instruments and non-financial assets based on their nature and characteristics;

The following tables combine information about:

- (a) classes of financial instruments and non-financial assets based on their nature and characteristics;
- (b) the carrying amounts of financial instruments and non-financial assets;
- (b) fair values of financial instruments and non-financial assets
- (b) fair value hierarchy levels of financial instruments and non-financial assets for which fair value is disclosed.

Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable:

**Level 1** - measurement based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

**Level 2** - measurement based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

**Level 3** - measurement is derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The basis of 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 based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

Description of asset or liability	Valuation hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Cash balances, money market funds and other assets and liabilities held at amortised cost	Level 1	Carrying value is deemed to be fair value, because of the short-term nature of the instruments	Not Required	Not required
Non-current debtors	Level 2	Capital value of unpaid loan	Council accounting records	Not required
Finance leases (both lessor and lessee) and PFI liabilities	Level 2	The fair values have been estimated by discounting the remaining cashflows or the borrowing using the PWLB repayment loan certainty rate for maturity loans	Observable inputs are the PWLB rates Unobservable inputs are the remaining cashflows	Not required
Loans outstanding	Level 2	The fair values have been estimated by discounting the remaining cashflows or the borrowing using the PWLB repayment loan certainty rate for maturity loans	Observable inputs are the PWLB rates Unobservable inputs are the remaining cashflows	Not required
Investments at fair value through other comprehensive income	Level 3	Fair value has been based on the net asset value (NAV) of the Council's interest in the companies	NAV based on the latest annual unaudited accounts	Events occurring after the audit opinion date could affect NAV
Investment property	Level 3	Investment method of valuation.	Assumed void periods Estimated Rental Value (ERV) Capitalisation Rate (Equivalent Yield)	All variables listed are observable inputs and susceptible to market change.
Assets held for sale and surplus assets	Level 3	Expected sale price less estimated costs of sale	Evidence of title, floor area, siting and site conditions, type/age and current use of the property have been taken into account together with general market conditions and advertised value of similar properties currently up for sale	Latent defects, repair and maintenance backlogs, general changes in the market and other impairments could have a significant impact on the values provided

**Note 26: Fair value of assets and liabilities (continued)**

31 March 2021	Carrying Value						Fair Value			
	Financial and non-financial assets			Financial liabilities		Total	Level			Total
	Fair value through profit and loss	Fair value through other comprehensive income	Assets at amortised cost	Liabilities at amortised cost	Liabilities at FVOCI		1	2	3	
Financial assets										
Assets at amortised cost:										
Investments	-	-	43,052	-	-	43,052	43,052			43,052
Finance lease	-	-	3,811	-	-	3,811		10,145		10,145
Debtors	-	-	45,689	-	-	45,689	45,652	88		45,740
Cash and cash equivalents	-	-	36,583	-	-	36,583	36,583			36,583
Fair value through other comprehensive income	-	44		-	-	44	-		44	44
Total financial assets	-	44	129,135	-	-	129,179	125,287	10,233	44	135,564
Non-financial assets										
Investment property	8,074	-	-	-	-	8,074			8,074	8,074
Surplus assets	6,274	-	-	-	-	6,274			6,274	6,274
Assets held for sale	5,975	-	-	-	-	5,975			5,975	5,975
Total financial and non-financial assets	20,323	44	129,135	-	-	149,502	125,287	10,233	20,367	155,887
Financial liabilities										
Liabilities at amortised cost:										
Loans outstanding	-	-	-	(358,116)		(358,116)	(110,291)	(360,510)		(470,801)
PFI contracts	-	-	-	(41,226)		(41,226)		(58,424)		(58,424)
Finance leases	-	-	-	(3,904)		(3,904)		(12,094)		(12,094)
Creditors	-	-	-	(57,679)		(57,679)	(57,679)			(57,679)
Bank overdraft	-	-	-	(7,911)		(7,911)	(7,911)			(7,911)
Fair value through other comprehensive income	-	-	-		(4,266)	(4,266)			(4,266)	(4,266)
Total financial liabilities	-	-	-	(468,836)	(4,266)	(473,102)	(175,881)	(431,028)	(4,266)	(611,175)

**Note 26: Fair value of assets and liabilities (continued)**

31 March 2020	Carrying Value						Fair Value			
	Financial and non-financial assets			Financial liabilities		Total	Level			Total
	Fair value through profit and loss	Fair value through other comprehensive income	Loans and receivables	Liabilities at amortised cost	Liabilities at FVOCI		1	2	3	
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Financial assets										
Assets at amortised cost:										
Investments	-	-	40,180	-	-	40,180	40,180	-	-	40,180
Finance lease	-	-	3,812	-	-	3,812	-	8,872	-	8,872
Debtors	-	-	31,588	-	-	31,588	30,046	91	-	30,137
Cash and cash equivalents	-	-	36,837	-	-	36,837	36,837	-	-	36,837
Fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-
Total financial assets	-	-	112,417	-	-	112,417	107,063	8,963	-	116,026
Non-financial assets										
Investment property	7,815	-	-	-	-	7,815	-	-	7,815	7,815
Surplus assets	8,701	-	-	-	-	8,701	-	-	8,701	8,701
Assets held for sale	-	-	-	-	-	-	-	-	-	-
Total financial and non-financial assets	16,516	-	112,417	-	-	128,933	107,063	8,963	16,516	132,542
Financial liabilities										
Liabilities at amortised cost:										
Loans outstanding	-	-	-	(291,279)	-	(291,279)	-	(527,715)	-	(527,715)
PFI contracts	-	-	-	(43,510)	-	(43,510)	-	(61,244)	-	(61,244)
Finance leases	-	-	-	(3,905)	-	(3,905)	-	(10,787)	-	(10,787)
Creditors	-	-	-	(53,481)	-	(53,481)	(53,481)	-	-	(53,481)
Bank overdraft	-	-	-	(11,534)	-	(11,534)	(11,534)	-	-	(11,534)
Fair value through other comprehensive income	-	-	-	-	(3,456)	(3,456)	-	-	(3,456)	(3,456)
Total financial liabilities	-	-	-	(403,709)	(3,456)	(407,165)	(65,015)	(599,746)	(3,456)	(668,217)



**Note 26: Fair value of assets and liabilities (continued)**

**Sensitivity of assets valued at level 3**

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

Description of asset	Assessed valuation range	Value at 31 March 2021 £'000	Valuation Increase £'000	Valuation Decrease £'000
Financial assets at FVOCI	+10%/-10%	44	48	40
Financial liabilities at FVOCI	+10%/-10%	(4,266)	(4,693)	(3,839)
Investment property, surplus assets and assets held for sale	+16.9%/-12.9%	20,323	23,757	17,701
<b>Total</b>		<b>16,101</b>	<b>19,112</b>	<b>13,902</b>

Description of asset	Assessed valuation range	Value at 31 March 2020 £'000	Valuation Increase £'000	Valuation Decrease £'000
Financial assets at FVOCI	+10%/-10%	-	-	-
Financial liabilities at FVOCI	+10%/-10%	(3,456)	(4,040)	(3,110)
Investment property, surplus assets and assets held for sale	+16.9%/-12.9%	16,516	19,307	14,385
<b>Total</b>		<b>13,060</b>	<b>15,267</b>	<b>11,275</b>

**Note 26: Fair value of assets and liabilities (continued)**

**Transfers between levels 1 and 2**

During the year there were no transfers between levels 1 and 2.

**Reconciliation of Fair Value Measurements within Level 3**

2020/21	1 April 2020	Transfers into Level 3	Transfers out of Level 3	Purchases	Sales	Unrealised gains/ (losses)	Realised gains/ (losses)	31 March 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets at FVOCI	-					44		44
Financial liabilities at FVOCI	(3,456)					(810)		(4,266)
Investment property	7,815			727		(468)		8,074
Surplus assets <sup>(Note 1)</sup>	8,701	(2,418)		26		(35)		6,274
Assets held for sale <sup>(Note 2)</sup>	-	5,975						5,975
<b>Total</b>	<b>13,060</b>	<b>3,557</b>	<b>-</b>	<b>753</b>	<b>-</b>	<b>(1,269)</b>	<b>-</b>	<b>16,101</b>

Note 1 - the transfer in reflects the reclassification of property which meet the assets held for sale criteria.

Note 2 - the transfer out reflects the reclassification of assets which no longer meet the assets held for sale criteria. £2.418m was reclassified to Operational Assets.

2019/20	1 April 2019	Transfers into Level 3 <sup>(Note 2)</sup>	Transfers out of Level 3	Purchases	Sales	Unrealised gains/ (losses)	Realised gains/ (losses)	31 March 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets at FVOCI <sup>(Note 3)</sup>	2	-	-	-	-	(2)	-	-
Financial liabilities at FVOCI <sup>(Note 4)</sup>	(2,888)	-	-	-	-	(568)	-	(3,456)
Investment property	8,069	-	-	-	-	(254)	-	7,815
Surplus assets	5,449	2,925	-	54	-	273	-	8,701
Assets held for sale	2,968	-	(2,968)	-	-	-	-	-
<b>Total</b>	<b>13,600</b>	<b>2,925</b>	<b>(2,968)</b>	<b>54</b>	<b>-</b>	<b>(551)</b>	<b>-</b>	<b>13,060</b>

Note 3 - financial assets at FVOCI are the Council's interests in Waltham Forest Services Ltd, Waltham Forest Trading Ltd (dormant) and Walthamstow Scene Ltd (dormant).

Note 4 - financial liabilities at FVOCI are the Council's interests in More Homes Waltham Forest LLP (a joint venture with Mears Homes), Sixty Bricks Ltd, NPS London Ltd, Waltham Forest Local Education Partnership Ltd and BY Education (Waltham Forest) Holdings Ltd.

## Note 27: Debtors

These balances represent the amount of money owed to the Council at year end. Debtors include individuals, central government departments, other local authorities, NHS and other bodies. An analysis is given below.

2019/20			2020/21	
Short-term	Long-term		Short-term	Long-term
£'000	£'000		£'000	£'000
17,337	-	Central government bodies	27,724	-
9,350	-	Other local authorities	24,474	-
2,178	-	NHS bodies	2,123	-
59,398	5,355	Other entities and individuals	56,781	28,766
<b>88,263</b>	<b>5,355</b>	<b>Total</b>	<b>111,102</b>	<b>28,766</b>

Impairments for doubtful debts are included in **Note 22**. Long term debtors relate to finance leases (see **Note 33**), repayment of mortgages to housing associations and prepayments to the Pension Fund.

## Note 28: Creditors

These are amounts owed by the Council for work done, goods received, or services rendered which have not been paid by 31 March 2021.

2019/20			2020/21
Short-term			Short-term
£'000			£'000
(18,096)	Central government bodies		(49,856)
(980)	Other local authorities		(1,207)
(3,362)	NHS bodies		(1,868)
(72,776)	Other entities and individuals		(81,697)
<b>(95,214)</b>	<b>Total</b>		<b>(134,628)</b>

## Note 29: Provisions

The Council makes provision in compliance with IAS 37 where there is an obligation as a result of a past event, when it is probable that the Council will incur expenditure and where a reasonable estimate can be made of the amount involved. Provisions are split into short term (less than one year) and long term (more than one year). In addition to the provisions shown below, there are provisions for bad debts which have been netted off against the debtors figure on the balance sheet.

Short term provisions	Exit packages	NNDR Appeals	Other	Total
	£'000	£'000	£'000	£'000
Balance at 31 March 2020	-	(2,662)	(2,640)	(5,302)
Amounts used	-	8,856	-	8,856
Additional provisions	(24)	(7,737)	(4,726)	(12,487)
<b>Balance at 31 March 2021</b>	<b>(24)</b>	<b>(1,543)</b>	<b>(7,366)</b>	<b>(8,933)</b>

### Exit packages

The Code requires the Council to raise a provision to cover the cost of exit packages (redundancies) where the termination was demonstrably approved in 2020/21, although actual payments will not occur until 2021/22.

### NNDR Appeals

Due to the localisation of Business Rates, which became effective from 1 April 2013, the Council has set aside a provision for any potential liabilities as a result of Business Rate payers' appeals against rateable valuations. The Council is responsible for 48% share of this liability, the Greater London Authority (GLA) are responsible for 27% and Central Government are responsible for 25%.

### Other

Other provisions include contractual claims that arise in respect of disputes arising from the ordinary course of business. Provisions recorded as at 31 March are based on management's best estimate at the balance sheet date of the likely outcome through settlement. With the inherent uncertainty with legal proceedings and claim settlements, the timing and amount of the outflows may differ from the amount provided. Based on current estimates management expects that these amounts, which are based on latest available information and take account of past experience for similar items.

Long term provisions	Insurance fund	Thames Water	School Breakfast Club	Total
	£'000	£'000	£'000	£'000
Balance at 31 March 2020	(6,818)	(5,741)	(59)	(12,618)
Amounts used	1,215	-	-	1,215
Additional provisions	(1,352)	-	-	(1,352)
<b>Balance at 31 March 2021</b>	<b>(6,955)</b>	<b>(5,741)</b>	<b>(59)</b>	<b>(12,755)</b>

### Insurance provision

The insurance balance at 31 March 2021 has increased to £6.956 million from £6.819 million on the previous year. This represents the estimated value of potential liabilities incurred to 31 March 2021, identified by a report from JLT Specialty Ltd, which analysed the Council's self-insurance funds. The Council takes out insurance on:- employers' liability, vehicles, business interruption, fidelity guarantee, public liability, official's indemnity, personal accident, engineering, the Gallery collection and property. These do not have a significant impact on the balance held in the provision or the reserve. The Council is active in risk management, identifying areas of particular risk and taking management steps with a view to reducing possible future claims and losses. With the exception of damage caused by terrorism, there are no material risks which are not covered by either direct insurance or self insurance via the provision.

**Note 29: Provisions (continued)****Thames Water**

A provision has been set up for the possible repayment of water rates to tenants following the case of Jones v London Borough of Southwark in the High Court in 2016, the provision is set at £5.741 million.

**School Breakfast Club**

A provision has been set up for the unclaimed funds from schools related to the Breakfast Club project.

**Note 30: Unusable Reserves**

2019/20		2020/21
£'000		£'000
(884,372)	Revaluation reserve	(919,946)
(982,042)	Capital adjustment account	(972,047)
(345)	Deferred capital receipts	(5,115)
17,662	Financial instruments adjustment account	17,077
3,467	Financial Instruments Reserve	4,233
677,247	Pension reserve	760,344
(3,677)	Collection Fund adjustment account	11,884
4,138	Accumulated absence account	5,030
-	DSG Adjustment Account	942
<b>(1,167,922)</b>	<b>Total</b>	<b>(1,097,598)</b>

**Note 30a: Revaluation Reserve**

The reserve is credited with gains on the revaluation of assets. Revaluation gains which are subsequently reversed through impairment or disposal of the asset are debited from the reserve. The depreciation adjustment ensures that only the depreciation on the historic cost of assets impacts on the capital adjustment account.

The balance on the reserve reflects the difference between the value of the Council's assets at depreciated historical cost and their current value.

2019/20 Restated		2020/21
£'000		£'000
<b>(868,226)</b>	<b>Balance at 1 April</b>	<b>(884,372)</b>
(19,824)	Revaluation of assets	(39,434)
481	Accumulated gains on assets sold or scrapped	299
3,197	Adjustment to depreciation on revalued assets	3,561
<b>(884,372)</b>	<b>Balance at 31 March</b>	<b>(919,946)</b>

## Note 30b: 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 also contains accumulated gains and losses on investment properties and revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the revaluation reserve was created to hold such gains.

