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Audit Committee

Date: **WEDNESDAY, 20 NOVEMBER 2024**

Time: **6.00 PM**

Venue: **COMMITTEE ROOM 5 - CIVIC CENTRE**

Meeting Details: The public and press are welcome to attend and observe the meeting.

For safety and accessibility, security measures will be conducted, including searches of individuals and their belongings. Attendees must also provide satisfactory proof of identity upon arrival. Refusal to comply with these requirements will result in non-admittance.

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Members of the Committee

John Chesshire (Chair)
Councillor Nick Denys (Vice-Chair)
Councillor Tony Burles
Councillor Henry Higgins
Councillor June Nelson
Councillor Philip Corthorne MCIPD

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Putting our residents first

Lloyd White
Head of Democratic Services
London Borough of Hillingdon,
Phase II, Civic Centre, High Street, Uxbridge, UB8 1UW

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Terms of Reference

The Constitution defines the terms of reference for the Audit Committee as:

Introduction

The Audit Committee's role will be to:

- Review and monitor the Council's audit, governance, risk management framework and the associated control environment, as an independent assurance mechanism;
- Review and monitor the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and/or weakens the control environment;
- Oversee the financial reporting process of the Statement of Accounts.

Decisions in respect of strategy, policy and service delivery or improvement are reserved to the Cabinet or delegated to Officers.

Internal Audit

1. Review and approve (but not direct) the Internal Audit Strategy to ensure that it meets the Council's overall strategic direction.

2. Review, approve and monitor (but not direct) Internal Audit's planned programme of work, paying particular attention to whether there is sufficient and appropriate coverage.

3. Through quarterly Internal Audit summary reports of work done, monitor progress against the Internal Audit Plan and assess whether adequate skills and resources are available to provide an effective Internal Audit function. Monitor the main Internal Audit recommendations and consider whether management responses to the recommendations raised are appropriate, with due regard to risk, materiality and coverage.

4 Make recommendations to the Leader of the Council or Cabinet Member for Finance, Property and Business Services on any changes to the Council's Internal Audit Strategy and Internal Audit Plans.

5. Review the Annual Internal Audit Report and Opinion Statement and the level of assurance this provides over the Council's corporate governance arrangements, risk management framework and system of internal controls.

6. Consider reports dealing with the activity, management and performance of Internal Audit.

7. Following a request to the Corporate Director of Finance, and in consultation with the Leader of the Council or Cabinet Member for Finance, Property and Business Services, to request work from Internal Audit.

External Audit

8. Receive and consider the External Auditor’s annual letter, relevant reports and the report to those charged with governance.

9. Monitor management action in response to issues raised by External Audit.

10. Receive and consider specific reports as agreed with the External Auditor.

11. Comment on the scope and depth of External Audit work and ensure that it gives value for money, making any recommendations to the Corporate Director of Finance.

12. Be consulted by the Corporate Director of Finance over the appointment of the Council’s External Auditor.

13. Following a request to the Corporate Director of Finance, and in consultation with the Leader of the Council or Cabinet Member for Finance, Property and Business Services, to commission work from External Audit.

14. Monitor arrangements for ensuring effective liaison between Internal Audit and External Audit, in consultation with the Corporate Director of Finance.

Governance Framework

15. Maintain an overview of the Council’s Constitution in respect of contract procedure rules and financial regulations and where necessary bring proposals to the Leader of the Council or the Cabinet for their development.

16. Review any issue referred to it by the Chief Executive, Deputy Chief Executive, Corporate Director, any Council body or external assurance providers including Inspection agencies.

17. Monitor and review, but not direct, the authority’s risk management arrangements, including regularly reviewing the Corporate Risk Register and seeking assurances that appropriate action is being taken on managing risks.

18. Review and monitor Council strategy and policies on anti-fraud and anti-corruption including the ‘Raising Concerns at Work’ policy, making any recommendations on changes to the relevant Corporate Director in consultation with the Leader of the Council.

19. Oversee the production of the authority’s Annual Governance Statement and recommend its adoption.

20. Review the Council’s arrangements for corporate governance and make recommendations to the Corporate Director of Finance on suggested actions to improve alignment with best practice.

21. Where requested by the Leader of the Council or Cabinet Member for Finance, Property and Business Services or Corporate Director of Finance, provide recommendations on the Council’s compliance with its own and other published standards and controls.

Accounts

22. Review and approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from financial statements or from the external auditor that need to be brought to the attention of the Council.

23. Consider the External Auditor’s report to those charged with governance on issues arising from the external audit of the accounts.

Review and reporting

24. Undertake an annual independent review of the Audit Committee’s effectiveness and submit an annual report to Council on the activity of the Audit Committee.

Formal duty of senior officers to attend

Whilst Council officers will invariably attend meetings voluntarily, in fulfilling its role, and should it be required, the Committee may require the Head of Paid Service and/or any senior officer (third tier and above) to attend before it to explain in relation to matters within its remit and it shall be the duty of those persons to attend if so required.

Where any senior officer is required to attend the Committee under this provision, the Chairman will inform the Head of Democratic Services. The Head of Democratic Services shall inform the officer in writing or by email giving at least 10 working days’ notice of the meeting at which he/she is required to attend. The notice will state the nature of the item on which he/she is required to attend to give account and whether any papers are required to be produced for the Committee. Where the account to be given to the Committee will require the production of a report, then the officer concerned will be given sufficient notice to allow for preparation of that documentation.

Where, in exceptional circumstances, the officer is unable to attend on the required date, then the Committee shall, in consultation with the officer, arrange an alternative date for attendance.

When calling senior officers under this provision, the Committee will remain bound by the Code of Conduct for Members and Co-opted Members, ensure questioning is conducted in a fair and balanced manner and not of a personal critical nature.

Agenda

UPDATE ON THE 2022/23 STATEMENT OF ACCOUNTS AND EXTERNAL AUDIT OF THE 2023/24 ACCOUNTS

Committee name	Audit Committee
Officer reporting	Andrew Macleod, Chief Accountant; Pensions, Treasury & Statutory Accounts
Papers with report	2022/23 Statement of Accounts and Audit Completion Report
Ward	All

HEADLINES

This report provides an update on the 2022/23 Statement of Accounts audit completion report and progress on the 2023/24 Statement of Accounts audit.

RECOMMENDATIONS:

That the Audit Committee:

1. **Agree the 2022/23 Statement of Accounts and Audit Completion Report, and the Hillingdon Pension Fund Final Audit Results Report 2022/23**

2. **Note progress with the external audit of the 2023/24 Statement of Accounts.**

SUPPORTING INFORMATION

The Ministry of Housing, Communities and Local Government has announced measures to tackle the backlog of local government audits and have proposed backstop dates for the publication of audited accounts:

- A statutory backstop date of 13 December 2024 to clear the backlog of unaudited accounts up to and including financial year (FY) 2022/23

- Five further backstops for FYs up to and including 2027/28 to allow the system to recover:

2023/24: 28 February 2025
2024/25: 27 February 2026
2025/26: 31 January 2027
2026/27: 30 November 2027
2027/28: 30 November 2028

The Government also intends to publish a list of any bodies and auditors that do not meet the backstop dates (also making clear where unaudited accounts have not been published).

It is also proposed to change the deadline for the publication of ‘draft’ (unaudited) accounts from 31 May to 30 June for financial years 2024/25 to 2027/28.

In order to comply with the reset deadlines, EY had insufficient time following completion of the delayed 2021/22 audit to complete their normal audit procedures and as a result will issue a "disclaimed" audit opinion on these accounts. The government expects this will be the case with many local authority accounts continuing into future years. As such, the issuing of a disclaimed opinion should not result in the Council being unfairly judged as the opinion has resulted from the backstops, and many other local authorities will be in a similar position.

EY will present their Audit Completion Report in respect of the 2022/23 accounts and the 2022/23 Hillingdon Pension Fund final Audit Results Report at the Committee meeting.