2019/20		2020/21
£'000		£'000
(941,858)	<b>Balance at 1 April</b>	<b>(982,042)</b>
	<b>Reversal of items debited and credited to the Comprehensive Income and Expenditure Statement</b>	
39,502	Depreciation and impairment of non current assets	53,166
15,776	Revenue expenditure funded from capital under statute	11,590
8,681	Current value of asset disposals	29,895
(3,197)	Adjustment to depreciation on revalued assets	(3,561)
(481)	Accumulated gains on assets sold or scrapped	(299)
<b>60,281</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>90,791</b>
	<b>Capital financing applied in year</b>	
(18,383)	Capital receipts	(18,553)
(10,587)	Major repairs reserve	(11,367)
(37,345)	Capital grants and contributions	(23,255)
(21,415)	Capital grants unapplied	(14,164)
(7,951)	Minimum revenue provision	(7,302)
(5,038)	Direct revenue financing	(6,623)
-	Write back financing of abortive capital	
<b>(100,719)</b>	<b>Capital financing applied in year</b>	<b>(81,264)</b>
	<b>Other movements</b>	
254	Increase/(decrease) in value of investment properties	468
<b>254</b>		<b>468</b>
<b>(982,042)</b>	<b>Balance at 31 March</b>	<b>(972,047)</b>

### Note 30c: Financial Instruments Adjustment Account

The financial instruments adjustment account absorbs the timing differences arising from the different arrangements for accounting for income and expenditure relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions.

2019/20		2020/21
£'000		£'000
18,247	Balance at 1 April	17,662
(585)	Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	(585)
17,662	Balance at 31 March	17,077

### Note 30d: Financial Instruments Revaluation Reserve

This reserve is (credited)/debited with (gains)/losses arising from the revaluation of financial instruments held at fair value through other comprehensive income (FVOCI).

2019/20		2020/21
£'000		£'000
2,897	Balance at 1 April	3,467
-	Revaluation gain on assets	(230)
570	Impairment of assets	996
3,467	Balance at 31 March	4,233

## Note 30e: Pensions Reserve

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

2019/20		2020/21
£'000		£'000
619,267	<b>Balance at 1 April</b>	<b>677,247</b>
31,803	Actuarial gains/(losses) on pensions assets & liabilities	61,541
55,178	Reversal of items relating to retirement benefits debited or credited to the (Surplus)/deficit on provision of services in the Comprehensive Income & Expenditure Statement	50,436
(29,001)	Employer's pensions contributions & direct payments to pensioners payable in the year	(28,880)
<b>677,247</b>	<b>Balance at 31 March</b>	<b>760,344</b>

## Note 30f: Collection Fund Adjustment Account

The Collection Fund adjustment account manages the differences arising from the recognition of Council Tax and NNDR income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2019/20				2020/21		
Council Tax	NNDR	Total		Council Tax	NNDR	Total
£'000	£'000	£'000		£'000	£'000	£'000
(2,489)	(152)	(2,641)		Balance at 1 April	(1,808)	(1,869)
681	(1,717)	(1,036)	Amount by which council tax & NNDR income credited to the CIES is different from the income calculated for the year in accordance with statutory requirements	3,811	11,750	15,561
(1,808)	(1,869)	(3,677)	Balance at 31 March	2,003	9,881	11,884

## Note 30g: Accumulated Absence Account

2019/20		2020/21
£'000		£'000
3,287	<b>Balance at 1 April</b>	<b>4,138</b>
(3,287)	Settlement or cancellation of accrual made at the end of preceding year	(4,138)
4,138	Amounts accrued at the end of the current year	5,030
<b>4,138</b>	<b>Balance at 31 March</b>	<b>5,030</b>



## Note 31: Defined Benefit Pension Schemes

### Participation in pension schemes

As part of the terms and conditions of employment of its officers and other employees, 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 and therefore they need to be disclosed at the time the employee earns their future entitlement.

The Council participates in four statutory pension schemes, which provide members with defined benefits related to pay and service. The schemes are as follows:

- The **Local Government Pension Scheme (LGPS)** for non-teaching staff;
- The **Teachers' Pension Scheme** for teaching staff;
- The **NHS Pension Scheme** for former NHS employees who transferred to the Council when public health functions were transferred to local government in 2013, but who opted to stay within the NHS Pension Scheme;
- Discretionary post-retirement benefits upon early retirement.

### Defined contribution schemes

The Teachers and NHS Pension Schemes although defined benefit schemes are accounted for under the Code as defined contribution schemes because they are both multi-employer schemes and it is not possible to attribute the liabilities to individual employers within either scheme.

The **Teachers' Pension Scheme** is administered by the Teachers' Pension Agency (TPA) on behalf of the Department for Education (DfE). The scheme is unfunded and the DfE uses a notional fund as the basis for calculating the employers' contribution rate paid by participating employer organisations. Valuations of the notional fund are undertaken every four years. The Council is one employer out of 11,128 employers in the Teachers' Pension Scheme.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the Teachers' scheme. These benefits are fully accrued in the pension liability.

The scheme provides a final salary-based pension based on service to 2015 and a career average revalued earnings based pension for services since 2015. In 2020/21, the Council paid £16.507 million (this includes £4.808 million teachers' contributions) to Teachers' Pensions in respect of teachers' retirement benefits (£14.742 million in 2019/20, which included £4.973 million teachers' contributions). The employers contribution rate increased in 2021 to 23.8% rate introduced in September 2019. Employer contributions to the Teachers Pensions Scheme in 2021/22 are estimated to be £11,872 million (£11,697 million outturn in 2019/20). There were no contributions remaining payable at year end.

The **NHS Pension Scheme** is administered by the NHS Business Services Agency (NHSBSA). The scheme is unfunded and the NHSBSA uses a notional fund as the basis for calculating the employers' contribution rate paid by participating employer organisations. Valuations of the notional fund are undertaken every four years. The Council is one employer out of 8,486 employers in the NHS Pension Scheme.

The scheme provides a final salary-based pension based on service to 2015 and a career average revalued earning based pension for service since 2015. In 2020/21, the Council paid £8,000 (this includes £7,000 staff contributions) to the NHS Pension Scheme in respect of ex-PCT staff member contributions (£12,000 in 2019/20, including £6,000 staff contributions). The employers contribution rate was reduced to 14.38% of pensionable pay on 1 April 2020 (20.6% in 2019/20).

## Note 31: Defined Benefit Pension Schemes (continued)

### Defined benefits schemes

The Local Government Pension Scheme (LGPS) and discretionary post-retirement benefits payable to both non-teaching and teaching staff are defined benefits schemes in that post-retirement benefits are defined in the scheme legislation rather than based on contributions to the schemes.

The **Local Government Pension Scheme (LGPS)** is a national scheme but administered locally. For the Council, this is the London Borough of Waltham Forest Pension Fund administered by the Council. The LGPS is a funded scheme which means that the Council and employees pay contributions into a fund calculated at a level intended to balance the pensions liabilities with investment assets over time.

The LGPS provides a final salary-based pension based on service to 2014 and a career average revalued earnings based pension for service since 2014.

The London Borough of Waltham Forest Pension Fund is operated under the regulatory framework for the Public Service Pensions Act 2013 and the LGPS regulations laid thereunder. Governance of the scheme locally is the responsibility of the Pensions Committee of the Council. Investment policy is determined in accordance with the LGPS Regulations as is the administration and governance of the scheme. Investment management of the fund is outsourced under the framework provided by the investment policy and consists principally of Axa investment Managers and the London Collective Investment Vehicle which together manage 65% of the Fund by value.

The LGPS is subject to a triennial valuation which determines the contribution rates for the next three years. The Fund's actuary is Mercer Limited. At the last valuation in 2019, the Fund was valued at 80% solvency meaning that there was a shortfall of £234 million against the Fund's overall liabilities. The Fund's Funding Strategy Statement sets out a deficit recovery plan designed to improve solvency to 100% over 17 years from 2019.

For the period covered by the 2019 triennial valuation, the Council paid normal contributions at 15.2% (14.7% in 2019/20) of pensionable pay plus contributions of £6.8 million towards recovering the deficit. In April 2020, the Council made a prepayment of pension fund contributions of £53.5 million to the pension fund for all the deficit contributions and an estimate of the normal contributions for the three years 2020/21 to 2022/23. This generated a cash saving of £3.5 million to the Council and improved funding for the pension fund.

The principal risks to the Council from participation in the LGPS are:

- If future investment returns are lower than expected, the costs of benefit will increase because members are living longer than expected;
- If improvements in life expectancy are greater than expected, the cost of benefits will increase because members are living longer than expected;
- If members make decisions about their options which increase liabilities, the funding level may worsen. An example would be if fewer members commute their future pensions into cash than expected then this will increase liabilities.

A significant risk is that 65% of the Fund's assets are invested in equity funds. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

There were settlements in 2020/21 which relate to two primary schools which converted to academies on 1 April 2020 (settlements in 2019/20 relate to two schools which became academies).

### Discretionary post-retirement benefits

Both the LGPS and the Teachers' Pension Scheme permit employers to make discretionary awards of post-retirement benefits upon early retirement. These are unfunded defined benefit arrangements, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities and cash has to be generated to meet actual pension payments as they eventually fall due.

**Note 31: Defined Benefit Pension Schemes (continued)**

**Transactions relating to post-employment benefits**

The Council recognises the cost of post-employment 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 benefit is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement, the General Fund balance and HRA via the Movement in Reserves Statement during the year.

2019/20				2020/21			Notes
LGPS	Unfunded discretionary benefits	Total		LGPS	Unfunded discretionary benefits	Total	
£'000	£'000	£'000		£'000	£'000	£'000	
			<b>Comprehensive Income and Expenditure Statement</b>				
			<i>Cost of services:</i>				
33,866	-	33,866	Current service cost	33,980	-	33,980	(i)
6,219	-	6,219	Past service cost	-	-	-	
96	-	96	Losses/(gains) on curtailments and settlements	871	-	871	
-			<i>Other operating expenditure:</i>				
705	-	705	Pension Administration expenses	752	-	752	
			<i>Financing and investment income and expenditure:</i>				
13,681	611	14,292	Interest cost	14,271	562	14,833	(ii)
<b>54,567</b>	<b>611</b>	<b>55,178</b>	<b>Total Post employment benefit charged to the (surplus)/deficit on provision of services</b>	<b>49,874</b>	<b>562</b>	<b>50,436</b>	
			<i>Other Post employment benefit charged to the Comprehensive Income and Expenditure Statement</i>				(iv)
			<i>Remeasurement of the net defined benefit liability comprising:</i>				
76,281	-	76,281	- Return on plan assets, excluding the amount included in the net interest expense	(100,053)	-	(100,053)	(iii)
12,638	252	12,890	- Experience (gain)/loss	(29,625)	(543)	(30,168)	
(24,721)	(277)	(24,998)	- Actuarial gains/(losses) arising from changes in financial assumptions	189,306	2,456	191,762	
(31,948)	(422)	(32,370)	- Actuarial gains/(losses) arising from changes in demographic assumptions	-	-	-	
<b>86,817</b>	<b>164</b>	<b>86,981</b>	<b>Total Post employment benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>109,502</b>	<b>2,475</b>	<b>111,977</b>	
			<b>Movement in Reserves Statement</b>				
(54,567)	(611)	(55,178)	Reversal of net charges made to the (surplus)/deficit on provision of services for post employment benefits in accordance with the Code (including Administration expenses)	(49,874)	(562)	(50,436)	
			<i>Actual amount charged against the General Fund balance for pensions in the year:</i>				
<b>26,851</b>	<b>2,150</b>	<b>29,001</b>	<b>Employers' contributions payable to scheme</b>	<b>26,656</b>	<b>2,224</b>	<b>28,880</b>	(v)

(i). The current service cost is an estimate of the true economic cost of employing people in a financial year. It measures the full liability estimated to have been generated in the year.

(ii). Interest cost is the amount needed to unwind the discount applied in calculating the defined benefit obligations (liability). As members of the plan are one year closer to receiving their pension, the provisions made at present value in previous years for their retirement costs need to be uplifted by a year's discount to keep pace with current values.

(iii). The expected return on assets is a measure of the return on the investment assets held by the plan for the year. It is not intended to reflect the actual realised return by the plan but a longer term measure based on the value of assets at the start of the year taking into account movements in assets during the year and an expected return factor.

(iv). Actuarial gains and losses arise where actual events have not coincided with the actuarial assumptions made for the last valuations (known as experience gains and losses) or the actuarial assumptions have been changed.

(v). Employer normal contributions % of pay plus Employer normal contributions lump sum, adjusted for the Council element to reflect the pre-paid future service contributions for 2017/18.

**Note 31: Defined Benefit Pension Schemes (continued)**

**ASSETS AND LIABILITIES IN RELATION TO POST-EMPLOYMENT BENEFITS**

2019/20				2020/21		
LGPS	Unfunded discretionary benefits	Total		LGPS	Unfunded discretionary benefits	Total
£'000	£'000	£'000		£'000	£'000	£'000
(1,366,471)	(26,518)	(1,392,989)	<b>Opening balance at 1 April</b>	(1,363,443)	(24,532)	(1,387,975)
(33,866)	-	(33,866)	Current service cost	(33,980)	-	(33,980)
(32,411)	(611)	(33,022)	Interest on pension liabilities	(32,326)	(562)	(32,888)
(6,854)	-	(6,854)	Member contributions	(7,343)	-	(7,343)
(6,219)	-	(6,219)	Past service cost (gain)	-	-	-
			<i>Remeasurement gain/(loss):</i>			
31,948	422	32,370	- Actuarial gains/(losses) arising from changes in demographic assumptions	-	-	-
24,721	277	24,998	- Actuarial gains/(losses) arising from changes in financial assumptions	(192,039)	277	(191,762)
(12,638)	(252)	(12,890)	- Experience gain/(loss)	29,625	543	30,168
37,695	2,150	39,845	Estimated benefits paid	40,395	2,224	42,619
(772)	-	(772)	Curtailments	(871)	-	(871)
1,424	-	1,424	Settlements	-	-	-
<b>(1,363,443)</b>	<b>(24,532)</b>	<b>(1,387,975)</b>	<b>Closing balance at 31 March</b>	<b>(1,559,982)</b>	<b>(22,050)</b>	<b>(1,582,032)</b>
			<b>Reconciliation of fair value of the scheme assets</b>			
<b>773,722</b>	-	<b>773,722</b>	<b>Opening balance at 1 April</b>	<b>710,728</b>	-	<b>710,728</b>
18,730	-	18,730	Interest on plan assets	18,055	-	18,055
			<i>Remeasurement gain/(loss):</i>			
(76,281)	-	(76,281)	- the return on plan assets, excluding the amount included in the net interest expense	100,053	-	100,053
(705)	-	(705)	Administration expenses	(752)	-	(752)
26,851	2,150	29,001	Employer contributions	26,656	2,224	28,880
(748)	-	(748)	(Loss) on settlement	-	-	-
6,854	-	6,854	Contributions by scheme participants	7,343	-	7,343
(37,695)	(2,150)	(39,845)	Benefits paid	(40,395)	(2,224)	(42,619)
<b>710,728</b>	-	<b>710,728</b>	<b>Closing balance at 31 March</b>	<b>821,688</b>	-	<b>821,688</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

**Note 31: Defined Benefit Pension Schemes (continued)****Pensions Assets and Liabilities recognised in the Balance Sheet**

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

2019/20				2020/21		
LGPS	Unfunded discretionary benefits	Total		LGPS	Unfunded discretionary benefits	Total
£'000	£'000	£'000		£'000	£'000	£'000
(1,363,443)	(24,532)	(1,387,975)	Present value of defined benefit obligation	(1,559,982)	(22,050)	(1,582,032)
710,728	-	710,728	Fair value of employer assets	821,688	-	821,688
<b>(652,715)</b>	<b>(24,532)</b>	<b>(677,247)</b>	<b>(Deficit)/gain in the scheme</b>	<b>(738,294)</b>	<b>(22,050)</b>	<b>(760,344)</b>

Statutory arrangements are in place whereby any deficit on the scheme is made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. Hence, the deficit does not adversely impact on the financial position of the Council which remains healthy.

**Assets in the scheme**

Assets in the LGPS comprised:

2019/20			2020/21	
£'000	%		£'000	%
549,393	77%	Equities	566,143	69%
-	0%	Bonds	-	0%
69,651	10%	Property	67,378	8%
7,818	1%	Cash/liquidity	111,750	14%
83,866	12%	Other	76,417	9%
<b>710,728</b>	<b>100%</b>		<b>821,688</b>	<b>100%</b>

**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 scheme has been assessed by Mercer Human Resource Consulting Ltd, an independent firm of actuaries with the estimates being based on the latest full valuation of the scheme as at 31 March 2019.

**Note 31: Defined Benefit Pension Schemes (continued)**

The principal assumptions used by the actuary have been:

2019/20		2020/21
LBWF		LBWF
%		%
2.1	Rate of inflation (CPI)	2.6
3.6	Rate of increase in salaries *	4.1
2.2	Rate of increase in pensions	2.7
2.4	Rate for discount scheme liabilities	2

\* An adjustment was made for short term pay restraint in line with the latest actuarial valuation

Life expectancy has been based on actuarial tables projected to calendar year 2041 for future pensioners.

Based on these assumptions, the average future life expectancies at age 65 are summarised below:

Mortality assumptions	Males	Females
Longevity at 65 for current pensioners	22.7	25.2
Longevity at 65 for future pensioners (in 20 years' time)	24.4	27.1

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

	Increase in Assumption £'000	Decrease in Assumption £'000
Longevity (increase or decrease in 1 year)	(47,634)	47,634
Rate of inflation (increase or decrease by 0.1%)	(22,564)	22,564
Rate of increase in salaries (increase or decrease by 0.1%)	(1,535)	1,535
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	22,247	(22,247)
Estimated investment return (increase or decrease by 1%)	(103,783)	103,783

**Risk management strategy**

The Pension Committee uses Risk Attribution Analysis to prioritise the main investment risks facing the Fund. The principal risks are a fall in equity markets and a rise in inflation. To mitigate these risks, the Investment Strategy of the Fund aims to diversify away from equities into alternatives and bonds, and to invest in assets which generate returns exceeding inflation or providing inflation lined income.

## Note 31: Defined Benefit Pension Schemes (continued)

### Impact on the Council's Cash flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Pension Committee has agreed a strategy with the scheme actuary to achieve a funding level of 100% over the next 17 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2022.

When the current version of the LGPS was introduced in 2014 under the LGPS Regulations 2013, transitional provisions were enacted for older members of the LGPS to mitigate the impact of the move away from a final salary based pension to a career average revalued earnings (CARE) scheme. These changes were part of the overall reform of public service pension schemes under the Public Service Pensions Act 2013.

Two employment tribunals (the McCloud and Sarjeant judgements) and the Appeal Court have found that the transitional provisions contravened age discrimination legislation, and therefore, the changes introduced by the 2013 Act would need to be remedied. Whilst the two judgements affect the judges and firefighters pension schemes, the Government has accepted that remedies relating to the McCloud judgement are needed in relation to all public service pension schemes and a consultation was published in July 2020 with a proposed remedy for LGPS. The key feature of the proposed remedy is to extend the final salary scheme underpin to a wider group of members for service up to 31 March 2022. This applies to all members who were active on or before 31 March 2012 and either remain active or left service after 1 April 2014. The 2020/21 IAS19 valuation includes an allowance for the impact of the judgements in current service cost. The judgements have been taken into accounts in the 2019 triennial funding valuation to set the contributions for the period 2020/21 to 2022/23.

The Council expects to pay £29.403 million to the scheme in 2021/22.

## Note 32: Cash Flow Statement - Operating Activities

2019/20		2020/21
£'000		£'000
5,748	<b>Net surplus or (deficit) on the provision of services</b>	<b>(32,101)</b>
	<i>Adjustments for non-cash movements:</i>	
39,502	Depreciation, impairments and downward revaluation	53,166
6,449	Net increase/decrease in creditors, debtors and inventories	(403)
26,177	Pensions liability	21,556
8,681	Carrying amount of non-current assets sold	29,896
(398)	Other non-cash items	4,137
<b>80,411</b>		<b>108,352</b>
	<i>Adjustments for items that are investing or financing activities:</i>	
	- Capital grants	
(10,162)	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	(30,633)
(55,821)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(32,201)
	- Any other items for which the cash effects are investing or financing cash flows	
<b>(65,983)</b>		<b>(62,834)</b>
<b>20,176</b>	<b>Net cash flows from operating activities</b>	<b>13,417</b>

**Note 32: Cash Flow Statement - Operating Activities (continued)**

The cash flows for operating activities include the following items:

2019/20		2020/21
£'000		£'000
1,064	Interest received	960
(17,511)	Interest paid	(16,963)

**Note 33: Cash Flow Statement - Investing Activities**

2019/20		2020/21
£'000		£'000
(107,034)	Purchase of property, plant and equipment, investment property and intangible assets	(126,752)
(336,157)	Purchase of short-term and long-term investments	(154,359)
(649)	Other payments for investing activities	(568)
10,189	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	25,863
323,169	Proceeds from short-term and long-term investments	151,538
62,596	Other receipts from investing activities (capital grants)	30,924
(47,886)	<b>Net cash flows from investing activities</b>	<b>(73,354)</b>

**Note 34: Cash Flow Statement - Financing Activities**

2019/20		2020/21
£'000		£'000
82,034	Cash receipts of short-term and long-term borrowings	165,678
(2,096)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(2,284)
(45,302)	Repayments of short-term and long-term borrowing	(100,089)
34,636	<b>Net cash flows from financing activities</b>	<b>63,305</b>



## Note 35: Related Party Transactions

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

### Central government

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

Grant funding received by the Council is set out in **Notes 7, 12 and 13**.

### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2020/21 is shown in **Note 10**.

The following Members held positions of control or significant influence in related parties to the Council during 2020/21:

Councillor Clyde Loakes is the Chair of North London Waste Authority. The Council pays an annual levy to NLWA each year for domestic and non-domestic waste collection (£8.730 million in 2020/21).

Councillor Simon Miller was a Director of NPS (London) Ltd, who manage the Council's building consultancy function. In 2020/21, the Council paid NPS (London) Ltd £6.697 million in fees.

Councillor Ros Flowers works for London Borough of Brent and her spouse works for London Borough of Tower Hamlets.

### Chief Officers

During 2020/21 chief officers declared an interest in the following:

	Chief Officers
Director of NPS Ltd	1
Board Member of Sixty Bricks	1
Board Member of CCLA	1
Board members of WF CCG	2

**Note 35: Related Party Transactions (continued)**

**Entities controlled or significantly influenced by the Council**

Name and company number	Nature of the Council's interest	Net worth of the company at 31 March 2021	Principal activities	Transactions with the Council 2019/20
Sixty Bricks Ltd (10593957)	100% shareholding (100 £1 shares)		The aim of the company is to acquire, develop and subsequently sell, let and manage residential, commercial and retail properties on a mixture of market and affordable tenures.	The Council has advanced a loan to the company to provide working capital. Principal of £1.8m was outstanding at 31 March 2021. Interest of £77,272 has been charged on the loan to date. The Council also advanced development finance totalling £4.892 million in relation to the Centenary House scheme.
More Homes Waltham Forest LLP (OC421986)	50/50 Joint Venture with Mears Housing Management (Holdings) Limited.		The LLP has been set up to help provide housing for people currently in temporary accommodation.	Nil.
Waltham Forest Services Ltd (10912148)	100% shareholding (100 £1 shares)		Provides a variety of services on a commercial basis including house clearance, gardening, handyperson and pest control.	The company owes the Council £714k at 31 March 2021.
Waltham Forest Trading Ltd (10912348)	100% shareholding (100 £1 shares)		Currently dormant	Nil.
Walthamstow Scene Ltd (9112012)	100% shareholding (100 £1 shares)		Currently dormant	Nil.
NPS London Limited (06078945)	20% shareholding (two £1 shares)		Property consultancy (the Council is the company's principal customer)	Sales to the Council were £6.7m in 2020/21. Net debtor balances due to the company from the Council were £0.4m at 31 March 2021.
Waltham Forest Local Education Partnership (LEP) Limited (06009180)	10% shareholder, owning 5,500 £1 shares		Provides facilities management services to a number of schools and colleges in the Borough.	Nil.
BY Education (Waltham Forest) Limited (06009302)	10% shareholder, owning 5,000 £1 shares		Design, refurbishment and construction of educational facilities in the Borough under the Government's Private Finance Initiative (PFI)	Sales to the Council were £6.7m in 2020/21. Net debtor balances due to the company from the Council were £0.4m at 31 March 2021.
BY Education (Waltham Forest) Holdings Limited (06009403)	10% shareholder, owning 5,000 £1 shares		Design, refurbishment and construction of educational facilities in the Borough under the Government's Private Finance Initiative (PFI).	Nil.

From March 2017, Westminster City Council took on the delegated executive function for making decisions on formal representations and appeals for Waltham Forest Parking Penalty Charge notices.

The Chief Executive of the Council is a William Morris Gallery Trustee. During 2020/21, the Council provided funding of £179k to William Morris Gallery (£203k in 2019/20)

## Note 35: Related Party Transactions (continued)

### Other public bodies

From 1 September 2017, the Council entered into a tri-borough agreement to run a joint Civil Contingencies service with the London Borough of Barking and Dagenham and the London Borough of Redbridge.

The Procurement Team have been providing services to the London Borough of Redbridge since September 2016. On the 1 November 2017, a formalised shared service agreement with L.B. Redbridge went live.

The Council acts as the lead borough for the East London Coroners Service. The other partners are the London Boroughs of Redbridge, Barking and Dagenham, Newham and Havering.

The Dog Enforcement Team is contracted to provide services to the Metropolitan Police, Epping Forest District Council and the London Boroughs of Enfield, Hackney and Havering.

From March 2017, Westminster City Council took on the delegated executive function for making decisions on formal representations and appeals for Waltham Forest Parking Penalty Charge notices.

## Note 36: Contingent Liabilities

### Mental Health Act 1983 Section 117

In 2002 a judgement of a case involving another local authority found that they had acted unlawfully in charging for residential and community care for patients who had been admitted compulsorily under the Mental Health Act 1983, and who were subsequently discharged with support under section 117 of the Act. In line with the court ruling, research going back to 1983 indicates potential further claims in the order of £1.72 million including accumulated interest. However, the level of actual claims remains low and is being met from the annual revenue budget.

### More Homes Waltham Forest LLP

The Council has entered into a joint venture (JV) agreement, More Homes Waltham Forest LLP. Under the terms of a deed of covenant and guarantee, the Council has agreed to underwrite any shortfall in rental income and interest. Whilst the guarantee does not limit these payments to specific circumstances, or circumstances expected to be wholly under the control of the Council, the provision may appear to be genuine. The LLP has also entered into a loan agreement with BAE Pension Fund for c£100m which is guaranteed by the Council if the LLP were to default on any payments or fail to comply with any condition of the contract. Due to the long-term nature of the arrangement and the nature of the financial liability, there is no directly observable evidence of the fair value. It is not possible, at this stage, to calculate the likely exposure to the Council as it is dependent on a number of factors and a realistic estimate cannot be quantified. A detailed analysis of the risks borne by the Council has been undertaken and it has been determined that the likelihood of any material settlement of the obligation is unlikely.

### DWP Earnings Support Allowance

The Department of Work and Pensions (DWP) moved disabled and chronically ill benefit claimants from Legacy Disability benefit to a contribution based ESA in error for the period 2011-2014, which resulted in potential social care overcharges. In response to another Local authority deeming themselves liable for the overcharge, Waltham Forest is currently assessing its liability for reimbursing these overcharges. As the investigations are still at an early stage, the council does not know the potential value of the liability as it effects numerous years and a significant cohort of service users.

## Note 37: Contingent Assets

The Council is party to a joint venture (JV) arrangement, More Homes Waltham Forest LLP, in partnership with Mears Group PLC. The JV will raise its own funds to acquire homes to meet demand for temporary accommodation. The properties will be refurbished to the Decent Homes standard and the stock managed through the Mears registered housing association arm for 40 years after which time the properties will revert to the Council after the repayment of outstanding debt. Due to the long-term nature of this arrangement, it is not possible to accurately predict the financial position at its conclusion as the extent and nature of that stock will be determined by the JV in running its business and paying off its debts.

## Note 38: Events After the Reporting Period

On 23 March 2020, the Prime Minister announced that to limit the spread of the coronavirus he would be asking people to stay at home and where possible work from home and only essential journeys should be made. Effectively this meant that a lot of businesses became unable to carry on operating and many employees were 'furloughed' on 80% of their existing salary paid by central government.

The financial and social outcomes of this are not yet fully understood, however, it is anticipated that the condition will exist for the short to medium future and that it will have a significant impact upon the UK and global economy.

The impact of Covid-19 started to take effect from late March 2020 and is therefore not considered to be a post balance sheet event. However, any impact on the 2020-21 accounts and beyond is considered in the narrative report and going concern disclosure note. We note that the future financial impact for 2021-22 and subsequent financial years may be greater and that there will be further implications and considerations for our Balance Sheet in relation to asset impairments and pension fund liability valuations, as at their respective balance sheet dates.

Whilst any future financial implications of such valuation movements would be recognised within the comprehensive income and expenditure statement in the year to which they relate, in accordance with proper accounting practice, they would be adjusted for within the Movement in Reserve Statement - Adjustments between Accounting Basis & Funding Basis under Regulations, to negate any financial impact on the council tax payer.

SECTION – 4

SUPPLEMENTARY FINANCIAL STATEMENTS

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## Housing Revenue Account (HRA) - Income and Expenditure Statement

The Housing Revenue Account (HRA) Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and 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.

2019/20	Expenditure	2020/21	Note
£'000		£'000	
9,136	Repairs and maintenance	9,625	5
23,068	Supervision and management	26,547	
404	Rents, rates, taxes and other charges	136	
7,086	Depreciation and impairment of non current assets	20,588	
114	Debt management costs	114	
299	Transfer to/from Provision	535	
(558)	Increase/(decrease) in the provision for bad debts	1,760	
<b>39,549</b>	<b>Total expenditure</b>	<b>59,305</b>	
	<b>Income</b>		
(53,937)	Dwelling rents	(52,859)	
(477)	Non-dwelling rents	(1,061)	
(6,463)	Charges for service and facilities	(6,297)	
(733)	Contributions towards expenditure	(1,641)	
<b>(61,610)</b>	<b>Total income</b>	<b>(61,858)</b>	
<b>(22,061)</b>	<b>Net cost or (income) of HRA services as included in the whole authority Comprehensive Income and Expenditure Statement</b>	<b>(2,553)</b>	
158	HRA services share of Corporate and Democratic Core	158	
<b>(21,903)</b>	<b>Net cost of HRA Services</b>	<b>(2,395)</b>	
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b>		
(1,481)	(Gain) or loss on sale of HRA non current assets	(10,914)	
9,469	Interest payable and similar charges	9,430	
(209)	HRA interest and investment income	(337)	
880	Pension Liability, interest cost & expected return on pension asset	633	
(15,419)	Capital grants and contributions receivable	(3,110)	
<b>(28,663)</b>	<b>(Surplus) or deficit for the year on HRA Services</b>	<b>(6,693)</b>	

## Statement on The Movement on The Housing Revenue Account

The overall objectives for the Movement on the HRA Statement and the general principles for its construction are the same as those generally for the Movement in Reserves Statement, into which it is consolidated. The statement takes the outturn on the HRA Income and Expenditure Statement and reconciles it to the surplus or deficit for the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

2019/20	Expenditure	2020/21	Note
£'000		£'000	
(5,016)	Balance on the HRA as at 1 April	(7,328)	
(28,663)	(Surplus)/deficit for the year on the HRA Income and Expenditure Statement	(6,693)	
	<b>Adjustments between accounting basis and funding basis:</b>		
40	Amount by which finance costs chargeable in accordance with the Code are different from finance costs chargeable in year under statutory requirements	40	
(7,086)	Depreciation & impairments	(20,579)	
1,481	(Gain)/loss on HRA disposals	10,914	
(1,536)	Net charges for pensions	(875)	
15,419	Use of capital grants to finance capital expenditure	9,961	
1,271	Capital expenditure charged to HRA balance	5,178	
(25)	Accumulated absences adjustment	(9)	
10,587	Transfer to the Major Repairs Reserve	11,367	
(8,512)	<b>Net (increase) or decrease before transfers to or from reserves</b>	<b>9,304</b>	
6,200	Transfers to or (from) earmarked reserves	(5,294)	
(2,312)	<b>(Increase) or decrease in year on the HRA</b>	<b>4,010</b>	
(7,328)	<b>HRA Balance at 31 March</b>	<b>(3,318)</b>	

## Housing Revenue Account Notes

### Note 1: Housing Stock

As at 31 March 2021 the Council was responsible for managing a housing stock of 10,001 dwelling units, and the stock was made up as follows:

2019/20	Type of accommodation	2020/21
4,656	Low rise flats	4,655
978	High rise flats	1,001
3,755	Houses and bungalows	3,746
463	Sheltered accommodation	460
139	Multi occupied	139
<b>9,991</b>	<b>Total</b>	<b>10,001</b>

The change in stock can be summarised as follows:

2019/20		2020/21
10,099	Stock at 1 April	9,991
(44)	Right to Buy sales	(42)
(152)	Demolitions	-
85	New Build	48
3	Additions	4
<b>9,991</b>	<b>Stock at 31 March</b>	<b>10,001</b>



**Note 1: Housing Stock (continued)**

The total Balance Sheet value of the Council's HRA assets at 1st April 2020 was £908m and at 31st March 2021 was £998m, analysed as follows:

2019/20 £'000	Expenditure	2020/21 £'000
	<b>Operational assets</b>	
859,687	Council dwellings	926,066
40,651	Assets under construction	54,651
3,069	Land	1,440
4,950	Other property	16,211
<b>908,357</b>		<b>998,368</b>
	<b>Non-operational assets</b>	
-	Surplus assets	-
<b>908,357</b>	<b>Total asset value</b>	<b>998,368</b>

The value of the council dwellings was restated to ensure that the valuation fully complied with the DCLG's Stock Valuation Guidance and split the value of the stock between land and buildings, so that only the building component was subject to depreciation

**Note 2: Vacant Possession Value**

Dwellings are initially valued at open market value assuming vacant possession. The vacant possession value of the HRA tenanted dwellings was £3,597m (£3,373m at 31 March 2020). The difference between the vacant possession value and the Balance Sheet value of dwellings within the HRA reflects that tenancies are held on a secure basis without vacant possession.