Update on 2023/24 Statement of Accounts audit

As noted above, the statutory deadline for the publication of audited accounts for 2023/24 is 28th February 2025. It is EY's intention to submit their Audit Results Report to the Audit Committee meeting scheduled for 11th February 2025.

The main audit commenced on 22nd July 2024 and remains ongoing, with key areas of focus being prioritised to support the building back of assurance as soon as possible following the reset of local audit. There are several identified changes that will be required to the draft unaudited accounts following audit.

EY will provide a verbal update on the progress of the 2023/24 audit at the Committee meeting.

FINANCIAL IMPLICATIONS

EY have advised there will be scale fee variations in respect of the 2023/24 audit. Previously a figure of £56k has been quantified relating to various issues such as additional time where audit evidence has not met requirements, larger sample sizes required because of lower materiality, mapping work during the interim audit and increased need to involve their property valuation specialists. EY have subsequently advised these fees are likely to increase further but this has not yet been quantified at this stage.

In September 2024 the PSAA launched a consultation on the fee scale for 2024/25 audits. The fee scale proposals include a 9.5% increase on the 2023/24 scale fees to cover the additional audit work required under revised standards and a contractual inflationary increase payable to audit firms for 2024/25. The new audit work relates to revised auditing standard ISA (UK) 315 (risks of material misstatement) and linked work on ISA (UK) 240 (fraud). The consultation closed in October and PSAA will publish the final fee scale by 30 November 2024.

LEGAL IMPLICATIONS

The Secretary of State for Communities and Local Government delegated statutory functions (from the Audit Commission Act 1998) to Public Sector Audit Appointments (PSAA) on a transitional basis under powers contained in the Local Audit and Accountability Act 2014.

BACKGROUND PAPERS

The 2022/23 Statement of Accounts
EY Audit Completion Report 2022/23
EY Pension Fund Audit Results Report 2022/23

London Borough of Hillingdon

Statement of Accounts
for the year to 31 March 2023

London Borough of Hillingdon

Statement of Accounts for the year ended 31 March 2023

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1. Leader’s Statement

Introduction by Councillor Ian Edwards, Leader of the Council

Welcome to Hillingdon’s Statement of Accounts for 2022/23, which shows the council's financial performance in delivering high quality services to residents during the year and outlines the council’s financial standing at 31 March 2023.

The Council has maintained frontline services to residents, with an approach based on sound financial management and continues to put residents first. Residents saw an increase of 0.9 per cent applied to their Council Tax for 2022/23, with the small rise maintaining Hillingdon’s approach of one of the lowest rates of Council Tax in Outer London. In addition, the Council also levied the Social Care Precept at 1 per cent. This 1.9 per cent increase represented a reduction from the proposed 2.8 per cent presented in the consultation budget, with the Council choosing to lower the increase to support residents during the cost-of-living crisis. The Council continues to offer Council Tax discounts for those aged over 65 on 31 March 2022, with a further safety net available for all residents facing financial difficulty in the form of the Council Tax Reduction Scheme that the Council offers. The Council was able to do this whilst all frontline services were maintained despite government funding increasing at a rate lower than inflation and an increasing demand for services from a growing population.

Our people, our environment and our heritage continue to be at the heart of what we do, key achievements for the last financial year include:

- As the cost-of-living crisis continued to impact our residents, the Council offered support through administering Government schemes and supported low-income households with local discretionary schemes. Support to residents included the energy bill discount, cost of living payments, winter fuel payments, Council Tax rebate, Household Support Fund, free school meal vouchers, the Holiday Activities and Food Programme.

- Hillingdon welcomed people fleeing war-torn Ukraine and helped to coordinate the delivery of the Government’s Homes for Ukraine scheme, providing accommodation and support to those coming to the UK from Ukraine, with many residents signing up to the scheme and the Council working with partners to offer a package of support.

- 2022/23 saw the third year of a programme aimed at helping people with a learning disability or autism find a full-time job, with the Council working in partnership with DFN Project SEARCH, hosting a Transition to Work programme for people aged 17-24, offering the opportunity for work experience and the chance to develop skills and gain confidence over a year-long placement. The programme is run in partnership with Orchard Hill College and Hillingdon Autistic Care and Support (HACS).

- October 2022 saw the opening of a brand-new adult education centre in Uxbridge, with a new state of the art education centre opened in the heart of Uxbridge. It boasts five 50 square metre teaching classrooms, a multi-purpose workshop classroom (for arts, crafts and floristry), office space and has a dedicated, fully accessible entrance within the Civic Centre.

- In December, the Council celebrated the first year of the Uxbridge Family Hub, which brings under one roof all the support a family may need and provides more accessible services to families and young people, with over 20,000 visits in the first year of operation. Having closer working relationships with other services has had an extremely positive effect for families and we’re looking to expand this approach across the borough in the future.

- And finally, four more green spaces were awarded a green flag status, with the Council once again being recognised for its outstanding parks and open spaces. The new additions bring the borough’s total to 67 awards (66 of which are maintained by the council) – this is the most flags held by any local authority for the tenth year running.

As the country continues to emerge from the pandemic, the Council was able to use Government funding (Additional Restrictions Grant) to support local businesses recover from the pandemic and help future proof the local economy, with funding being used to support businesses which are developing new innovative technology, creating jobs, growing the local economy and helping to tackle climate change.

This Statement of Accounts clearly demonstrates Hillingdon’s commitment to putting its residents first, which has led to another year of tremendous effort to support residents during the pandemic alongside avoiding the need to implement any cuts or reductions to frontline services, general balances of £26.8 million held and further earmarked reserves set aside to deal with the impact exceptional inflation, alongside further resilience for demand volatility risk, with additional

Leader’s Statement

funds earmarked for member initiatives, project work and other generic risk cover. Whilst this resilience provides a level of cover for Hillingdon, the exceptional inflationary environment is continuing to have an impact on the Council’s financial position and is the main driver for the Council’s saving requirement in the short-term, which is a position facing the whole of the Local Government sector. As ever, Hillingdon will continue to protect front line services and target transformational efficiency within the Council’s budget strategy.

Cllr Ian Edwards
Leader of the Council

Narrative Report

This document sets out the annual accounts of the London Borough of Hillingdon for the year ended 31 March 2023. The accounts are in the format for local authority accounts set by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The purpose of this narrative report is to provide a guide to the most significant matters reported in the financial statements. Included within this document are a number of technical terms that are specific to local government finance and a glossary has been provided to assist the understanding of the financial statements.

2.1 Organisational overview and external environment

Hillingdon, situated on the western edge of Greater London, is the second largest London borough, covering a total area of about 42 square miles. It is just 14 miles from central London and bordered by the counties of Buckinghamshire, Hertfordshire and Surrey, as well as the London Boroughs of: Hounslow, Ealing and Harrow. Hillingdon is home to Heathrow, one of the world's busiest airports, which normally caters for more than 60 million passengers a year. The borough, Hillingdon, has some of the best sports and fitness facilities in London including: Hillingdon Sports and Leisure Complex with 50 metre indoor competition pool; leisure pool; outdoor lido; 100 station gym; athletics stadium and 400 metre running track; 3G floodlit pitches, sports hall and more. There are also 17 libraries; 2 theatres, and over 200 green spaces covering approximately 1,800 acres, including Ruislip Woods; the Nature Reserve, and Lido.

The Council's vision is 'Putting Our Residents First'. This underpins its actions and decision-making process and is achieved by applying the following themes:

Our People - Putting our residents first and at the heart of all that we do, promoting civic pride.

Our Natural Environment - We will protect and enhance the borough's natural environment.

Our Built Environment - We will continue to improve our buildings, roads and footways and ensure that new buildings fit with the surrounding environment.

Financial Management - Maintain the solid approach to financial management that has delivered our success to-date and which will be vital going forward.