The Balance Sheet value is determined by applying the Government prescribed discount factor (the vacant possession discount factor) to the vacant possession value of the stock. The vacant possession discount factor was:.

Council dwellings in Walthamstow	25%
Council dwellings in Epping and Basildon BC	38%

### Note 3: Capital Expenditure and Financing

During 2020/21, the Council incurred £45.5m capital expenditure on land, houses and other properties within the HRA (2019/20: £41.1m). The detail of expenditure and the methods of financing are detailed below:

2020/21	Total expenditure	Sources of funding				
		Major Repairs Reserve	Revenue contributions	Capital receipts	Grants/ contributions	Total financing
	£'000	£'000	£'000	£'000	£'000	£'000
Council dwellings	13,035	11,376	1,659	-	-	13,035
Assets under construction	32,451	-	10,218	14,337	7,896	32,451
<b>Balance as at 31 March</b>	<b>45,486</b>	<b>11,376</b>	<b>11,877</b>	<b>14,337</b>	<b>7,896</b>	<b>45,486</b>

2019/20	Total expenditure	Sources of funding				
		Major Repairs Reserve	Revenue contributions	Capital receipts	Grants/ contributions	Total financing
	£'000	£'000	£'000	£'000	£'000	£'000
Council dwellings	21,980	10,548	1,271	-	10,161	21,980
Assets under construction	19,164	39	-	1,724	17,401	19,164
<b>Balance as at 31 March</b>	<b>41,144</b>	<b>10,587</b>	<b>1,271</b>	<b>1,724</b>	<b>27,562</b>	<b>41,144</b>

### Note 4: Capital receipts

Capital receipts from disposals of land, houses and other property within the HRA were as follows:

2019/20		2020/21
9,361	Council dwellings	8,029
288	Other property	1,078
<b>9,649</b>		<b>9,107</b>

Additionally, the Council accrued £223K in 2020/21 from preserved right to buy sales under a stock transfer agreement with London & Quadrant Housing Trust.

## Note 5: Depreciation and impairment

During 2020/21 the value of the council dwellings stock increased from £859.158m to £926.066m. After taking account of additions and disposals in the year this resulted in a revaluation gain of £12.231m. Of this £21.200m in respect of the land component of council dwellings was charged to the revaluation reserve, and there was a revaluation loss charged to the HRA Income and Expenditure Account of £8.970m in respect of the building component of council dwellings, because there is no revaluation reserve credit balance in respect of the buildings component.

During 2019/20 the value of the council dwellings stock increased from £846.989m to £859.158m. After taking account of additions and disposals in the year this resulted in a revaluation gain of £9.458m. Of this £6.288m in respect of the land component of council dwellings was charged to the revaluation reserve, and there was a revaluation gain charged to the HRA Income and Expenditure Account of £3.170m in respect of the building component of council dwellings, reversing previous years revaluation losses charged to the HRA Income and Expenditure Account.

2019/20	Expenditure	2020/21
£'000		£'000
	<b>Depreciation</b>	
10,588	Council dwellings	10,935
123	Other property	432
<b>10,711</b>		<b>11,367</b>
	<b>Impairment</b>	
(3,540)	Council dwellings	8,970
(85)	Other property	242
<b>(3,625)</b>		<b>9,212</b>
<b>7,086</b>	<b>Total depreciation and impairment</b>	<b>20,579</b>

## Note 6: Rent Arrears

2019/20		2020/21
	<b>Rent arrears comprise:</b>	
4,952	Dwellings rents	4,350
355	Other charges/adjustments	501
<b>5,307</b>		<b>4,851</b>
(4,068)	Less: Bad debts provisions	(3,673)
<b>1,239</b>		<b>1,178</b>

## Collection Fund Statement

The Collection Fund shows the transactions of the Council in its capacity as the billing authority in relation to the collection from taxpayers and the distribution to local authorities and the Government of council tax and non-domestic rates. There is no requirement for a separate Collection Fund balance sheet since the assets and liabilities arising from collecting non-domestic rates and council tax belong to the major preceptors, the billing authority and the Government.

The Council's share of council tax and non-domestic rates income is included in the Comprehensive Income and Expenditure Statement (CIES) on an accruals basis in line with the Code. However, the amount to be recognised in the General Fund is determined by regulation. Therefore, there is an adjustment for the difference between the accrued income and the statutory credit made through the Movement in Reserves Statement and to the Collection Fund Adjustment Account.

The Council is able to retain 30% of Non-Domestic Rates (NNDR) collectable; 33% is payable to Central Government and 37% to the Greater London Authority (GLA). All subsequent surpluses and deficits are shared between the Council and these preceptors in the same proportions.

2019/20 Restated				2020/21			Notes
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total	
£'000	£'000	£'000		£'000	£'000	£'000	
			<b>Income</b>				
-	132,765	132,765	Council Tax receivable	-	137,728	137,728	
-	-	-	Transfer for Transitional Relief, S13A(1)(C) Reliefs	-	1,836	1,836	
66,359	-	66,359	Business Rates receivable	37,432	-	37,432	
1,920	-	1,920	Transitional Protection Payments	280	-	280	
1,517	-	1,517	Business Rate Supplement	721	-	721	
<b>69,796</b>	<b>132,765</b>	<b>202,561</b>	<b>Total income</b>	<b>38,433</b>	<b>139,564</b>	<b>177,997</b>	
			<b>Expenditure</b>				
			<b>Apportionment of prior year surplus/deficit</b>				
50	2,472	2,522	- Council	597	2,889	3,486	
79	551	630	- GLA	336	674	1,010	
83	-	83	- Central Government	297	-	297	
			<b>Precepts</b>				
31,005	104,497	135,502	- Council	19,856	110,290	130,146	
17,440	24,386	41,826	- GLA	24,489	25,643	50,132	
16,148	-	16,148	- Central Government	21,842	-	21,842	
			<b>Business Rate Supplement</b>				
1,511	-	1,511	- Payment to levying authority (GLA)	715	-	715	
6	-	6	- Administrative costs	6	-	6	
			<b>Charges to Collection Fund</b>				
122	1,673	1,795	- Increase/(decrease) in bad debt provision	8,817	-	8,817	
(405)	-	(405)	- Increase/(decrease) in appeals provision	(401)	4,778	4,377	
285	-	285	- Cost of collection allowance	284	-	284	
<b>66,325</b>	<b>133,578</b>	<b>199,903</b>	<b>Total expenditure</b>	<b>76,838</b>	<b>144,274</b>	<b>221,112</b>	
(3,470)	813	(2,657)	(Increase)/decrease in fund balance for the year	38,405	4,710	43,115	
(371)	(3,043)	(3,414)	Fund balance brought forward	(3,841)	(2,230)	(6,071)	
<b>(3,841)</b>	<b>(2,230)</b>	<b>(6,071)</b>	<b>(Surplus)/deficit balance carried forward</b>	<b>34,564</b>	<b>2,480</b>	<b>37,044</b>	

## Notes to the Collection Fund

### Note 1: Council tax

The Council's tax base for 2020/21 - i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply), converted to an equivalent number of Band D dwellings - calculated as follows:

Band	Estimated number of dwellings after effect of discounts	Ratio	Band D equivalent dwellings	Council Tax charge per band (£)
A	3,603	6 / 9	2,402	1,174
B	22,739	7 / 9	17,686	1,369
C	29,722	8 / 9	26,420	1,565
D	19,348	9 / 9	19,348	1,760
E	7,302	11 / 9	8,925	2,151
F	1,667	13 / 9	2,408	2,543
G	393	15 / 9	655	2,934
H	21	18 / 9	42	3,521
<b>Total</b>	<b>84,795</b>		<b>77,886</b>	
Less adjustment for collection rates and anticipated changes in valuations and exemptions during the year			(1,558)	
<b>Council Tax Base</b>			<b>76,328</b>	

### Note 2: Income From Business Ratepayers

The Council collects Non-Domestic Rates for its area, based upon local rateable values calculated by the Valuation Office Agency (VOA), multiplied by a nationally determined multiplier set annually by the Chancellor of the Exchequer. The total amount collectable, less certain reliefs and other deductions, is distributed to three preceptors: the Government, the GLA and the Council.

The total non-domestic rateable value at 31 March 2021 was £178.338 million (this compares to the 31 March 2020 value of £178.688 million). The national non-domestic multiplier for the year was 51.2 pence for each pound of rateable value (50.4 pence in the pound in 2019/20). The small business non-domestic rating multiplier was 49.9 pence for each pound of rateable value (49.1 pence in the pound in 2019/20).

The Valuation Office Agency (VOA) revalues all business properties in England every five years. The latest revaluation (carried out April 2010) was delayed by the Government and the revaluation came into effect from April 2017.

### Note 3: Crossrail Business Rate Supplement

The Greater London Authority (GLA) introduced a Business Rate Supplement (BRS) on 1 April 2010 to finance £4.1 billion of the costs of the £15.9 billion Crossrail project, a vital new east-west train link that will provide a major boost to London's economy. A levy was introduced of 2p per every £1 of rateable value on non-domestic properties with a rateable value of £70,000 or more in London.

## Note 4: Collection Fund Balance

The Collection Fund is a statutory fund in which the Council records the transactions for Council Tax, and Non-Domestic Rates. In 2020/21 the balance in the Fund relating to Non-Domestic Rates decreased by £38.405 million to a £34.564 million deficit. In respect of Council Tax there was an in-year deficit of £4.710 million (£0.813 million deficit in 2019/20).

In accordance with statutory guidance, the closing surpluses and deficits on the Fund will be shared between its preceptors in line with their precept proportions. For Council Tax, £1.059 million will be paid in 2020/21 with the deficit balance forming part of the 2022/23 balance, which will be repaid in 2021/22. Similarly, £29,309 million will be paid to Rates preceptors in 2021/22, leaving a deficit payable in 2022/23.

### Share of Surplus/(Deficit)

	2021/22	2022/23	Total
	£'000	£'000	£'000
<b>Council Tax:</b>			
London Borough of Waltham Forest	859	1,144	2,003
Greater London Authority	200	277	477
	<b>1,059</b>	<b>1,421</b>	<b>2,480</b>
<b>Non-Domestic Rates:</b>			
London Borough of Waltham Forest	8,322	1,577	9,899
Greater London Authority	9,881	1,945	11,826
Central Government	11,105	1,734	12,839
	<b>29,308</b>	<b>5,256</b>	<b>34,564</b>

The Accounting Code requires the Collection Fund balance to be disaggregated. The share of any surplus/deficit relating to the GLA or Central Government is shown as a creditor/debtor, whilst the share relating to LBWF is included in the Collection Fund Adjustment Account on the balance sheet.

SECTION – 5

PENSION FUND ACCOUNTS AND NOTES

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## SECTION – 5

### NOTES TO THE PENSION FUND

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## Pension Fund Account

2019/20		2020/21	
£'000		£'000	Note
	<b>Dealings with members, employers and others directly involved in the fund</b>		
(30,606)	Contributions	(85,909)	7
(6,735)	Transfers in from Other Pension Funds	(6,843)	8
<b>(37,341)</b>		<b>(92,752)</b>	
	<b>Benefits payable:</b>		
46,538	Benefits payable	46,546	9
5,950	Payments to and on account of leavers	5,016	10
<b>52,488</b>		<b>51,562</b>	
<b>15,147</b>	<b>Net (Additions)/Withdrawals from dealings with members</b>	<b>(41,190)</b>	
10,221	Management Expenses	7,869	11
<b>25,368</b>	<b>Net (Additions)/Withdrawals including fund management expenses</b>	<b>(33,321)</b>	
	<b>Return on investments</b>		
(12,117)	Investment income	(11,910)	12
54,311	Profit and losses on disposal of investments and changes in the market value of investments	(144,821)	13a
<b>42,194</b>	<b>Net return on investments</b>	<b>(156,731)</b>	
67,562	<b>Net (Increase)/Decrease in the net assets available for benefits during the year</b>	(190,052)	
(930,068)	<b>Opening net assets of the scheme</b>	(862,506)	
<b>(862,506)</b>	<b>Closing net assets of the scheme</b>	<b>(1,052,558)</b>	

## Net Assets Statement

2019/20		2020/21	
£'000		£'000	Note
	<b>Investment assets</b>		
150	Long term investments	150	13
855,266	Investment assets	1,044,336	13
(135)	Investment liabilities	(1,631)	13
<b>855,281</b>	<b>Total Net investments</b>	<b>1,042,855</b>	
9,366	Current Assets	10,624	20
(2,141)	Creditors	(921)	21
<b>862,506</b>	<b>Net assets of the fund available to fund benefits at the end of the reporting period</b>	<b>1,052,558</b>	

**NOTE:** 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 at **Note 17a**.

## Notes to the Pension Fund

### Note 1: Description of the Fund

The London Borough of Waltham Forest Pension Fund ('the fund') is part of the Local Government Pension Scheme and is administered by the London Borough of Waltham Forest, which is the reporting entity for this Pension Fund.

#### a) General

The scheme is governed by the Public Services Pensions Act 2013 and is administered in accordance with the following legislation:

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

It is a contributory defined benefit pension scheme established to provide pension and other benefits for pensionable employees of the London Borough of Waltham Forest Council and a range of other scheduled and admitted bodies within the borough. Teachers, police, firefighters and ex-NHS workers (who transferred when Public Health became Local Authority controlled in April 2013) are not included as they come within other national pension schemes. The fund is overseen by the London Borough of Waltham Forest Pension Committee.

#### b) Membership

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

Organisations participating in the London Borough of Waltham Forest Pension Fund include:

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

**Note 1: Description of the Fund (continued)**

The following table summarises the membership of the Fund as at 31 March 2021 and 31 March 2020:

31-March-2020		31-March-2021
61	Number of employers with active members	61
	<b>Number of active employees in scheme:</b>	
4,463	London Borough of Waltham Forest	4,427
2,469	Other employers	2,453
<b>6,932</b>	<b>Total active members</b>	<b>6,880</b>
	<b>Number of pensioners:</b>	
6,861	London Borough of Waltham Forest	6,761
818	Other employers	1,107
<b>7,679</b>	<b>Total pensioners</b>	<b>7,868</b>
	<b>Number of Deferred members:</b>	
7,506	London Borough of Waltham Forest	7,077
2,380	Other employers	2,765
<b>9,886</b>	<b>Total deferred pensioners</b>	<b>9,842</b>
<b>24,497</b>	<b>Total number of members in the scheme</b>	<b>24,590</b>

**c) Funding**

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the Local Government Pension Scheme Regulations 2013. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2019.