The London Borough of Hillingdon was one of the 32 London Boroughs created by the London Government Act 1963. It was formed by the amalgamation of the Borough of Uxbridge and the Urban Districts of Hayes/Harlington, Ruislip/Northwood and Yiewsley/West Drayton. The new borough came into existence on 1 April 1965, when the new Council started work. As well as taking on the work of the four previous district authorities, the Council became responsible for local services such as education, libraries, and children's services. These had previously been run by the Middlesex County Council, which ceased to exist on 1 April 1965. Hillingdon's purpose-built Civic Centre opened its doors to the public in 1977.

The London Borough of Hillingdon provides care and support to older people in residential nursing homes and for youngsters in residential children's and foster homes. The Council provides housing through ownership and maintenance of over 10,000 houses and flats held for Council tenants. The Council maintains a large proportion of the road networks within the borough, as well as collecting waste from homes and businesses. In addition, the Council runs a number of refurbished public libraries; deals with planning applications, and provides sports and leisure facilities. Instead of reducing services, the Council has made steps to invest in facilities available to residents because of sound financial management and a comprehensive Capital programme.

The Council employs approximately 2,528 staff, 2,760 inclusive of casual staff and has a population of around 305,900 (according to the 2021 Census). Hillingdon is an ethnically diverse borough with 51.8% of residents from black and minority ethnic groups.

Hillingdon is rich in wildlife and wildlife habitat, including waterways; lakes; meadows, and nature reserves. Ruislip Woods has been designated London's first National Nature Reserve; whist nearby Ruislip Lido boasts 60 acres of water. The borough also offers a host of sporting activities, including sports centres, many with newly refurbished gyms and two exceptional 18-hole and one 12-hole golf courses, including a championship standard course at Stockley Park. The arts and entertainment thrive, with The Beck professional theatre in Hayes, The Compass Theatre in Ickenham, and various other venues.

2.2 Financial Performance

General Fund

The financial challenges facing the Council due to years of the Government's austerity programme, increased demand for services continued throughout 2022/23, with this position compounded by the wider economic environment and the current level of exceptional inflation, whilst also managing ongoing legacy issues driving by the global pandemic. Councils are starting to see Central Government funding increase, but this funding is still lagging behind pre-austerity levels, with 2022/23 compounded by inflation significantly outstripping increased funding, despite this, Hillingdon was still able to continue to maintain cash discounts against Council Tax for the over 65s in receipt of this benefit on 31 March 2022 for another year in 2022/23, without impacting on front-line services to the public. In addition, the Council was able to manage significant increases in demand for services and keep fees and charges significantly cheaper than neighbouring boroughs on a per capita basis.

Despite the challenges faced by the Council, of the savings target of £13,346k, £11,781k are either banked in full or classed as 'on track for delivery', while £1,565k were covered by alternative measures during 2022/23, the percentage of savings banked in 2022/23 has increased from the level achieved in 2021/22, with that year being impacted by the pandemic. This balancing of local demand for services and financial constraints has been successfully managed through the Council's Business Improvement Delivery (BID Transformation) Programme.

The Council's net revenue budget for 2022/23 totalled £251m, excluding those services such as schools and housing benefit, which are funded by specific funding streams. This net budget was supported by a combination of central government grant and locally raised Council Tax and Business Rates. The main driver for the funding increase from 2021/22 includes locally generated income from Council Tax, which was budgeted to grow by £6,261k as a result of the Council Tax increase, with a further increase in Government funding of £6,474k, with Business Rates generating an additional £4,054k as a result of the Council's rating list recovering from the pandemic, with this position being offset by a reduction in one-off income of £3,409k, primarily driven by the Council's ability to reduce the reliance of Earmarked Reserves.

Throughout the year, monthly budget monitoring reports were reviewed by Cabinet, enabling corrective action to be taken in response to emerging pressures, whilst continuing to deliver on the Council's priorities for residents. Strong financial management, coupled with an ambitious BID Transformation Programme, delivered an improved position against budget at outturn.

General Fund revenue budgets reported an overall underspend of £127k against planned expenditure budgets based on normal activities. As a result, this underspend led to an increase in the Council's General Balances. The General Fund balance totalled £26.8m at year-end. Underspends across the Council were mainly driven by a favourable variance against the Council's Treasury activities, offset by pressures within Housing, Parking Services and Education Services.

Since April 2013, local authorities have been able to retain a proportion of business rate growth income from their area, until 2017/18 this proportion was 50% retention, with 30% of this value retained locally by the Council. In November 2017, Leaders of London local authorities collectively approved the principle of a Business Rates Retention Pilot Pool for the capital. In 2020/21 the Government ended the pilot status for the London Pool, however, London Authorities continued to pool benefits without the pilot status, but benefit from maximising the top-up and tariff system. However, due to the impact of the pandemic on the London-wide rating list, the pool made a small loss, the decision was therefore taken not to pool Business Rates across the capital in 2021/22 or 2022/23.

Narrative Report

The outturn for the General Fund revenue budget is set out below:-

General Fund Services	Outturn 2022/23 £'000	Service Allocation and Rounding £'000	EFA - Total Net Expenditure Charged to GF Balances £'000
Finance	24,930	(1)	24,929
Health and Social Care	94,113	2,541	96,654
Children, Families & Education	68,889	(2,538)	66,351
Property, Highways & Transport	10,667	0	10,667
Residents' Services	30,382	(748)	29,634
Corporate Services	25,348	746	26,094
Service Operating Budgets	**254,329**	**0**	**254,329**
General Contingency	500	(500)	0
Unallocated Budget Items	(3,909)	3,909	0
Funding	(251,047)	(3,409)	(254,456)
Outturn Total	**(127)**	**0**	**(127)**
Prior Year Drawdown	0	0	
Total	**(127)**	**0**	**(127)**

Details on how the General Fund outturn position for management decision-making links through to the Comprehensive Income and Expenditure Statement (CIES) surplus for the year, in accordance with accounting standards, can be seen in the Expenditure and Funding Analysis (EFA) note which precedes the CIES.

The table below provides a reconciliation between the General Fund overview shown in the Council's budget revenue outturn and the opening position reported in the Expenditure & Funding Analysis (EFA) as required by the CIPFA Code. The monthly budget monitoring reports separately on areas of different funding streams such as General Balances, Housing Revenue Account, and other reserve movements.

General Fund Services	Revised Budget £'000	Outturn £'000	Outturn Variance £'000
Finance	25,405	24,930	(475)
Health and Social Care	94,308	94,113	(195)
Children, Families & Education	68,456	68,889	433
Property, Highways & Transport	10,940	10,667	(273)
Residents' Services	29,957	30,382	425
Corporate Services	25,390	25,348	(42)
Service Operating Budgets	**254,456**	**254,329**	**(127)**
General Contingency	500	500	0
Unallocated Budget Items	(3,909)	(3,909)	0
			0
Total Net Expenditure	**251,047**	**250,920**	**(127)**
Funding	(251,047)	(251,047)	0
Net Total	**0**	**(127)**	**(127)**

Note: in accordance with local authority accounting practice, income and favourable variances in the table above and elsewhere in these accounts are shown as bracketed figures.

Corporate Operating Budgets and Corporate Funding have been combined as Corporate Budgets for the purpose of the EFA.

Housing Revenue Account

The Housing Revenue Account (HRA) delivered an in-year drawdown from its HRA general balances of £0.2m against the budgeted drawdown of £0.3m. As a result, HRA general balances total £15.2m at 31 March 2023 (£15.4m 31 March 2022). In addition, the HRA holds £2.1m in the major repairs reserve (MRR) (£7.1m 2021/22) to fund future capital works.

There have been 58 Right-to-Buy sales of Council dwellings as at the end of March 2023 (50 in 2021/22) which resulted in a gain on sale of assets when comparing the sale price to the Social Housing value in the Council's accounts.

Capital Investment

The Council's programme of capital investment for 2022/23 totalled £110.7m (£78m in 2021/22) and was funded from a range of sources. These sources of funding included grants, contributions from revenue resources, proceeds from asset sales, and prudential borrowing.

An under spend of £30.1m is reported against the 2022/23 General Fund capital programme, consisting of £3.8m cost underspends and £26.3m re-phasing for various projects and programmes that are continuing into future years.

Investment during 2022/23 on the General Fund totalled £47.9m and HRA £62.8m. Significant General Fund investment included a further £9.6m towards the construction of the new Platinum Jubilee Leisure Centre in West Drayton, due to be completed in 2024/25. A further £3.4m has been contributed towards several expansion projects to increase provision for pupils with special educational needs (SEND). There was also significant spend on highways infrastructure and street lighting, and the extension of Uxbridge mortuary which was completed in 2023.

In 2022/23, new affordable housing construction within the HRA was completed at a five unit development at Moorfield Road, Cowley and six unit development at Nelson Road, Uxbridge. Works commenced on site for the redevelopment of the former Maple and Poplar day centre in Hayes to provide 34 modern homes. A further £28.1m was invested in acquisitions of numerous properties to increase the number of available Council housing stock, and £16.0m in improvements to the existing council housing stock.

Investment Strategy

The Council lends money to, and has a 100% shareholding in one subsidiary, Hillingdon First Ltd. This is classed as an "Investment for Service Purposes". The objective is to deliver a financial return to the Council and provide housing and or a commercial unit for sale or rent. This will be achieved by generating long-term sustainable revenue streams through the delivery of high-quality housing to meet the need of Hillingdon's residents. The Hillingdon First Ltd shareholder agreement and memorandum of association sets out in detail the governance arrangements and provides details of the operating framework, controls and reporting requirements. As at 31 March 2023, the Council holds £6.8m in equity at fair value in Hillingdon First Limited, an investment made in 2019/20. The council intends to make further loans as necessary and in accordance with the council's treasury management and investment strategies.

The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. While one of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. To limit these risks, upper limits on the sums invested in each category have been set. Furthermore, the Council is protected against any loss through a charge over the assets of Hillingdon First Ltd.

The Council assesses the risk of loss before entering into and whilst holding service loans. The Council aligns loan durations with each specific development. A specific loan agreement will be drawn up for each development using the agreed schedule as a framework. Hillingdon First Ltd will be required to provide full development scheme details to the Shareholder Committee (acting on behalf of the Council as shareholder) before the loan facility can be drawn down for specific expenditure on that development.

Treasury Management

The Council takes a very prudent strategic approach in investing its cash balances to ensure money is invested at a very low level of risk. The strategy for investing funds first considers the security of the deposit, the liquidity of investments and then the return on the investment. The Bank of England increased the official Bank Rate to 4.25% during the financial year. From 0.75% in March 2022, the Monetary Policy Committee (MPC) pushed through rises at every subsequent meeting over the period, with recent hikes of 50bps in December and February and then 25bps in March, taking Bank Rate to 4.25%. This resulted in a substantial increase on the levels being achieved in the short-term money markets where rates achievable were only marginally lower compared to other medium-term duration deposit options. The Council adheres strictly to counterparties that have been agreed through the Treasury Management Strategy, consisting of other local authorities, instant access funds, and institutions with a credit rating A- or above. Investment income returns for the year on internally managed cash yielded 2.13% (0.09% 2021/22). The Council also continued as part of its investment strategy to invest £15m in more strategic pooled funds that return dividends. The total investment income received this year was £2,392k excluding losses on strategic pooled funds.

The Council continued to utilise internal borrowing throughout the year to fund capital expenditure, however, some external borrowing was required during 2022/23 to ensure liquidity was maintained. £10m of new PWLB debt was taken out and £45m of the £70m maturing temporary local authority loans were replaced during the period, resulting in a closing balance in March of £75m of local authority loans (£100m in 2021/22). The Council continued its use of temporary borrowing as a result of changes to the Treasury Management Strategy to reflect the need to borrow from broader sources. Over the year the Council’s loan portfolio had an average rate of 2.60% (2.47% 2021/22). The portfolio decreased by £33.17m as a result of £10m new PWLB borrowing, £18.17m of naturally maturing longer term debt and replacing £45m of the £70m maturing local authority borrowing with new local authority loans leaving a balance at year-end of £323.67m (GF £172.60m, HRA £151.07m).

Change in Accounting Practice

There were no material changes to the 2022/23 Code resulting in any meaningful alteration in accounting policies. The adoption of IFRS16 Leases is mandatory for local authorities from 1st April 2024, and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

Property, Plant and Equipment

Profit on disposal of £9.1m has been recognised in the Comprehensive Income and Expenditure statement; of which £6.9m related to profits on Right-to-Buy sales. However, this profit is an accounting profit only, as social housing is accounted for in the balance sheet at 25% of its market value to comply with social housing valuation methodology in London, as a result replacement of these housing units would be more expensive. In 2022/23 there were capital receipts amounting to £8.6m obtained on ten General Fund sites.

2.3 Non-Financial Performance

Environment

Fourteen new wildflower verges have been created in the borough as the Council once again joined the eco-friendly ‘No Mow May’ initiative. This brings the total number of colourful nature-friendly verges in Hillingdon to 52, with a further 32 wildflower meadows created in parks and open spaces across the borough. ‘No Mow May’ is organised by wildlife conservation charity Plantlife and championed by hundreds of organisations and gardeners throughout the UK.

As per the full Council meeting in January 2020 a commitment was made to become carbon neutral across the Council services by 2030. Acting on the declaration, a strategic climate action plan was created and adopted in July 2021. Since adopting the plan in July 2021, the Council started to incorporate the objectives into the plans and operations of the Council services. One example being the implementation and incorporation of Low Carbon Supplier Charter and Low Carbon Procurement Policy into all new Procurements.

In October 2022 the Council was awarded a grant from the Public Sector Decarbonisation Scheme. This allowed surveys to be undertaken to determine work to deliver emission reducing solutions for the Civic Centre, Winston Churchill Hall, Hillingdon Leisure Centre and Highgrove Leisure centre.

The Council has once again been recognised for its outstanding parks and open spaces, after four more have received prestigious Green Flag Awards. The awards – which celebrate the most beautiful and well-managed outdoor spaces nationally and internationally – were given to Rosedale Park in Hayes, Moorhall Recreation Ground in Harefield, Rockingham Recreation Ground in Uxbridge and Hillingdon House Farm in Uxbridge. The new additions bring the Borough's total to 67 awards (66 of which are maintained by the council) – this is the most flags held by any local authority for the tenth year running.

Leisure and Culture

A new outdoor gym has been installed at The Closes thanks to the council's popular Chrysalis scheme. The facility, which replaces the previous worn-down gym, was formally opened on Tuesday 26 July 2022. The new gym is situated at the northern end of the recreation ground and was installed during May and June 2022 at a cost of £40,000. As well as refurbishing the outdoor gym at The Closes, the Council has installed four new gyms since the start of the year, bringing the borough's total to 37.

Works to Hillingdon Sports and Leisure Complex (HSLC) in Uxbridge and Highgrove Pool and Fitness Centre in Ruislip were completed in autumn 2022. Facilities at both locations have now been redesigned, upgraded and refurbished to provide modern equipment.

Schools & Children's Services

Hillingdon was ranked first in the capital for offering children their parents' first preference and top in West London across all preferences during Primary National Offer Day in April 2022.

The Council processed 3,603 primary school applications, with 94 per cent offered their first preference, 99.1 per cent were offered a place at one of their top three preferred primary schools, and 99.5 per cent were offered a place at one of their top six preferred primary schools. These were well above the London averages of 87.9 per cent for first preferences, 96.7 per cent for top three preferences and 98.04 per cent for top six preferences.

A brand-new £875,000 state-of-the-art adult education centre opened in Uxbridge, on Wednesday 19 October 2022. The new centre has been repositioned at the council's Civic Centre and replaced Brookfield Adult Learning Centre.

Social Care

In February 2022, the Council pledged its support to those fleeing the devastating conflict in Ukraine, offering them a warm welcome to Hillingdon and borough life. Since then, 433 guests have been sponsored in Hillingdon under the Homes for Ukraine scheme.