**d) Benefits**

Prior to 1 April 2014, pension benefits were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th.

A range of other benefits are also provided including early retirement, disability pensions and death benefits, as explained on the LGPS website below:

[www.lgpsmember.org](http://www.lgpsmember.org).

## Note 2: Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2020/21 financial year and its financial position at 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) which is based upon International Financial Reporting Standards (IFRS,) as amended for the UK public sector. The accounts are prepared on a going concern basis which has been confirmed by management following a review of:

- Current funding levels
- Medium term and short-term cash flow forecasts
- Liquidity of investment holdings
- Expected timing of future retirements
- Admissions policies and employer covenant reviews.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2020/21.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits is disclosed in Note 18.

## Note 3: Summary of Significant Accounting Policies

### Fund Account - revenue recognition

#### a) Contribution income

Normal contributions are accounted for on an accrual basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates linked to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate.
- Employer deficit funding contributions are accounted for on the basis advised by the fund actuary in the rates and adjustment certificate issued to the relevant employing body or on receipt if earlier than the due date
- Additional employers' contributions in respect of ill-health and early retirements are accounted for in the year the event arose
- Any contributions due but unpaid will be classed as a current financial asset

### **Note 3: Summary of Significant Accounting Policies (continued)**

#### **b) Transfers to and from other schemes**

Individual transfers in or out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in transfers in, see **Note 8**.

#### **c) Investment income**

- Interest income is recognised as it accrues, using the effective interest rate of the financial instrument at the date of acquisition or origination.
- Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received at the end of the reporting period is disclosed in the net assets statement as a current financial asset.
- Distributions from pooled funds are recognised at the date of issue. Any amounts not received by the end of the reporting period are disclosed in the net assets statement as a current financial asset.
- Changes in the net market value of investments are recognised in the Fund Account and comprise all realised and unrealised profits/losses during the year.

#### **Fund account - expense items**

#### **d) Benefits payable**

Pensions and lump sum benefits payable include all amounts known to be due at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities, providing that payment has been approved.

#### **e) Taxation**

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

#### **f) Management expenses**

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

#### **Administrative expenses**

All direct costs of the pensions administration team are charged as administrative expenses to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

**Note 3: Summary of Significant Accounting Policies (continued)****Oversight and governance costs**

All staff costs associated with governance and oversight are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

**Investment management expenses**

- Investment management expenses are charged directly to the fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted of quarterly valuations by investment managers, these expenses are shown separately in Note 11a and grossed up to increase the change in value of investments.
- Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.
- In addition, the fund negotiated with Darwin Leisure Property Fund, Capital Dynamics, Global Infrastructure Partners, IVUK and Invesco an element of their fee be performance related. Where an investment manager's fee note has not been received by year-end, an estimate based on the market value of their mandate at 31 March is used for inclusion in the fund account.
- The cost of a proportion of the time spent by officers on investment management activity is also charged to the fund.

**Net Assets Statement****g) Financial assets**

All investment assets are included in the financial statements on a fair value basis as at the reporting date in accordance with the requirements of the Code and IFRS13 (see Note 16). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

Investment assets are recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. Any amounts due or payable in respect of trades entered into but not yet complete at 31 March each year are accounted for as financial instruments held at amortised cost and reflected in the reconciliation of movements in investments and derivatives in Note 13a. Any gains or losses on investment sales arising from changes in the fair value of the asset are recognised in the Fund Account.

Any financial assets not relating to investments are carried in the net asset statement at amortised cost, i.e. the outstanding principal receivable as at the year-end date plus accrued interest.

**h) Foreign currency transactions**

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

### **Note 3: Summary of Significant Accounting Policies (continued)**

#### **i) Cash and cash equivalents**

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of change in value.

#### **j) Financial assets at amortised cost**

A financial liability is recognised in the Net Asset Statement on the date the Fund becomes legally responsible for that liability. The Fund recognises financial liabilities relating to investment trading at Fair Value 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. Any financial liabilities not relating to investments are classified as liabilities held at amortised cost and are carried in the Net Asset Statement at the value of the outstanding principal at 31 March each year. Any interest due not yet paid is accounted for on an accruals basis and included in Administration costs.

#### **k) Financial liabilities**

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under the Code, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement, see Note 18.

#### **l) Actuarial present value of promised retirement benefits**

The London Borough of Waltham Forest Pension Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. AVCs are not included in the accounts in accordance with section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only, see Note 21.

#### **m) Contingent Assets and Contingent Liabilities**

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

Contingent assets and liabilities are not recognised in the net asset statement but are disclosed in the notes.



## Note 4: Critical Judgements in Applying Accounting Policies

### Pension Funding Arrangements (note 17)

Independent re-valuations by the Fund's appointed actuary are carried out every three years. These triennial re-valuations are used to set future contribution rates and underpin the fund's investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return. This valuation is subject to a number of significant financial and demographic assumptions which are discussed and agreed with management and have been summarised in Note 17. The most significant of these assumptions relate to pensioner longevity, changes to pay and pensioners' benefit entitlements, movements in the CPI and forecast discount rates.

## Note 5: Key accounting estimates

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

Items in the Net Asset Statement where there is a significant risk of material adjustment in 2021/22 are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 18)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on fund assets. Independent actuaries are engaged to provide the Fund with expert advice about the assumptions to be applied.	For instance: <ul style="list-style-type: none"> <li>a 0.1% increase in the discount rate would reduce future pension liabilities by c£22m</li> <li>a 0.1% increase in earnings inflation would increase future pension benefits by c£23m</li> <li>a one-year increase in assumed life expectancy would increase future pension benefits by c£48m.</li> </ul>
Level 3 investments (Note 13)	Valuation techniques based on unobservable price inputs are used to determine the carrying value of pooled investment assets such as property unit trusts, hedge funds, infrastructure and social impact funds.	Changes in the valuation assumptions used could affect the fair value of level 3 investments by up to 10% i.e. an increase or decrease of £16m on carrying values of £160m.

## Note 6: Events After the Balance Sheet Date

No significant events have occurred between the Balance Sheet date of 31 March 2021 and the date that these financial statements were authorised for issue.

## Note 7: Contributions Receivable

### By type of employer

2019/20	Authority	2020/21
£'000		£'000
(10,917)	Administering authority	(72,847)
(18,585)	Scheduled bodies	(12,222)
(1,104)	Admitted bodies	(840)
<b>(30,606)</b>	<b>Total</b>	<b>(85,909)</b>

### By category

2019/20	Category	2020/21
£'000		£'000
<b>(9,376)</b>	Employees' contributions	<b>(9,879)</b>
	<i>Employer's contributions:</i>	
(15,539)	Normal Contributions	(51,901)
(654)	Deficit recovery contributions	(22,366)
(5,037)	Additional Contributions (early retirement)	(1,763)
<b>(21,230)</b>		<b>(76,030)</b>
<b>(30,606)</b>	<b>Total</b>	<b>(85,909)</b>

## Note 8: Transfers in from Other Pension Funds

### By category

2019/20	Authority	2020/21
£'000		£'000
(6,735)	Individual transfers	(6,843)
<b>(6,735)</b>	<b>Total</b>	<b>(6,843)</b>

## Note 9: Benefits Payable

### By category

2019/20	Category	2020/21
£'000		£'000
37,775	Pensions	38,994
8,027	Commutation and lump sum retirement benefits	6,583
736	Lump sum death benefits	969
<b>46,538</b>	<b>Total</b>	<b>46,546</b>

### By type of employer

2019/20	Authority	2020/21
£'000		£'000
41,331	Administering authority	40,847
3,712	Scheduled bodies	3,443
1,495	Admitted bodies	2,256
<b>46,538</b>	<b>Total</b>	<b>46,546</b>

## Note 10: Payments to and on Account of Leavers

2019/20	Authority	2020/21
£'000		£'000
236	Refunds to members leaving service	129
5,714	Individual transfers	4,887
<b>5,950</b>	<b>Total</b>	<b>5,016</b>

## Note 11: Management Expenses

2019/20	Authority	2020/21
£'000		£'000
1,240	Administration Expense	1,062
255	Actuary 's fee and expenses	304
16	External audit fees	16
63	Oversight and Governance	323
8,647	Investment management expenses (note 11a)	6,164
<b>10,221</b>	<b>Total</b>	<b>7,869</b>

## Note 11a: Investment Management Expenses

2020/21	Transaction costs	Management fees	Performance related fees	Total
	£'000	£'000	£'000	£'000
Equities	181	613	-	794
Pooled equities	164	2,784	-	2,948
Pooled property	132	580	-	712
Pooled infrastructure	-	1,452	101	1,553
	<b>477</b>	<b>5,429</b>	<b>101</b>	<b>6,007</b>
Custody fees	-	-	-	157
<b>Total</b>	<b>477</b>	<b>5,429</b>	<b>101</b>	<b>6,164</b>

2019/20	Transaction costs	Management fees	Performance related fees	Total
	£'000	£'000	£'000	£'000
Equities	-	-	-	-
Pooled equities	363	3,972	684	5,019
Pooled property	110	825	210	1,145
Pooled infrastructure	44	2,333	84	2,461
	<b>517</b>	<b>7,130</b>	<b>978</b>	<b>8,625</b>
Custody fees	-	-	-	22
<b>Total</b>	<b>517</b>	<b>7,130</b>	<b>978</b>	<b>8,647</b>

**Note 12: Investment Income**

2019/20	2019/20 Restated	Authority	2020/21
£'000	£'000		£'000
(6,412)	(6,309)	Equity Dividends	(6,942)
(5,699)	(1,228)	Pooled funds: Property	(1,049)
	(4,558)	Pooled funds: Infrastructure	(3,870)
	(15)	Pooled funds: Private equity and venture capital	-
24	(7)	Interest	(49)
(30)	-	Other	-
<b>(12,117)</b>	<b>(12,117)</b>	<b>Total</b>	<b>(11,910)</b>

\* Analysis of investment income has been restated for 2019/20 to reflect the assets classes held by the pension fund.

**Note 13: Top Investments Holdings**

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

Fund Manager	31 March 2021 Market value £'000	%
CIV2 Global equities Alpha Growth A	231,637	22
CIV2 Global equities A GBP	173,709	17
CIV2 Global equities FD (CL A INC)	105,941	10
	<b>511,287</b>	<b>49</b>

## Note 13a: Reconciliation of Movements in Investment

Movements in Investment Assets 2020/21	31-March-2020	Purchases	Sales	Change in market value	31-March-2021
	£'000	£'000	£'000	£'000	£'000
Equity - London CIV	150	-	-	-	150
<b>Pooled funds:</b>					
Equities	666,373	37,692	(40,391)	155,223	818,897
Property	84,445	14,283	-	1,556	100,284
Infrastructure	98,541	14	(3,242)	(13,170)	82,143
Hedge Funds	119	-	-	(119)	-
UK Impact Ventures	3,505	350	(747)	1,331	4,439
Pooled vehicle - Fixed interest securities	-	-	-	-	-
	<b>853,133</b>	<b>52,339</b>	<b>(44,380)</b>	<b>144,821</b>	<b>1,005,913</b>
Cash and money market instruments	2,170	-	-	-	37,252
Investment debtors at 31 March	112	-	-	-	523
Accrued income	-	-	-	-	798
Investment creditors at 31 March	(135)	-	-	-	(1,631)
<b>Total</b>	<b>855,280</b>	<b>52,339</b>	<b>(44,380)</b>	<b>144,821</b>	<b>1,042,855</b>

Movements in Investment Assets 2019/20	31-March-2019	Purchases	Sales	Change in market value	31-March-2020
	£'000	£'000	£'000	£'000	£'000
Equity - London CIV	150	-	-	-	150
<b>Pooled funds:</b>					
Equities	605,500	191,412	(81,583)	(48,956)	666,373
Property	83,251	-	(1,175)	2,369	84,445
Infrastructure	109,704	1,658	(5,408)	(7,413)	98,541
Hedge Funds	154	-	(39)	4	119
UK Impact Ventures	3,635	594	(120)	(604)	3,505
Pooled vehicle - Fixed interest securities	102,536	-	(102,825)	289	-
	<b>904,930</b>	<b>193,664</b>	<b>(191,150)</b>	<b>(54,311)</b>	<b>853,133</b>
Cash and money market instruments	17,382	-	-	-	2,170
Investment debtors at 31 March	130	-	-	-	112
Investment creditors at 31 March	(90)	-	-	-	(135)
<b>Total</b>	<b>922,352</b>	<b>193,664</b>	<b>(191,150)</b>	<b>(54,311)</b>	<b>855,280</b>

## Note 13b: Investments Analysed by Fund Manager

31-March-2020 Market value £'000	%	Fund Manager	Type of Fund	31-March-2021 Market value £'000	%
		<b>Investments managed by the London CIV</b>			
150	0	CIV 1 Collective Vehicle	Unquoted UK equity	150	0
345,054	40	CIV 2 Global Equities	Global equities - pooled funds	511,286	49
<b>345,204</b>	<b>40</b>	<b>Total managed by the London CIV asset pool</b>		<b>511,436</b>	<b>49</b>
		<b>Investments managed outside the London CIV</b>			
		<b>Equities</b>			
-	-	AXA Framlington IM	Global equities - segregated funds	221,081	21
		<b>Pooled Investments</b>			
165,361	19	AXA Framlington IM	Global equities - pooled funds	-	-
155,935	18	LGIM	Global equities - pooled funds	94,172	9
46,368	5	Capital Dynamics	Pooled infrastructure fund	30,230	3
52,173	6	Global Infrastructure Partners II & III	Pooled infrastructure fund	51,913	5
36,319	4	Darwin Leisure Property Fund	Pooled property fund	52,520	5
27,383	3	UBS Global Asset Management	Pooled property fund	26,901	3
20,452	2	Invesco PRS	Pooled property fund	20,697	2
275	0	DTZ Investment Management	Pooled property fund	150	0
16	0	RREEF Limited	Pooled property fund	16	0
3,505	0	Impact Ventures UK	Social impact fund	4,439	0
119	0	Blue Crest	Hedge fund	-	-
2,170	0	Cash		29,300	3
<b>510,076</b>	<b>60</b>	<b>Total managed outside the London CIV asset pool</b>		<b>531,419</b>	<b>51</b>
<b>855,280</b>	<b>100</b>	<b>Total Fund Value</b>		<b>1,042,855</b>	<b>100</b>

## Note 14: Fair Value

All investment assets are valued using fair value techniques based on the characteristics of each instrument, where possible using market-based information. There has been no change in the valuation techniques used during the year.

Assets and liabilities are classified into three levels, according to the quality and reliability of information used to determine fair values.

**Note 14: Fair Value (continued)**

- **Level 1** - where values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Comprise quoted equities, quoted bonds and unit trusts.
- **Level 2** - where quoted market prices are not available estimation techniques are used to determine fair value based on observable data.
- **Level 3** - where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The valuation basis for each category of investment asset is set out below

Description of asset	Basis of Valuation	Observable and unobservable inputs	Key Sensitivities affecting valuation provided
<b>Level 1</b>			
Cash balances, money market funds and other assets and liabilities held at amortised cost	All have an expected maturity date of less than two months, therefore Fair Value represents the carrying value of these assets and liabilities.	Not Required	Not Required
Quoted UK and Global equities (pooled and non-pooled investments)	Published bid price ruling on the final day of the accounting period	Not Required	Not Required
Non-investment current assets and current liabilities (carried at amortised costs)	Given the short term nature of these transaction and the high degree of certainty relating to settlement value, Fair Value represents carrying value at year end date.	Not Required	Not Required
<b>Level 2</b>			
Quoted UK and Global equities (pooled and non-pooled investments)	Not quoted but regularly traded	Evaluated price feeds	Not Required
Pooled property investments	Closing single price (where published)	Evaluated price feeds	Not Required
<b>Level 3</b>			
Pooled property investments and Social Impact Fund	Valued by custodian on a fair value basis each year end using PRAG guidance.	NAV-based pricing set on a forward pricing basis	Estimated acquisition and disposal costs
Pooled property investments	Valued by custodian on a fair value basis each year end using PRAG guidance.	NAV-based pricing set on a forward pricing basis	Valuation could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cash flows and by any differences between audited and unaudited accounts
Unquoted investment in London CIV	This unquoted investment has been carried at cost. Costs in this instance has been determined as the best estimate of Fair Value that no market for this assts currently exists.	Price paid	Estimated acquisition and disposal costs



## Note 14a: Sensitivity of assets valued at level 3

The Fund has determined that the valuation methods described above for level 3 investments are likely to be accurate to within the following ranges, and has set out the consequent potential impact on the closing value of investments held at 31 March 2021 and 31 March 2020.