The Kids in Care Awards (KICA) took place on Sunday 9 October at Stockley Marquee at Stockley Park Golf Club and was a chance to recognise the many and varied achievements of some amazing young Hillingdon residents. The afternoon ceremony to honour children and young people in care saw 117 children and young people receive awards from the Mayor of Hillingdon, Cllr Becky Haggar. They were nominated by the people who play an important role in their lives, such as foster carers, personal advisers, teachers, and independent reviewing officers.

On Thursday 6 October 2022, one of the Council's social workers, Kelly Johns, won best children and families social worker award at the prestigious National Children & Young People Awards.

Protecting Residents

New parking controls to tackle seasonal parking issues close to Ruislip Lido have now gone live. The measures prevent non-residents from parking in specific residential streets close to the award-winning leisure spot, which draws huge crowds of visitors from across north-west London each summer – particularly during spells of very warm weather.

Inspectors have accredited another five Council owned car parks with Park Mark Safer Parking awards following an inspection in August 2022. This brings the total number of car parks in the borough with accreditation to 31. The Park Mark Safer Parking scheme, which is run by the British Parking Association on behalf of the Association of Chief Police Officers, is a national standard for UK car parks that have low crime and measures in place to ensure the safety of people and vehicles.

Eight new Vehicle Activated Signs (VAS) have been installed by the council on roads most likely to be affected by HS2. The VAS devices – financed by the HS2 Road Safety Fund – have been fitted on local roads after the Council introduced new speed limits.

People Resources

The Council is continuing to recruit and develop existing staff onto apprenticeship programmes across a range of services, with 99 apprentices across the Council in 2022/23.

2.4 Risks and Opportunities

With pressure on resources available increasing as a result of reduced funding, demographic changes and inflation pressures there could be a risk to future service provision. The Hillingdon Improvement Programme (HIP) is aimed at delivering a range of key improvements to the way the Council works and improving services to our residents. Since its introduction, it has delivered impressive savings across the Council and championed a variety of initiatives.

Strong financial management and a commitment to putting our residents first, are at the core of the HIP programme and underpins all projects. Our Business Improvement Delivery (BID) programme aims to deliver services that resident's value, and to identify and improve the way the Council works. Reviews with services during 2022/23 to assess efficiencies and potential changes in ways of working, formed the basis of the MTFF for 2023/24 and are being facilitated and supported by the wider Transformation team. These, coupled with longer term strategic reviews, form the Transformation programme to meet the requirements of the MTFF.

The Council incorporates a number of service specific Demand-Led Growth assumptions into its budget to provide for areas of expenditure where there is a greater degree of uncertainty or are subject to demographic pressures. In 2022/23, the Council utilised this budget resource for Impact of Welfare Reform on Homelessness; Waste disposal Levy, and Social Care demographic pressures. The Council has increased the approved budget by £9m for Demand-Led Growth in 2023/24, continues to be impacted by legacy impacts driven by the pandemic.

2.5 Looking Ahead – Strategy and Resource allocation

Looking into the medium financial outlook, the underlying savings requirement is driven primarily by inflation as a result of the extreme inflation rates being experienced nationally and globally; with further pressures being driven by demand-led pressures, and capital financing costs. An uplift in funding is projected over this period as a result of steady growth in the Council Tax taxbase alongside an increase in Retained Business Rates as a result of an expected increase in the Business Rates multiplier up to 2024/25. Following the 2022 Spending Review, the Council's grant funding from Central Government grew by £6,747k in to 2022/23, with 2021/22 being the first multi-year announcement from the Government since the pandemic, however, the funding settlement continued to be a one-year settlement.

The combined effect of the medium-term forecast position is a headline savings requirement of £55.4m over the next five years to 2027/28, with the five-year budget strategy identifying a saving programme of £45.7m, leaving a budget gap of £9.7m, which represents a challenge on a similar scale to the £53.3m of pressures managed over the period from 2018/19 to 2022/23. In contrast to the previous five years, when reductions in funding were the single largest contributor to the budget gap, the projected gap is very much driven by growth in expenditure as a result of the exceptional inflationary environment forecast to last throughout 2023/24 and into 2024/25, partially mitigated through continuation of the increased government support from 2023/24 onwards, although there remains a lack of clarity of Government funding beyond the current Spending Review that ends on 31 March 2025.

The budget for 2023/24 includes releasing no further funding from general balances, but is supported by the release of £1.5m in 2023/24 from the locally held COVID-19 reserve to fund the legacy impact of the pandemic across the Collection Fund. The current budget strategy leaves sufficient general balances above the recommended minimum level available, to manage emerging risks.

A cumulative deficit of £21.9m is shown in the accounts on the retained element of the Schools Budget at 31 March 2023 with the Council's Safety Valve agreement with the Department for Education set to ultimately recover the deficit. This deficit primarily relates to funding as determined under the Department for Education's national funding formula, failing to keep pace with growing demand for high needs placements for pupils with Education, Health and Care Plans, following introduction of the 2014 Children and Families Act. The Council's Medium Term Financial Strategy continues to be developed on the Safety Valve Agreement that the Council has entered with the Department for Education (DfE) following Cabinet's ratification of the agreement at Cabinet in March 2022.

Based on the current medium-term outlook, there is a residual savings requirement of £24.9m over the period 2024/25 to 2027/28. Some of this savings requirement has been established through expected funding increases, predominantly within Council Tax and a multi-year saving programme, leaving a remaining budget gap of £9.7m still to be identified. Given the size of the budget gap going forward and size of the 2023/24 saving programme, delivery will need to be stepped up going forward. This will include the continued need for an expanded and accelerated BID Programme.

Alongside the more strategic BID workstreams under development, the routine MTFF work streams such as zero-based budgeting and annual reviews of charging policies will continue.

Looking forward the Councils Capital Programme 2023/24 to 2027/28 has an approved budget of £369m, with £81m to be funded from prudential borrowing after prioritising use of grants and third-party funding, maximising application of developer contributions and where possible using capital receipts. Specific projects on the Capital Programme include a continuation of the Schools Expansions programme, a new leisure centre in West Drayton, street lighting replacements, expanding and improving CCTV coverage as well as investments into technology and highways.

Hillingdon First Limited, the Council’s wholly owned property development company, completed its first construction project in early 2021 with the first flats sold during April 2021. Following the successful completion of this first scheme, and commencement of a second development in Cowley, the company will seek to identify further sites and deliver high quality homes within the borough.

Looking into the medium financial outlook the underlying savings requirement is driven primarily by inflation, with 2023/24 and 2024/25 being forecast to remain particularly high compared to recent trends, with further pressures coming from demand-led pressures and capital financing costs. An uplift in funding is projected over this period as a result of steady growth in the Council Tax taxbase and an increase in retained Business Rates from the forecast increase in the multiplier in 2024/25. This increase in funding is not guaranteed, particularly with the uncertainty in the increase in the taxbase for Council Tax as the high inflation environment continues to impact on the construction industry and high interest rates continue to impact mortgages. These drivers also impact on the stability of the Business Rates rating list and their impact on industry and local businesses, as well as the long-term impact of the pandemic and the changes the pandemic has had on everyday life, hence there is a risk that the savings requirement will be higher than that stated in the current MTFF strategy.

2.6 Covid-19

Hillingdon Council is committed to Putting Residents First. From the start of the Covid-19 pandemic, the Council has proactively provided advice, support and assistance to residents, businesses and schools to help keep residents safe and minimise the impact of changes to everyday life from the restrictions that have had to be put in place to help protect residents’ health. This includes setting up and running test lateral flow test sites, organising and delivering food parcels to vulnerable residents, administering grants to support local businesses and working with a wide range of commercial, voluntary and charitable organisations to put in place measures to protect health, such as social distancing markers outside shops and schools and the provision of Personal Protective Equipment (PPE) to care providers and schools.