Asset type	Potential variation in fair value depending on valuation basis adopted £'000	Values at 31 March 2021 £'000	Potential value on increase £'000	Potential value on decrease £'000
Pooled property funds	+ or - 10%	73,382	80,720	66,044
Infrastructure	+ or - 10%	82,143	90,357	73,929
Social impact funds	+ or - 10%	4,439	4,883	3,995
CIV - unquoted UK equity	+ or - 10%	150	165	135
<b>Total</b>		<b>160,114</b>	<b>176,125</b>	<b>144,103</b>

Asset type	Potential variation in fair value depending on valuation basis adopted £'000	Values at 31 March 2020 £'000	Potential value on increase £'000	Potential value on decrease £'000
Pooled property funds	+ or - 1.2%	57,062	57,747	56,377
Hedge Funds	+ or - 8.3%	119	129	109
Infrastructure	+ or - 8.3%	98,541	106,720	90,362
Social impact funds	+ or - 8.3%	3,505	3,796	3,214
CIV - unquoted UK equity	+ or - 8.3%	150	162	138
<b>Total</b>		<b>159,377</b>	<b>168,554</b>	<b>150,200</b>

## Note 14b: Fair Value Hierarchy

	Values at 31-March-2020				Values at 31-March-2021			
	Quoted market Price	Using observable inputs	With significant unobservable inputs	Total	Quoted market Price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Financial assets at fair value through profit and loss</b>								
Equity - London CIV	-	-	150	150	-	-	150	150
<b>Pooled funds</b>								
Equalities	510,439	155,935	-	666,374	818,897	-	-	818,897
Property	-	27,383	57,062	84,445	-	26,902	73,382	100,284
Infrastructure	-	-	98,541	98,541	-	-	82,143	82,143
Hedge Funds	-	-	119	119	-	-	-	-
UK Impact Ventures	-	-	3,505	3,505	-	-	4,439	4,439
Cash and money market deposits	2,170	-	-	2,170	37,252	-	-	37,252
Cast not forming part of investments balances	3,674	-	-	3,674	1,629	-	-	1,629
		-	-	-		-	-	-
Amounts receivable from investment sales	112	-	-	112	523	-	-	523
Accrues investment income	-	-	-	-	798	-	-	798
Debtors	5,692	-	-	5,692	8,995	-	-	8,995
	<b>522,087</b>	<b>183,318</b>	<b>159,377</b>	<b>864,782</b>	<b>868,094</b>	<b>26,902</b>	<b>160,114</b>	<b>1,055,110</b>
<b>Financial assets at fair value through profit and loss</b>								
Payable form investments purchases	(135)	-	-	(135)	(1,631)	-	-	(1,631)
Creditors	(2,141)	-	-	(2,141)	(921)	-	-	(921)
<b>Total</b>	<b>519,811</b>	<b>183,318</b>	<b>159,377</b>	<b>862,506</b>	<b>865,542</b>	<b>26,902</b>	<b>160,114</b>	<b>1,052,558</b>

## Note 14c: Reconciliation of Fair Value Measurements within level 3

### Reconciliation of Fair Value Measurements within level 3

2020/21	Value as 1 Apr	Purchases	Sales	Unrealised gains/losses	Realised gains/losses	Value at 31 March
	£'000	£'000	£'000	£'000	£'000	£'000
Pooled Property funds	57,062	15,718	-	602	-	73,382
Infrastructure	98,541	1,945	(3,242)	(15,680)	579	82,143
Hedge funds	119	-	-	(119)	-	-
Social impact	3,505	351	(748)	1,331	-	4,439
CIV - unquoted equity	150	-	-	-	-	150
					-	
<b>Total</b>	<b>159,377</b>	<b>18,014</b>	<b>(3,990)</b>	<b>(13,866)</b>	<b>579</b>	<b>160,114</b>

2019/20	Value as 1 Apr	Purchases	Sales	Unrealised gains/losses	Realised gains/losses	Value at 31 March
	£'000	£'000	£'000	£'000	£'000	£'000
Pooled Property funds	55,211	-	(933)	2,767	17	57,062
Infrastructure	109,704	1,658	(5,408)	(9,073)	1,660	98,541
Hedge funds	154	-	(39)	-	4	119
Social impact	3,635	594	(120)	(604)	-	3,505
CIV - unquoted equity	150	-	-	-	-	150
<b>Total</b>	<b>168,854</b>	<b>2,252</b>	<b>(6,500)</b>	<b>(6,910)</b>	<b>1,681</b>	<b>159,377</b>

## Note 15a: Classification of Financial Instruments

	Values at 31-March-2020				Values at 31-March-2021			
	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Total	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Financial assets</b>								
London CIV	150	-	-	150	150	-	-	150
<b>Pooled funds</b>								
Equities	666,374	-	-	666,374	818,897	-	-	818,897
Property	84,445	-	-	84,445	100,284	-	-	100,284
Infrastructure	98,541	-	-	98,541	82,143	-	-	82,143
Hedge funds	119	-	-	119	-	-	-	-
UK impact ventures	3,505	-	-	3,505	4,439	-	-	4,439
Cash and money market deposits	-	2,170	-	2,170	-	37,252	-	37,252
Cash not forming part of investment balances	-	3,674	-	3,674	-	1,629	-	1,629
Amounts receivable from investments sales	-	112	-	112	-	523	-	523
Accrued investment income	-	-	-	-	-	798	-	798
Debtors	-	5,692	-	5,692	-	8,995	-	8,995
<b>Financial assets total</b>	<b>853,134</b>	<b>11,648</b>	<b>-</b>	<b>864,782</b>	<b>1,005,913</b>	<b>49,197</b>	<b>-</b>	<b>1,055,110</b>
<b>Financial liabilities</b>								
Amounts payable for investment purchases	-	-	(135)	(135)	-	-	(1,631)	(1,631)
Creditors	-	-	(2,141)	(2,141)	-	-	(921)	(921)
<b>Financial liabilities total</b>	<b>-</b>	<b>-</b>	<b>(2,276)</b>	<b>(2,276)</b>	<b>-</b>	<b>-</b>	<b>(2,552)</b>	<b>(2,552)</b>
<b>Total</b>	<b>853,134</b>	<b>11,648</b>	<b>(2,276)</b>	<b>862,506</b>	<b>1,005,913</b>	<b>49,197</b>	<b>(2,552)</b>	<b>1,052,558</b>

## Note 15b: Gains and Losses on Financial Instruments

2019/20	Investments	2020/21
£'000		£'000
	<b>Financial Assets</b>	
2,662	Gains on assets designated at fair value through profit and loss	158,110
(56,973)	(Losses) on assets designated at fair value through profit and loss	(13,289)
<b>(54,311)</b>	<b>Total</b>	<b>144,821</b>

## Note 16: Nature and Extent of Risks Arising from Financial Instruments

### Risk and risk management

The fund's primary long-term risk is that the fund's assets will fall short of its liabilities (i.e. Promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole fund portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows. The fund manages these investment risks as part of its overall Pension Fund risk management programme.

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

### Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, while optimising investment return. In general, excessive volatility in market risk is managed through diversification of the portfolio in terms of geographical and industry sectors and individual securities.

To mitigate market risk, the pension fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis, and manage any identified risks in two ways:

- fund exposure to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels.
- specific risk exposure is limited by applying risk weighted maximum exposures to individual investments.

### Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market. The fund is exposed to share and derivative price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited.

The fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored to ensure it is within limits specified in the fund investment strategy.

**Note 16: Nature and Extent of Risks Arising from Financial Instruments (continued)**

The fund has determined that the following movements in market price risk are reasonably possible for the 2021/22 reporting period, assuming that all other variables, in particular foreign exchange rates and interest rates remain the same:

Asset Type	Values at 31-March-2021	Potential market movement (+/-)	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Equities (pooled and non-pooled)	819,047	16.1	950,750	687,344
Pooled property investments	100,284	1.5	101,818	98,750
Alternatives	86,582	6.1	91,872	81,292
Cash, debtors and creditors	46,645	0.6	46,906	46,384
<b>Total assets available to pay benefits</b>	<b>1,052,558</b>		<b>1,191,346</b>	<b>913,770</b>

Asset Type	Values at 31-March-2020	Potential market movement (+/-)	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Equities (pooled and non-pooled)	666,524	13.3	755,172	577,876
Pooled property investments	84,445	1.2	85,458	83,432
Alternatives	102,165	8.3	110,645	93,685
Cash, debtors and creditors	9,372	0.7	9,438	9,306
<b>Total assets available to pay benefits</b>	<b>862,506</b>		<b>960,713</b>	<b>764,299</b>

**Interest rate risk**

Interest rate risk is routinely monitored by the pension fund and its investment advisers in accordance with the fund's investment strategy. The fund recognises that interest rates can vary and the fund's investment advisor has advised that long-term average rates are expected to move less than 100 basis points (1%) from one year to the next. The impact of a 1% change in interest rate yields on cash balances is shown below

	Values at 31-March-2021	Impact of 1% increase	Impact of 1% decrease
	£'000	£'000	£'000
Cash held with custodian	7,952	8,031	7,872
Money market funds	6,102	6,163	6,041
CCLA account	2,198	2,220	2,176
Barclays 65 days notice	16,000	16,160	15,840
Barclays 95 days notice	5,000	5,050	4,950
Cash not forming part of investment balances	3,674	3,711	3,637
<b>Total</b>	<b>40,926</b>	<b>41,335</b>	<b>40,516</b>

**Note 16: Nature and Extent of Risks Arising from Financial Instruments (continued)**

**Interest rate risk (continued)**

	Values at 31- March-2020	Impact of 1% increase	Impact of 1% decrease
	£'000	£'000	£'000
Cash held with custodian	2,170	2,192	2,148
Cash not forming part of investment balances	3,674	3,711	3,637
<b>Total</b>	<b>5,844</b>	<b>5,903</b>	<b>5,785</b>

**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 sterling. The fund's currency rate risk is routinely monitored by the pension fund and its investment advisers in accordance with the fund's investment strategy.

In consultation with the fund's performance advisers, the fund has determined that the following movements in currency risk are reasonably possible for the 2021/22 reporting period, assuming that all other variables, in particular market price risk and interest rates remain the same:

Asset Type	Values at 31- March-2021	Potential market movement (+/-)	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Overseas Equities	231,637	8.4	251,000	212,273
Overseas pooled property investments	37,468	8.5	40,640	34,296
Overseas Alternatives	50,487	8.5	54,762	46,213
<b>Total</b>	<b>319,592</b>		<b>346,402</b>	<b>292,782</b>

Asset Type	Values at 31- March-2020	Potential market movement (+/-)	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Overseas Equities	666,351	7.3	714,995	617,707
Overseas pooled property investments	31,245	7.3	33,526	28,964
Overseas Alternatives	37,801	7.3	40,561	35,042
<b>Total</b>	<b>735,397</b>		<b>789,082</b>	<b>681,713</b>

## **Note 16: Nature and Extent of Risks Arising from Financial Instruments (continued)**

### **Credit risk**

Credit risk represents the risk that the counterparty to a financial transaction will fail to discharge an obligation and cause the fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities. The selection of high-quality counterparts, brokers and financial institutions minimises credit risk that may occur through the failure of third parties to settle transactions in a timely manner.

The fund has also set limits as to the maximum sum placed on deposit with individual financial institutions. In addition, the pension fund invests a percentage of its funds in the money markets to provide liquidity on cash balances. Money market funds chosen are in line with the Council's Treasury Management Strategy and all have a AAA rating from leading ratings agency. The pension fund bank account is also held in line with Council's selection for its main bank account provider.

### **Liquidity risk**

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The pension fund therefore takes steps to ensure that it always has adequate cash resources to meet its commitments. The fund's cash holding under its treasury management arrangements as at 31 March 2021 was £7.95m (31 March 2020 £2.17m).

The fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at March 2021, the value of liquid assets was £858m, representing 81% of total fund assets (31 March 2020 £670m, representing 78% of total fund assets).

### **Refinancing risk**

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



## Note 17: Funding Arrangements

An actuarial valuation of the London Borough of Waltham Forest Pension Fund was carried out as at 31 March 2019 to determine the contribution rates with effect from 1 April 2020 to 31 March 2023. On the basis of the assumptions adopted, the Fund's assets of £924 million represented 80% of the Fund's past service liabilities of £1,158 million (the "Solvency Funding Target") at the valuation date. The deficit at the valuation was therefore £234 million (20%), compared to £310m (30%) at the last triennial revaluation carried out in 2016. The valuation also showed that a Primary contribution rate of 15.6% of pensionable pay per annum was required from employers compared to 15.0% in the previous three years to 2019/20.

The funding objective as set out in the Funding Strategy Statement (FSS) is to achieve and maintain a solvency funding level of 100% of liabilities (the solvency funding target). Where a shortfall is identified, a deficit recovery plan is put in place and the FSS sets out the process for determining the recovery plan in respect of each employer. The average recovery period adopted is 17 years, and the total initial recovery payment (the "Secondary rate" for 2020-2023 is an addition of approximately £14.5m per annum on average although this varies year on year. Secondary rate contributions averaged £13.3m per annum over the previous three years to 2019/20.

In practice, each individual employer's position is assessed separately, and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (including ill-health retirements for certain employers) will be made to the Fund by the employers.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2020.

The 2019 valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Solvency Funding Target and the Primary rate of contribution were as follows:

### Key demographic assumptions

		31-March-2019	31-March-2016
Retiring today	Males	22.5	22.3
	Females	25.0	25.3
Retiring in 20 years	Males	24.1	24.5
	Females	26.9	27.6

### Key financial assumptions

	2019 %	2016 %
Rate of return on investments (discount rate)	4.35% per annum	4.4% per annum
Rate of pay increases (long term)*	3.9% per annum	3.7% per annum
Rate of increases in pensions in payment (in excess of GMP)	2.4% per annum	2.2% per annum

All investment assets were assessed at market value.

**Note 17: Funding Arrangements (continued)**

The next triennial actuarial valuation of the Fund is due as at 31 March 2022. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2023.

**Note 18: Actuarial Present Value of Promised Retirement Benefits**

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the pension fund liabilities, on an IAS 19 basis every year. This valuation is not carried out on the same basis as that used for setting fund contribution rates and net liabilities calculated on an IAS 19 basis differ from the results of the 2019 triennial funding valuation (see Note 17 above) mainly because IAS 19 stipulates a discount rate based on corporate bond yields rather than expected market rates for the assets currently under management.