As we find ourselves moving into a post-pandemic era, and learning to live with COVID-19, the legacy issues that the Council continues to face, the additional costs of COVID-19 totalled £68.1m by 31 March 2023 in relation to the Council’s response to the pandemic and after accounting for specific Government Grant funding streams, with £15m of this falling within 2022/23. Government funding for the pandemic ceased in 2021/22, however, the Council included £9.8m in the Budget Strategy to manage legacy issues across demand-led growth areas, with a further £1.5m planned release from local funding set aside for the pandemic to fund legacy issues within taxation collection, beyond this, £3.7m was also released from these reserves to fund new and emerging pressures from the pandemic. This position leaves local reserves held for the pandemic at £1.6m at 31 March 2023, with the majority of these funds committed in the Council’s budget strategy for 2023/24, leaving little headroom to fund and new and emerging issues.

2.7 Statements within the accounts

General

The movement in the Balance Sheet of £434.5m in year largely consists of reductions to net liabilities related to defined benefit pension schemes and increases to long term assets due to a combination of valuation movements and additions and enhancements to the asset base from capital expenditure in year.

Any minor movement in the underlying IAS19 pension assumptions results in a large swing in the overall deficit position. For 2022/23 an increase in the net discount rate has reduced the value placed on the Fund's liabilities and contributed to an overall favourable impact.

The core accounting statements comprise: -

Comprehensive Income and Expenditure Statement

This statement reports the net cost for the year of all functions for which the Council is responsible, and demonstrates how that cost has been financed through income from taxpayers and general government grants. The income and expenditure is split by Council service. The surplus or deficit on this account represents the amount by which income is greater than, or less than expenditure.

The statement shows a deficit of £56.5m (£57.2m deficit in 2021/22) on the provision of services for 2022/23. Of this, a deficit of £30.5m relates to General Fund balances and a surplus of £9.4m relates to the Housing Revenue Account. Additional reserve movements, including earmarked and schools shows an overall drawdown of £35.4m.

To comply with statutory accounting requirements there are various items that are accounted for through the Comprehensive Income and Expenditure Statement such as depreciation, revaluation and impairment losses, and losses on disposal. These items are removed for the purposes of Council Tax setting as they are accounting items and do not affect the funding of services, as a result these items of expenditure are reversed out of the General Fund Balance in the Movement in Reserves Statement.

Movement in Reserves Statement

This statement reconciles the outturn on the Comprehensive Income and Expenditure Statement to the balance on the Council reserves, established by complying with relevant statutory provisions, showing the true economic cost of providing the Council's services. The statement splits the Council's reserves into usable and unusable balances, and shows movement to and from them during the year. Usable reserves are those that can be applied to fund expenditure or reduce local taxation. Unusable reserves are those balances over which the Council has no direct control, which arise from differences in accounting and statutory reporting requirements.

Usable reserves decreased by £36.6m from £153.7m in 2021/22 to £117.1m in 2022/23. Within this movement there was an increase in General Fund balances of £0.1m and a decrease in HRA balances of £0.2m. There was a decrease in Earmarked reserves (including schools' reserves) of £35.4m, partly due to a reduction of £16.1m in the Business Rates reserve relating to the timing lag in the business rates system and the Government's decision to announce an extension of the Retail, Hospitality and Leisure Relief in 2021/22 after the Council set the 2021/22 budget, resulting in the Council accruing a business rates surplus in that year that was paid back to Government in 2022/23.

In addition to this, significant movements within earmarked reserves included a further £12.2m released to fund the legacy impacts associated with the pandemic, to fund impacts on funding within the collection fund and increased demand for services, including a continued impact on Social Care service delivery and impacts on fees and charges income as a result of a slow recovery from the pandemic in certain areas.

Other movements included a drawdown of the Major Repairs Reserve of £5.1m to finance the HRA capital programme and £8.5m being added to the Capital Receipts Reserve from property sales including Right to Buy. There was also a drawdown of £4.6m from the Capital Grants Unapplied Reserve to support financing of the new West Drayton leisure centre under construction.

Unusable reserves increased from £940.4m in 2021/22 to £1.397bn in 2022/23, mainly due to the decrease in the Pension Fund liability of £355.6m, reflected in the Pensions Fund increasing by the same amount, and upward movement in property values increasing the Revaluation Reserve by £68.7m. There was an increase of £15.9m in the Capital Adjustment Account partly due to capital expenditure in year financed from capital grants and contributions. The Collection Fund Adjustment Account increased by £15.4m.

To support the Movement in Reserves Statement, Note 4 to the accounts shows the Adjustments between Accounting Basis and Funding Basis under Regulations. This note reverses the items of income and expenditure that are required to be credited or charged to the Comprehensive Income and Expenditure Statement, that do not affect the General Fund balance for Council Tax purposes. Total adjustments for 2022/23 were £30.6m within the General Fund, adjusting the General Fund position for Council Tax purposes to a surplus of £0.1m.

Balance Sheet

This shows balances and reserves at the Council's disposal at year-end, together with its long-term indebtedness, net current assets employed in its operations and summarised information on non-current assets held. It excludes funds held in trust for others and Pension Fund assets that are reported in the separate Pension Fund accounts.

The total net worth of the Council in 2022/23 was £1,528.6m (£1,094.1m in 2021/22). The largest items within the Balance Sheet consist of long-term assets valued at £2,109.9m, net pension liabilities of £260.6m and long-term borrowing of £232.7m. The main contributors to the movement came from the reduction in pension liabilities, and the increase in value of Plant Property and Equipment.

The Council maintains reserve balances to meet the cost of unforeseen demands or events and as a result keeps a minimum level of balances. As at 31 March 2023 the Council has £26.8m General Fund balances and £17.1m Earmarked Reserves (excluding schools' balances) held for specific purposes. Further details on Earmarked Reserves can be seen in Note 5 to the accounts.

Cash Flow Statement

This summarises all movements in cash and cash equivalents arising from both revenue and capital transactions with third parties. It excludes funds held in trust for others and the Pension Fund.

There was an increase in cash and cash equivalents in 2022/23 of £12.7m.

Supplementary accounting statements comprise:

Housing Revenue Account (HRA) Comprehensive Income and Expenditure Statement

There is a statutory duty to account separately for Local Authority housing provision. The HRA Income and Expenditure Statement shows in detail the income and expenditure on HRA services included in the Council Comprehensive Income and Expenditure Statement. It includes the major elements of Council housing revenue expenditure on maintenance; administration; capital financing costs, and major income sources such as rents.

There was a surplus in 2022/23 on HRA services of £9.4m (£1.3m deficit in 2021/22).

Statement of Movement on the Housing Revenue Account Balance

This shows how the HRA Income and Expenditure Statement surplus or deficit for the year reconciles to the movement on the Housing Revenue Account balance for the year. It shows income and expenditure that is credited or charged to the HRA balance by statute or non-statutory practices, to reconcile the amounts charged to Housing tenants. For example, revaluation gains and losses on Council dwellings and gains/losses on disposal of asset are reversed.

Overall, the HRA was in deficit by £0.2m in 2022/23 (surplus of £0.2m in 2021/22), after adjustments made in the Statement of Movement on the HRA Balance and transfers to the Major Repairs Reserve.

Collection Fund Revenue Account

The Collection Fund is a separate account into which amounts raised from local taxation are paid through Council Tax and Business Rates, and from which payments are made to precepting authorities including the Council itself. An in-year surplus of £0.3m is reported on Council Tax with a carried forward deficit of £3.2m.

An in-year surplus of £51.9m is reported on Business Rates, creating a surplus within the carry forward balance on NNDR to £12.6m.

The share of Collection Fund activity relating to the Council is reflected in the main statement of accounts, with the remainder being treated as agency activity on behalf of the Greater London Authority and Central Government. 77% of Council Tax and 30% of Business Rates activity relates to the London Borough of Hillingdon.

Pension Fund Accounts

These show contributions to the Council's Pension Fund for members during the year, together with pensions and other benefits paid from it, movements in investments during the year and the financial position of the Fund at the end of the year. These accounts do not include any liabilities relating to payment of pensions and benefits in future years. The activity of the Pension Fund is not incorporated within the Council's core accounting statements.