In order to assess the value of the benefits on this basis, the actuary also has to update the key financial assumptions, as shown below:

2019/20		2020/21
%		%
2.1	Rate of CPI (inflation)	2.7
2.2	Pension increase rate	2.8
3.6	Salary increase rate	4.2
2.4	Discount rate (investment returns)	2.1

The estimated net present value of pension fund assets and liabilities on an IAS 19 basis is as follows:

2019/20		2020/21
£'000		£'000
(1,630,000)	Rate of CPI (inflation)	(2,132,104)
855,281	Pension increase rate	1,042,855
(774,719)		(1,089,249)

## Note 19: Current Asset

Analysis of debtors outstanding at 31 March 2021:

2019/20		2020/21
£'000		£'000
	<b>Debtors</b>	
192	Contributions due - employees	317
5,500	Contributions due - employers	1,336
<b>5,692</b>		<b>1,653</b>
-	Amount due from Waltham Forest	7,342
3,674	Cash not forming part of investment balances	1,629
<b>9,366</b>		<b>10,624</b>

## Note 20: Current Liabilities

Analysis of creditors outstanding at 31 March 2021:

2019/20		2020/21
£'000		£'000
-	Unpaid benefits	(129)
(1,807)	Owed to administering authority (LBWF)	-
(334)	Other entities and individuals	(792)
<b>(2,141)</b>		<b>(921)</b>

## Note 21: Additional Voluntary Contributions

	Contributions	Market Value	Contributions	Market Value
	2019/20	31-March-2020	2020/21	31-March-2021
	£'000	£'000	£'000	£'000
Equitable Life	-	142	-	148
Clerical Medical	19	675	33	681
Phoenix Life	-	22	-	24
	<b>19</b>	<b>839</b>	<b>33</b>	<b>853</b>

## Note 22: Related Party Transactions

### London Borough of Waltham Forest

The Pension Fund is administered by the London Borough of Waltham Forest, which is also the single largest employing body in the pension fund. The Pension Fund is administered by the Council and was charged £644,975 for staff time and services in 2020/21 (£683,600 in 2019/20).

#### Governance

One member of the Pension Fund committee who is in receipt of pension benefits from the Waltham Forest Pension Fund (Cllr. T Wheeler). In addition, committee member Cllr. A. Hemsted is a deferred member of the pension fund. Each member of the Pension Fund Committee is required to declare their interests at each meeting.

#### Key management personnel

The key management personnel of the Fund are the Members of the Pension Fund Committee and the Strategic Director Finance and Governance. Total remuneration payable to key management personnel is set out below:

2019/20		2020/21
£'000		£'000
55	Short-term benefits	58
72	Post-employment benefits	44
<b>127</b>		<b>102</b>

## Note 22: Contingent Liabilities and Contractual Commitments

The Fund has outstanding commitments in relation to its three infrastructure funds and a Social Impact Fund. As at 31 March 2021 there were £9m of infrastructure commitments outstanding (£11m as at 31 March 2020). The Social Impact Fund had outstanding commitments of £0.2m at 31 March 2021 (£0.5million as at 31 March 2020). These commitments are drawn down in tranches over time as and when fund managers request them and are not included in the Pension Fund accounts up to that point.

## Note 23: Further Information

Copies of the Pension Fund Annual Accounts, Annual Report, Investment Strategy Statement, Funding Strategy Statement, Pension Fund Valuation 2019 are published on the Council's website:

<http://www.walthamforest.gov.uk>

## SECTION – 6

### ANNUAL GOVERNANCE STATEMENT

DRAFT

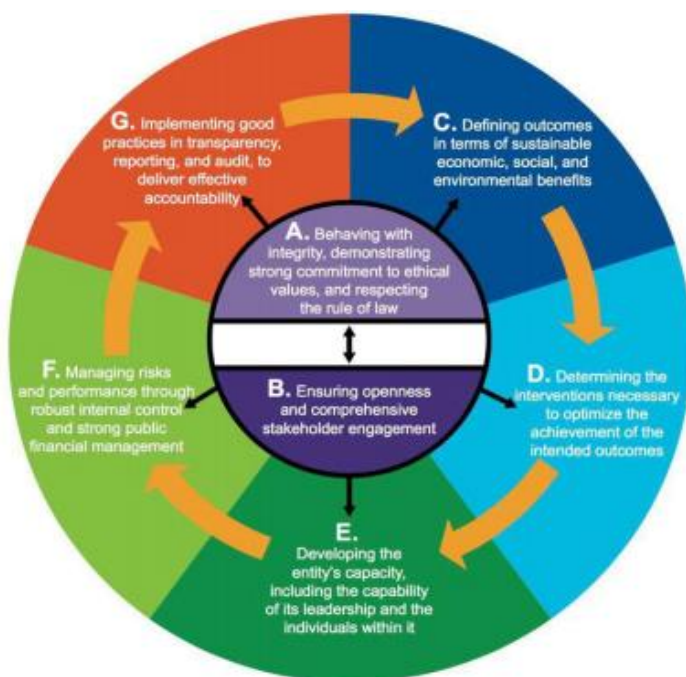
# ANNUAL GOVERNANCE STATEMENT - YEAR ENDED 31 MARCH 2021

## 1. Scope of Responsibility

Waltham Forest Council is responsible for ensuring that:

- its business is conducted in accordance with the law and proper standards
- public money is safeguarded, accounted for, and used economically, efficiently and effectively
- it maintains an appropriate corporate governance framework, including sound systems of internal control and effective processes for identifying and managing risk

The Council is committed to the principles of good governance as set out in the CIPFA/SOLACE, Delivering Good Governance in Local Government Framework (2016). The Framework comprises 7 key principles as set out below:



The purpose of this annual Statement is to explain how the Council's governance arrangements operated in practice during 2020/21, and to demonstrate how the CIPFA/SOLACE Framework has been applied.

The Annual Governance Statement is based on more detailed reports presented to the Audit and Governance Committee, copies of which can be found on the Council's website using the link below:

<https://democracy.walthamforest.gov.uk/ieListMeetings.aspx?CId=494&Year=0>

## 2. The Purpose of the Governance Framework

The governance framework comprises all the systems, processes, culture and values by which the Council is directed and controlled together with the activities through which it accounts to, engages with and leads the local community.

Despite the impact of the Covid pandemic and associated service and financial challenges, the Council continues to deliver against its core priorities.

The purpose of the governance framework is to enable the Council to respond to change effectively by:

- setting clear objectives
- supporting clear and consistent decision making
- monitoring the delivery of actions, decisions and priorities once agreed, and
- assessing whether the Council is delivering appropriate and cost-effective services.

A key component of the Council's Governance Framework is the separation of decision making, scrutiny and governance activities as follows:

- Although all elected members are part of Full Council, Cabinet members do not serve on scrutiny committees and vice versa
- Scrutiny committees review Council policy and performance, and can also challenge Cabinet decisions
- The Audit and Governance Committee reviews corporate governance processes and systems of internal control,



**Joe Lacey- Holland**  
**Chair of Audit and Governance Committee**

Systems of internal control are another significant part of the Council's governance framework and are designed to manage identified risks down to a reasonable level. An ongoing programme of Internal Audit work is undertaken to confirm that the internal controls put in place are appropriately designed and operating effectively. These arrangements cannot eliminate all risks however and can only provide reasonable, not absolute, assurance.

### 3. Significant risks identified

A prime purpose of the governance framework is to ensure that any significant risks which do arise are highlighted so that appropriate mitigating action can be taken. Key risks identified in 2020/21 are set out below together with the Council's response:

#### Corona Virus

The ongoing COVID-19 pandemic has had a significant impact on continuity of services, especially across adults and children's social care, public health, coroner's and mortuary services. The Council has redeployed staff to critical service areas and is working in partnership with others to support and safeguard vulnerable residents.

The Council is passporting up to £26m of government grant to eligible local businesses to maintain the local economy, allowing it to build back stronger once the crisis has abated. The impact of the pandemic on the Business rates and Council tax is being closely monitored and the impact has been factored into future year forecasts.

#### Brexit

Following the EU deal being confirmed and ratified the Brexit risk has been taken off the Strategic Risk Register and the Brexit working group was disbanded. Brexit risks are now being managed at operational level.

#### Government savings targets

The Council's latest MTFS shows there is a £19m funding gap over the last two years of MTFS period, up to 2023/24. Savings delivery is closely monitored, and the Council maintains a healthy level of reserves to manage any short-term volatility.

#### Growing the local economy

Economic uncertainty has reinforced the need to diversify the local economy, and Business Rate growth is also a key factor in setting and managing Council budgets. Regeneration initiatives are providing new opportunities for local people, for further details see,

<https://www.walthamforest.gov.uk/service-categories/current-regeneration-projects-and-developments>

#### Housing Services

A financial claim from the Council's former repairs and maintenance contractor, coupled with a court decision in respect of refunds for water charge commission for local authority tenants, could combine to have a detrimental impact on the Housing Revenue Account. The Council has engaged specialist advisors to assist in resolving the financial claim from the contractor and will be taking a report to Cabinet to agree the next steps in relation to water charge commission now the court decision is known.

#### Asylum seekers

The number of asylum seekers, especially unaccompanied young people and children, continues to increase. Monthly tracking meetings are held to ensure that the Council has care packages in place for all young Asylum Seekers, has provided advice on benefits and other financial support available and is working to resolve the immigration status of young people before they turn 18.



### 3. Significant risks identified (continued)

#### Data Protection and Cyber Security

There is a changing cyber security threat landscape as IT and organisational change gathers pace, incidents become more complex and attackers exploit uncertainty, with a rise in the number of malware, ransomware and denial of service attacks. In addition, cyber criminals are exploiting weaknesses created /exacerbated by COVID and changed working patterns and technology infrastructures.

To ensure that the Council continues to meet standards set out by the Data Protection Act 2018 and the GDPR, the All Staff Information security training and awareness was increased. A review of Information Governance and IT Policies was undertaken to continue to respond to the evolving requirements. Compliance training continues to be mandatory for all staff.

#### Freedom of Information Requests

As of July 2020, the organisation responded to approximately 80% FOI requests within the statutory timescale of 20 working days. Consequently, the ICO issued LBWF with a Practice Notice with a request that the organisation set out a clear action plan to ensure the target of 90% was met in compliance with the require legislation.

The organisation subsequently took a number of steps to improve FOI performance, including bringing together of the Complaints and FOI teams to share best practice and improve efficiency, re-writing and re-issuing internal guidance procedures and templates, and undertaking bespoke training sessions with services, resulting in consistent performance of 100% compliance since September 2020 and the closure of the ICO Practice Notice. An internal audit of FOI's in January 2021 produced a Reasonable Assurance result, putting the organisation in a positive position prior to a final audit from the ICO planned in May 2021.

## 4. Review of effectiveness

The governance framework described in Appendix A has been in place throughout 2020/21 and maintained up to the date of the approval of the Statement of Accounts. Key governance processes during 2020/21 comprised the following:

<b>Audit and Governance Committee</b>	<ul style="list-style-type: none"> <li>Regular reports on risk management, Internal Audit coverage, Treasury Management and counter-fraud work.</li> <li>Annual report to consider Ombudsman referrals and complaints</li> <li>Considered GDPR changes and fire risk assessments (following Grenfell).</li> <li>Reviewed and updated the Council's Constitution, Contract Procedure Rules and counter-fraud policies.</li> </ul>
<b>Scrutiny Committees</b>	8 Scrutiny committees operated during the year. Their remit is to monitor delivery of council services, scrutinise key decisions, and make recommendations on future policy development. Committees have collaborated to produce a joint themed review to support the Council's response to the coronavirus pandemic. The joint themed review has focussed on the cross-cutting themes of inequality, learning throughout the pandemic response, changing Council priorities, support for residents and businesses, and a particular emphasis on voluntary and community sector partnerships. Other topics reviewed include the Local Plan, performance and budget monitoring.
<b>Internal Audit</b>	Internal audit work is delivered jointly by the Council's in-house Internal Auditors, the Apex framework (procured by Croydon Council and delivered by Mazars LLP) and the CCAS framework (procured by Barnet Council and delivered by PwC). In 2020/21 all Internal Audit work was undertaken in line with CIPFA standards and all planned work has been completed.
<b>Antifraud work</b>	The anti-fraud team carried out an extensive programme of both reactive and proactive work focussing primarily on COVID-related grants, as well as social housing and council tax fraud, identifying savings for the Council in excess of £16.5m in 2020/21
<b>Risk Management</b>	<p>The Council, identifies and monitors strategic, operational and programme/project risks. Risks are scored according to likelihood and impact, and the Council uses a traffic light system to help prioritise risks and develop appropriate mitigation.</p> <p>Strategic risks are reported to Management Board and Audit and Governance Committee quarterly. Risk Review Panels are held quarterly by the Audit and Governance Committee to facilitate an in-depth review of risks. Operational risk registers are reported to relevant Directorate Management Teams monthly, and programme and project risk registers are reported to the relevant management team.</p>
<b>Group companies and partnerships</b>	<p>Risk management arrangements described above also apply to Group companies and partnerships and include the following areas:</p> <ul style="list-style-type: none"> <li>Risks associated with failure of partner organisation to meet contractual obligations</li> <li>Shared service arrangements and accountability</li> <li>Procurement</li> <li>Contract management and monitoring arrangements</li> <li>A governance review of the two LATCs was undertaken in 19/20 by external consultants' Mutual ventures and an action plan identified a number of recommendations which are being taken forward by the Monitoring Officer</li> </ul>
<b>Performance Management</b>	<p>Performance reporting provides Directorates and services with a comprehensive appraisal of delivery against key performance indicators and outcome measures agreed at the beginning of each financial year. Reports include:</p> <ul style="list-style-type: none"> <li>Comparisons to other London boroughs</li> <li>Trends and Direction of Travel</li> <li>Whether performance is above, below, or close to target</li> <li>Remedial action where performance is a cause for concern</li> <li>The Council's Corporate Performance Framework has been reviewed and new reporting arrangements are being put in place for 2021/22.</li> </ul>
<b>Complaints investigation</b>	Complaints are investigated initially by the relevant service department, then if necessary, by the corporate complaints team. When a complainant remains dissatisfied, they can escalate their complaint to the Local Government Ombudsman or the Housing Ombudsman Service. Member complaints and whistleblowing allegations are dealt with by the Council's Monitoring Officer.

#### 4. Review of effectiveness (continued)

Key Governance measures for the Council include feedback from external inspections, assessments and reviews, the Head of Internal Audit's opinion, and Ombudsman referrals and complaints.

##### External inspections, assessments and reviews

Recent inspection reports have concluded that services for children in Waltham Forest are good and have significantly improved since the last inspection in 2015. Progress is also being made to tackle weaknesses previously identified in children's special needs services.

The Council commissioned a CIPFA led review of its Financial Management Capability in November 2020. The Council received a two-star out of CIPFA's five-star rating. The review concluded that financial management is reliable and competent, but its main area of weakness is the "People" dimension. CIPFA have made a number of recommendations as part of the review and the Council is working on implementing these over the next 18 to 24 months.

##### Internal Audit Work

The Head of Internal Audit has concluded that reasonable assurance can be placed on the effectiveness of the Council's internal control, governance and risk management arrangements for the areas reviewed in 2020/21. Where weaknesses have been identified, these have either been addressed or are in the process of being addressed by management.

CIPFA have recently reviewed the Council's Finance function and overall financial management and were positive in their assessment of the Internal Audit function:

*"The work of Internal Audit is also taking more prominence, appears well-led and seems to sit well by supporting and informing the work of other areas of the Council. We would particularly like to call out the approach, energy, drive and enthusiasm of Gemma Young and her team. Gemma is seen as having elevated the profile of Audit and Fraud aspects of the Council's work and has held workshops to promote this work."*

##### Referrals and Complaints

The Council recorded a total of 83 complaints reviewed by the Local Government and Social Care Ombudsman (LGSCO) during the period 1 April 2019 to 31 March 2020 and 14 reviewed by the Housing Ombudsman Service (HOS). The LGSCO upheld 17 complaints while the HOS upheld 4 complaints. There were also 6 whistleblowing complaints made during 2020/21, four of which were anonymous, two related to adult social care, 1 was a grievance from a member of staff, 1 related to procurement issues in FM and 3 related to internal recruitment practices. With the exception of one ongoing investigation all were dismissed without merit following investigation by the Council's Monitoring Officer.

There were eleven member complaints investigated by the Monitoring Officer in consultation with the Council's statutory independent person. Two were resolved informally as they related to correspondence not being dealt with in a timely manner. Three related to private matters rather than the councillors official duties and therefore went unreviewed. The areas of complaint related to alleged failure to update the Member's Register Interests, failure to deal with correspondence in a timely manner, inappropriate conduct during a committee meeting. Two complaints are still on going in terms of being investigated. The rest were not upheld and no further action was taken. None of the matters needed to be referred to the Audit and Governance subcommittee.

## 5. Conclusion

The Council has concluded that there is a robust governance framework in place which has operated effectively during 2020/21. Looking forwards, the Council will address the matters raised in this Report and take prompt action to address any other weaknesses identified.



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**Martin Esom**

**Chief Executive**



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**Clare Coghill**

**Leader of the Council**

## APPENDIX A – THE CIPFA/SOLACE FRAMEWORK IN PRACTICE

### A. Behaving with Integrity

The Constitution sets out how the Council operates and includes safeguards to ensure that all decisions made are lawful, efficient, proportionate, transparent and accountable. Eight scrutiny committees are responsible for reviewing Council policies and challenging key decisions as well as monitoring the cost and quality of service delivery. Up to date Codes of Conduct are in place for both staff and Councillors and there is a strong anti-fraud culture with whistleblowing policies and a dedicated Anti-Fraud team in place.

### B. Open and comprehensive stakeholder engagement

The Council has an effective framework for consultation and engagement including regular focus groups, a Resident Insight Survey three times a year and a petitioning scheme together with ad-hoc consultations on individual services whenever a major change is proposed. All consultation exercises are undertaken when proposals are at a formative stage, provide sufficient information, allow adequate time for consideration, and responses are properly considered.

### C. Defining economic, social and environmental outcomes

The Council's strategic priorities are set out in the 'Creating Futures' Strategy. This aligns Government priorities with local priorities for the Council, which are developed in co-operation with partners and the involvement of the local community. A copy of "Creating Futures" can be accessed via

[https://members.walthamforest.gov.uk/sites/default/files/creating\\_futures\\_strategy.pdf](https://members.walthamforest.gov.uk/sites/default/files/creating_futures_strategy.pdf)

### D. Achieving intended outcomes

Performance management and reporting arrangements are in place whereby key performance indicators and related targets are identified for all Council services, reviewed and updated annually. Progress made in delivering these indicators is reported to members and management teams, with a focus on indicators where performance is not meeting the expected targets, particularly where there is no evidence of improvement.

### E. Developing capacity, including the capability of leadership and individuals

A programme of corporate staff training, and a wide range of e-learning facilities are in place. All officers participate in the Council's Performance and Development Appraisal system, which reviews individual training needs on an annual basis. A training programme is also in place for elected members.

The Council has increased the capacity and capability of the organisation through several joint working and partnership initiatives, including strategies to support and develop the local Voluntary and Community Sector.

### F. Managing risks and performance through robust internal control and strong public financial management

The Medium-Term Financial Strategy is reviewed and updated twice a year, and this process includes a review of usable balances and the council's overall financial standing. Financial Procedure Rules are designed to ensure good budget management and proper procurement practices as well as appropriate systems of internal control. The Council maintains an effective Internal Audit service. The Risk management policy and strategy is implemented and embedded throughout the Council to effectively manage strategic, operational, programme/project and partnership risks.

### G. Transparent reporting and accountability

The Council follows Government guidance on providing clear and accurate information and has developed both its website and the format of Council reports to improve openness, transparency and accessibility. Minutes of meetings, key decisions, registers of interests, gifts and hospitality and all items of expenditure and contracts awarded over £500 are published on the Council's website.

## SECTION – 7

### GLOSSARY OF FINANCIAL TERMS

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## GLOSSARY OF FINANCIAL TERMS

### ACCRUALS

The concept that income and expenditure are recognised as earned or incurred, not as money that is received or paid.

### ACTUARY

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

### ACTUARIAL VALUATION

A review is carried out by the actuary on the Pension Fund's assets and liabilities on the Fund's financial position and recommended employers' contribution rates every 3 years reporting to the Council .

### AMORTISATION

The writing off of a loan balance over a period of time to revenue.

### BAD DEBT PROVISION

An amount set aside to cover money owed to the Council where payment is considered doubtful.

### BAND PROPORTIONS

(Also known as VALUATION BANDS)

This is the relation that a Council Tax property bears to the 'standard' Band D Council Tax. The band proportions are expressed in ninths and are specified in the Local Government Finance Act 1992. They are: A 6/9, B 7/9, C 8/9, D 9/9, E 11/9, F 13/9, G 15/9 and H 18/9, so that Band A is six ninths of the 'standard', and so on.

### BILLING AUTHORITY

A district, unitary or London Borough Council or the Council of the Scilly Isles. The billing authority is responsible for levying and collecting Council Tax in its area, both on its own behalf and that of its precepting authorities.

### BUDGET

The budget represents a statement of the Council's planned expenditure and income.

### BUSINESS RATE RETENTION

The NNDR pool was replaced in 2013/14 by the Business Rates Retention scheme, whereby authorities retain a percentage of the Business Rates collected. In London, 33% collected go to Central Government and 37% to the GLA, leaving 30% for Waltham Forest.

### CAPITAL EXPENDITURE

Expenditure on acquisition of a non-current asset or expenditure that adds to and not merely maintains the value of an existing asset.

### CARRYING AMOUNT/CARRYING VALUE

These terms refer to the capitalised cost of a non-current asset, less accumulated depreciation and impairment.

## **GLOSSARY OF FINANCIAL TERM (continued)**

### **CASH EQUIVALENTS**

Short-term, highly liquid investments that are readily convertible to cash; e.g. bank call accounts.

### **CODE**

The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

### **COLLECTION FUND**

A fund operated by the billing authority into which all receipts of Council Tax and National Non-Domestic Rates are paid. Payments are made from the fund to support the Council's general fund services and to the precepting authorities. The fund must be maintained separately from the authority's General Fund.

### **COMMUNITY ASSETS**

Assets that the Council intends to hold in perpetuity that have no determinable useful life and that may have restrictions on their disposal, such as parks and historic buildings.

### **COMPONENTISATION**

The recognition of distinct parts of an asset (components) as separate assets for depreciation purposes.

### **CONSUMER PRICE INDEX (CPI)**

The measure of inflation used for the indexation of benefits, tax credits and public service pensions. The CPI is an internationally comparable measure of inflation and is used to compare inflation across the European Union.

### **CONTINGENT ASSET**

A possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council.

### **CONTINGENT LIABILITY**

Sums of money that the Council will be liable to pay in certain circumstances. e.g. as a result of losing a court case.

### **COUNCIL TAX**

A system of local taxation, which is set by both the billing and precepting authorities at a level determined by the revenue expenditure requirement for each authority, divided by the Council Tax Base for its area.

### **COUNCIL TAX BASE**

An amount calculated by the billing authority, by applying the band proportions to the total properties in each band in order to calculate the number of band D equivalent properties in the authority's area. The tax base is also used by the precepting and some levying bodies in determining their charge to the area.

### **CREDITORS**

Amounts of money owed by the Council for goods or services received.



## **GLOSSARY OF FINANCIAL TERM (continued)**

### **DEBTORS**

Amounts of money owed to the Council for goods or services provided.

### **DEDICATED SCHOOLS GRANT (DSG)**

A ring-fenced grant from the Department for Education paid to Local Education Authorities for the Education of Children and Young Adults up to the age of 25.

### **DEPRECIATION**

A provision made in the accounts to reflect the cost of consuming assets during the year, e.g. a vehicle purchased for £30,000 with a life of five years would depreciate on a straight-line basis at the rate of £6,000 per annum. Depreciation forms part of the 'capital charges' made to service revenue accounts and is covered by International Accounting Standard (IAS) 16.

### **DIRECT REVENUE FINANCING**

Funding of capital expenditure directly from revenue budgets.

### **EARMARKED RESERVES**

Amounts set aside for a specific purpose to meet future commitments or potential liabilities, for which it is not appropriate to establish a provision.

### **EXIT PACKAGES**

The cost to the Council of early termination of staff employment before normal retirement age.

### **EXTERNAL AUDITOR**

The Public Sector Audit Appointments Limited (**PSAA**) appoints the external auditor. The current auditor is Ernst Young.

### **FAIR VALUE**

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

### **FINANCE LEASE**

A contractual agreement for the use of an asset, where in substance the risks and rewards associated with ownership reside with the user of the asset (lessee) rather than the owner (lessor).

### **FINANCIAL YEAR**

The local authority financial year starts on 1 April and ends the following 31 March.

### **GENERAL FUND**

This is the main revenue account of the Council. It includes the cost of all services provided which are paid from Government grants, generated income, NNDR retention and borough's share of Council Tax. It excludes the HRA. By law, it includes the cost of services provided by other bodies who charge a levy to the Council.

## **GLOSSARY OF FINANCIAL TERM (continued)**

### **HERITAGE ASSETS**

Assets held and maintained principally for their contribution to knowledge and culture. e.g. War memorials and museum stocks.

### **HOUSING REVENUE ACCOUNT (HRA)**

An account which includes expenditure and income arising from the provision of rented dwellings. It is, in effect, a landlord account. Statute provides for this account to be separate from the General Fund and any surplus or deficit must be retained within the HRA. No costs may be charged to Council Tax nor can Housing Rent income be used to support General Fund expenditure.

### **IMPAIRMENT**

This is where the value of an asset falls below the carrying value in the accounts and so to reflect the commercial reality of the situation a charge is made in the running costs.

### **INFRASTRUCTURE ASSETS**

Non-current assets that are unable to be readily disposed of, the expenditure on which is recoverable only by continued use of the asset created. Examples are highways and footpaths.

### **INTANGIBLE ASSETS**

Assets which do not have a physical form but provide an economic benefit for a period of more than one year; e.g. software licences.

### **INTERNATIONAL FINANCIAL REPORTING INTERPRETATION COMMITTEE (IFRIC)**

The body which set financial reporting guidelines based on International Financial Reporting Standards. Since 2009/10, the treatment of PFI was based on the adoption of IFRIC standard 12. IFRIC standard 4 is followed in determining whether an arrangement contains a lease

### **INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

Local authorities are required to adopt the International Financial Reporting Standards (IFRS); a code of practice based on an internationally agreed set of financial rules. These dictate a level of analysis and disclosure that allows readers of the Statement of Accounts to gain a clearer understanding of the Council's financial position and activities.

### **INVENTORIES**

Materials or supplies to be used in the production process or in providing services; for this Council, the fuel transport store.

### **LEVIES**

The Council is statutorily required to pay levies to a number of national, London-wide and local bodies. Examples are the North London Waste Authority and the Lee Valley Regional Park Authority.

### **MINIMUM REVENUE PROVISION (MRP)**

A statutory amount, that has to be charged to revenue, to provide for the redemption of debt.

### **NATIONAL NON-DOMESTIC RATE (NNDR)**

More commonly known as 'business rates', these are collected by billing authorities from all non-residential buildings. The poundage level is set by the Treasury. Amounts payable are based on rateable values multiplied by this poundage level.

## **GLOSSARY OF FINANCIAL TERM (continued)**

### **NEW HOMES BONUS**

New Homes Bonus is a Government scheme aimed at encouraging local authorities to grant planning permissions for building new houses and bringing long-term empty properties back into use. The non ring-fenced grant is based on the number of properties.

### **NET BOOK VALUE**

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value, less the cumulative amounts provided for depreciation.

### **NON-CURRENT ASSETS**

Assets which yield a benefit to the Council for a period of more than one year.

### **OPERATIONAL ASSETS**

Fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or a discretionary responsibility.

### **NON-OPERATIONAL ASSETS**

Fixed assets held by a Council, but not directly occupied, used or consumed in the delivery of services; for example, investment properties and assets surplus to requirements held pending sale or redevelopment.

### **OUTTURN**

This is the actual level of expenditure and income for the financial year.

### **PENSION FUNDS**

For the Local Government Pension Scheme, the funds that invest employers' and employees' pension contributions in order to provide pensions for employees on their retirement and pensions for employees' dependants in the event of death of an employee.

### **PENSION STRAIN**

The cost to the Council of reimbursing the Pension Fund should it agree to employees aged 55 and over drawing their pension before normal retirement age.

### **PRIVATE FINANCE INITIATIVE (PFI)**

PFI offers a form of Public-Private Partnership in which local authorities do not buy assets but rather pay for the use of assets held by the private sector.

### **PRECEPT**

This is the method by which a precepting authority (Greater London Authority in London) obtains income from the billing authority to cover its net expenditure. This is calculated after deducting its own Revenue Support Grant. The precept levied by the precepting authority is incorporated within the Council Tax charge. The Council pays the amount demanded over an agreed time scale.

### **PROPERTY, PLANT AND EQUIPMENT (PPE)**

Covers all tangible (physical) assets used in the delivery of services, for rental to others, or for administrative purposes, that are used for more than one year.

## **GLOSSARY OF FINANCIAL TERM (continued)**

### **PROVISION**

Amount set aside for liabilities and losses, which are certain or very likely to occur but where the exact amount or timing of the payment is uncertain.

### **PRUDENTIAL CODE**

The Prudential Code frees authorities to set their own borrowing limits having regard to affordability. In order to demonstrate this has been done, and enable adherence to be monitored, authorities are required to adopt a number of appropriate 'Prudential Indicators'.

### **PUBLIC WORKS LOAN BOARD (PWLb)**

A government agency, part of the Debt Management Office which lends money to public bodies for capital purposes. The majority of borrowers are local authorities. Monies are drawn from the National Loans Fund and rates of interest are determined by the Treasury.

### **PUPIL PREMIUM GRANT**

This is based on Free School Meals (FSM) eligibility data as at January each year. It is ring-fenced to schools in the same way as DSG.

### **RATEABLE VALUE**

The Valuation Office Agency (part of HM Revenue and Customs) assesses the rateable value of non-domestic properties. Business rate bills are set by multiplying the rateable value by the NNDR poundage set by the Government for the year. Domestic properties do not have rateable values; instead they are assigned to one of the eight valuation bands for Council Tax.

### **RELEVANT POPULATION**

The population of the London Borough of Waltham Forest, as determined by the Secretary of State, is used to determine the Council's share of Revenue Support Grant.

### **RETAIL PRICE INDEX (RPI)**

The measure of inflation used prior to the adoption of CPI by the Government.

### **REVALUATION**

Recognises increases or decreases in the value of non-current assets that are not matched by expenditure on the asset; gains or losses are accounted for through the revaluation reserve.

### **REVENUE EXPENDITURE**

The regular day to day running costs a Council incurs to provide services.

### **REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)**

Expenditure which is legitimately financed from capital resources, but which does not result in, or remain matched with tangible assets.

### **REVENUE SUPPORT GRANT (RSG)**

The general grant paid by the Government to local authorities to help finance their services.

## GLOSSARY OF FINANCIAL TERM (continued)

### SURPLUS ASSETS

Assets not being used in the delivery of services that do not qualify as being 'held for sale' under accounting guidance.

### SOFT LOANS

Funds received and advanced at less than market rates.

### UNSUPPORTED BORROWING

Local authorities can set their own borrowing levels based upon their capital need and their ability to pay for the borrowing, costs are not supported by the Government so services need to ensure they can fund the repayment costs. The borrowing may also be referred to as Prudential Borrowing.

### USABLE CAPITAL RECEIPTS

This represents the amount of capital receipts available to finance capital expenditure in future years, or to provide for the repayment of debt.

### ABBREVIATIONS USED IN THE ACCOUNTS:

**BRS** – Business Rate Supplement

**CCG** – Clinical Commissioning Group

**CIPFA** – Chartered Institute of Public Finance and Accountancy

**CIES** – Comprehensive Income and Expenditure Statement

**CPI** – Consumer Price Index

**DSG** – Dedicated Schools Grant

**EIP** – Equal Interest and Principal

**EIR** – Effective Interest Rate

**FRS** – Financial Reporting Standard

**HRA** – Housing Revenue Account

**IAS** – International Accounting Standards

**ISB** – Individual Schools Budget

**IFRS** – International Financial Reporting Standards

**MIRS** – Movement in Reserves Statement

**MRR** – Major Repairs Reserve

**NELFT** – North East London Foundation Trust

**NNDR** – National Non-Domestic Rates

**NPS** – Norfolk Property Services

**PFI** – Private Finance Initiative

**PPE** – Property, Plant and Equipment

**PWLB** – Public Works Loan Board

**REFCUS** – Revenue Expenditure Funded From Capital Under Statute

**RICS** – Royal Institution of Chartered Surveyors

**RPI** – Retail Price Index

**RSG** – Revenue Support Grant

**RTB** – Right to Buy