Narrative Report

This document also includes the following: -

Notes to the Accounts

The notes provide further explanation of figures contained in the core and supplementary accounting statements. The notes to the accounts include the Expenditure Funding Analysis, which precedes the core financial statements of this document to help the flow of information.

Statement of Accounting Policies

The accounts are produced in line with a set of policies and principles and can only be understood fully with awareness of these accounting policies.

Annual Governance Statement

This statement is a report from the Leader of the Council and Chief Executive setting out the: systems; processes; culture, and values by which the Council is directed and controlled, and its activities through which it accounts to, engages with, and leads the community. The framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate cost-effective services.

Glossary of Terms

The glossary provides a definition of key terms used to aid understanding the accounting statements.

Statement of Responsibilities for the Statement of Accounts

The Council is required to:

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

Corporate Director of Finance Responsibilities

The Corporate Director of Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ('the Code').

In preparing this statement of accounts the Corporate Director of Finance 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 Corporate Director of Finance has also:

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

Corporate Director of Finance Approval of Accounts

I certify that these accounts present a true and fair view of the financial position of the London Borough of Hillingdon, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in United Kingdom ('the Code'), as at 31 March 2023 and its income and expenditure for the year then ended.

Richard Ennis
Corporate Director of Finance
20 November 2024

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF HILLINGDON

Disclaimer of opinion

We were engaged to audit the financial statements of the London Borough of Hillingdon for the year ended 31 March 2023. The financial statements comprise the:

- Movement in Reserves Statement,
- Movement in Unusable Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement,
- the related notes, including The Statement of Accounting Policies, the Expenditure and Funding Analysis and Notes to the Main Financial Statements 1 to 45,
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, and the related notes 1 to 8,
- Collection Fund Account, and the related notes 1 to 3

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

We do not express an opinion on the accompanying financial statements of the London Borough of Hillingdon. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) which came into force on 30 September 2024 requires the accountability statements for this financial year to be approved not later than 13th December 2024.

We completed the audit of the financial statements for the year ended 31 March 2022 in September 2023 and issued our audit opinion on 28 September 2023.

The backstop date and the wider requirements of the local audit system reset meant we did not have the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the 2022/23 financial statements. Therefore, we are disclaiming our opinion on the financial statements.

Matters on which we report by exception

Notwithstanding our disclaimer of opinion on the financial statements, performed subject to the pervasive limitation described above, we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority.

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)

- we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in these respects.

Responsibility of the Corporate Director of Finance

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 15, the Corporate Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Corporate Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporate Director of Finance is responsible for assessing the Authority’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or has no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor’s responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Authority’s financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor’s report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard and the Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in January 2023, as to whether the London Borough of Hillingdon had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the London Borough of Hillingdon put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the London Borough of Hillingdon had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Independent Auditor’s Report

Certificate

We certify that we have completed the audit of the accounts of the London Borough of Hillingdon in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of the London Borough of Hillingdon, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Stephen Reid (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

London

[DATE]

The following footnote does not form part of our Auditor’s Report.

Additional information related to the disclaimer of opinion is set out in our Completion Report for Those Charged with Governance dated 13 November 2024, available on the Authority’s website, which includes further explanations about the implementation of the statutory instrument which led to the disclaimer of our opinion on the financial statements.

Statement of Accounting Policies

GOING CONCERN

The Council is required to prepare an annual Statement of Accounts which summarises the Council's transactions for the 2022/23 financial year and its position as at the year-end of 31 March 2023. The Statement of Accounts must be prepared in accordance with proper accounting practices as per the Accounts and Audit Regulations 2015. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 supported by International Financial Reporting Standards (IFRS).

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

The accounts are prepared on a going concern basis, assuming that the functions of the Council will continue in operational existence for the foreseeable future from the date that the accounts are approved.

The main factors that underpin this assessment and considered below include the Council's current financial position, projected medium-term forecast, and cashflow management process in the context of the ongoing impact of inflation and other external factors affecting the wider economy.

The narrative section 2.2. Financial performance contains detail of the Council's General Fund revenue budget outturn position. The Council maintained its record of operating within budget, reporting an underspend of £0.1m against planned expenditure budgets before transfers to reserves. The General Fund balance totalled £26.8m at year-end. This position is being driven by a favourable variance from the Council's Treasury activities offsetting pressures within Housing, Parking Services and Education Services. For context the Council's prudent minimum balance on the General Fund is £20 million.

The 2023/24 budget and five-year budget strategy was reported to Cabinet in February 2023. The budget strategy in this latest MTFF does not rely upon the use of General Balances to support service expenditure and therefore maintains general balances at £26.8m over the five-year MTFF period. The largest driver behind the Council's forecast increase in service expenditure is the exceptional inflation environment experienced locally, nationally and globally, with the Council's service expenditure forecast to increase by £21.7m in 2023/24 from inflationary uplifts. To mitigate this exceptional pressure, the Council has identified a significant saving programme for 2023/24, with the Council including savings initiatives totalling £20.8m. Furthermore, the strategy includes a £3m drawdown from Earmarked Reserves, with £1.5m of this being included in previous iterations of the MTFF to cover legacy pandemic related cost pressures to balance the Council's budget. The financial impact of the exceptional inflation, demographic pressures and the delivery on the savings programme will continue to be tracked and modelled through the Council's monthly budget monitoring reports to Cabinet and regular updates to the MTFF position.

The Council proactively manages its cashflow, maintaining a daily forecast of available funds and ensuring that liquid cash and deposits of at least £10m are available at all times. Together with the reprofiling of funding and payments to government, this has continued to ensure that inflationary pressures have been managed within the available cash envelope. This minimum level of liquid cash is held in a combination of UK banks, Money Market Funds and HM Treasury's Debt Management Account Deposit Facility (DMADF), with additional deposits of around £15m held in Strategic and Long Dated Pooled Funds accessible within four working days.

The Council's cashflow forecasts project to maintain at least £10m in liquid cash and deposits at 31 March 2023 through to 31 March 2025. Liquid deposits are supplemented by the Council's ability to borrow short-term from other local authorities and ultimately borrowing from the Public Works Loans Board could be secured within five working days. The Council continues to retain significant borrowing headroom against the Capital Financing Requirement and would therefore have no operational or governance barriers to securing borrowing at short notice if required. The latest forecasting of capital financing requirements is that these are in line with budget projections and a strategy is in place to secure all required borrowing over the medium-term.

It is therefore noted that there is headroom within the General Fund to absorb the estimated financial impact of inflation in the short to medium-term with the Council proactively managing its financial position to make provision for actual and potential risks as part of the MTFF and budget monitoring processes. Furthermore, the Code requires that local authorities prepare their accounts on a going concern basis, as they can only be discontinued under statutory prescription. For these reasons, the Council does not consider that there is material uncertainty in respect of its ability to continue as a going concern for the foreseeable future.

The going concern period of assessment is twelve months from the authorisation date of the financial statements.

CAPITAL

1. Property, Plant and Equipment

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

Recognition

All expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis in the accounts, provided that the asset yields benefits to the Council for a period of more than one year and the cost of the item can be measured reliably. This excludes expenditure on routine repairs and maintenance of non-current assets that is charged directly to service revenue accounts when incurred.

Measurement

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

The cost of assets acquired other than by purchase is deemed to be its fair value unless the acquisition will not increase the cash flows of the Council. In the latter case, 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 valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and guidance notes issued by the Royal Institution of Chartered Surveyors (RICS). Property, Plant and Equipment are included in the balance sheet on the following basis:

- Community assets and assets under construction are included in the balance sheet at historic cost less impairment.
- Dwellings are carried at fair value, determined using the basis of existing use value for social housing.
- Surplus assets are measured at fair value, estimated at highest and best use from a market participant's perspective.
- All other asset classes are measured at fair value in its existing use. For land, buildings and assets which are not held for the purpose of generating cash flows, the fair value represents the amount that would be paid for the asset in its existing use. Where there is no market-based evidence of fair value due to the specialised nature of the asset, the asset is valued at its depreciated replacement cost.
- Plant and machinery forming an integral part of the property is included in the valuation of the buildings. Other plant, machinery, vehicles and mobile units have been given a value on the basis of historical costs as a proxy for current value.

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

Where decreases in value are identified, the revaluation loss is accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains) with any excess written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Statement of Accounting Policies

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.

A de minimis value of £10k has been set for capital purchases. This limit also applies to valuations. De minimis expenditure is charged to revenue but, where permissible and appropriate, it is financed as though it were capital expenditure.

The Council only includes maintained schools in its asset register and only where it owns or controls the assets; this includes foundation schools. Academies are external to local authorities and are not included. The Council does not own or control Voluntary Aided school assets as they are owned by the Diocese or Church of England and the value of these assets are not included in the Council's Balance Sheet.

The equity investment in the 100% wholly owned subsidiary of Hillingdon First Limited is classified as capital expenditure.

Impairment / Revaluation Loss

An impairment review of all assets is undertaken at the end of each financial year. Losses arising from an impairment or revaluation loss are written off against any revaluation gain attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account in the Comprehensive Income and Expenditure Statement.

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

Depreciation

Depreciation is provided in the accounts in accordance with the International Accounting Standard (IAS) 16 and CIPFA guidelines. IAS 16 states that depreciation is to be provided on all Plant, Property and Equipment, other than for assets without a determinable finite useful life (i.e. freehold land, certain Community Assets and certain heritage assets) and assets that are not yet available for use (i.e. Assets Under Construction). The depreciation policy is that depreciation is calculated on a straight-line method and is based on the following useful lives approach unless specific information exists for an asset:

Infrastructure	40 years
Vehicles, Plant, Furniture & Equipment	3 to 30 years
Council Dwellings	Depreciated on straight line basis over maximum useful life up to 60 years
Other Land & Buildings	Useful life varies depending on the condition, type and usage of the asset, up to 60 years for buildings and infinite life for Land.
Surplus Assets	Useful life varies depending on the condition, type and usage of the asset
IT Equipment and Intangible Assets	5 to 7 years

Where an item of Property, Plant and Equipment has major components with useful lives different to the main asset, and the cost of that component is material (20% or £1m), the asset is split into component parts and depreciated separately. Where component assets are replaced, the carrying value of the asset is reviewed with an estimate made on the carrying amount of the old component being replaced to be written out.

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.

Depreciation is charged annually and is charged in full in the year of disposal and not in the year of acquisition. Assets under construction do not incur depreciation until they are complete. Depreciation is not charged on assets classified as held for sale.

Disposals

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction expected within the following year, rather than through its continuing use, it is reclassified as an Asset Held for Sale. There must be a management decision that the asset will be sold and it must be actively marketed. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell.

Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the net loss on disposal of non-current assets line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses.

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

When an asset is disposed or decommissioned, any loss or profit on disposal is recognised on the face of the Comprehensive Income and Expenditure Statement. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10k are categorised as capital receipts. A proportion of receipts relating to housing disposals are payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council’s underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund or Housing Revenue Account Balance in the Movement in Reserves Statement.

The flexibility over the use of capital receipts generated in the year in which they were received will be taken as per statutory guidance from the Department for Levelling Up, Housing and Communities to finance costs associated with service transformation and support the Dedicated Schools Grant safety valve agreement to reduce the deficit on the DSG.

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. Therefore, the loss or profit on sale is appropriated to the Capital Adjustment Account from the General Fund Balance via the Movement in Reserves Statement.

Council houses are sold at a discount in accordance with the legislative requirements. Some land and property may be sold at a discount or at nil value to housing associations in return for nomination rights (i.e. taking tenants from the Council’s waiting list); other assets are sold at market value.

Commitments to make stock transfers are valued at estimated tenanted market value at the time the transfer is agreed, and an adjustment made to the non-current assets with any loss charged to the HRA Comprehensive Income and Expenditure Statement. An adjustment is made to non-current assets for any change to this valuation at the time of actual disposal.

Deferred credits on the Balance Sheet relate mainly to the sale of Council houses and reflect the amount of mortgage principal outstanding on sales, which will be transferred to capital receipts when paid.

Grants and contributions: Where grants and contributions are received that are identifiable for spend on Property, Plant and Equipment, the income is credited to the Comprehensive Income and Expenditure Statement under Taxation and Non-Specific Grant Income. These are then transferred to the Capital Grants Unapplied Reserve if not used and the Capital Adjustment Account when applied. If the grants have a condition for repayment and remain unapplied at the end of the year, they are held on the Balance Sheet as creditors.

2. Heritage Assets

The Council owns a number of heritage assets across the borough. The primary objective of holding these assets is for increasing the knowledge understanding and appreciation of the local history within the borough.

Where there is an open market, such assets will be valued at market value; assets with no marketable value will be held at replacement cost.

Where it is impossible to establish a value by either of these methods, the Council will consider other valuation methodologies such as insurable value; otherwise, the asset will be held at nil value but disclosed as a note to the accounts. Further details can be found in the Heritage assets note to the accounts.

Acquisitions of heritage assets can be made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at market value or other valuation methodology.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council’s general policies on impairment.

3. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events, such as software licences, are only recognised on the Balance Sheet when they are purchased or where internally developed and the Council can demonstrate:

- The technical feasibility of completing the asset;
- Its intention and the availability of adequate resources to complete the asset;
- Its ability to use or sell the asset;
- How the asset will generate future economic benefits or deliver service benefits; and
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are included at historical cost and only re-valued in line with IAS 38, where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. Intangible assets are amortised over their useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the net loss on disposal of non-current assets line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

4. Charges to Revenue for Non-Current Assets

Service revenue accounts, support services and trading accounts are charged the following amounts to record the real cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Impairment losses on tangible non-current assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off; and
- Amortisation of intangible non-current assets attributable to the service.

The Council is not required to raise Council Tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by a revenue provision in the General Fund balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

5. Revenue Expenditure Funded from Capital under Statute

Revenue Expenditure Funded from Capital under Statute represents expenditure that may properly be capitalised, but which does not result in the creation of a non-current asset, for example housing association grants, capital expenditure on non-maintained schools and housing improvement grants. Such expenditure is taken to service revenue in the year in which the expenditure is incurred. Where the Council has determined to meet the cost of this from existing capital resources or by borrowing, a transfer to the Capital Adjustment account reverses the amounts charged to the Comprehensive Income and Expenditure Statement via the Movement in Reserves Statement so there is no impact on the level of Council Tax.

From 1 April 2016, extended to 31 March 2025 the Council is allowed under Guidance published by DLUHC to flexible use of capital receipts on areas of revenue cost which generate ongoing savings to the Council. In the case where revenue spend is identified as meeting the criteria to use flexible capital receipts, the Council will meet the cost of the reform through capital receipts generated during the same financial year. Where the Council has determined to meet this cost from capital receipts a transfer to the Capital Adjustment Account reverses the amounts charged to the Comprehensive Income and Expenditure Statement via the Movement in Reserves Statement so there is no impact on the level of Council Tax.

6. Investment Properties

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

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

However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10k) the Capital Receipts Reserve.

7. Leases

Assets are acquired under finance leases when the risks and rewards relating to the asset transfer to the Council. 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 a legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the Property, Plant or Equipment – applied to write down the lease liability; and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

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 provision is made from revenue towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore replaced by revenue provision in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased Property, Plant or Equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The 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 Net Loss on Disposal of non-current assets line in the Comprehensive Income and Expenditure Statement. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received); and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Unapplied Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are paid, the element for the charge for the acquisition of the interest in the property is used to write down the lease asset. 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 appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

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

8. Infrastructure Assets

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the authority and the cost of the item can be measured reliably.

Measurement

Highways infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost. Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Depreciation

Sensitivity analysis was conducted to determine the appropriate useful life for all components of infrastructure assets on a weighted average basis, based on the minimum, midpoint and maximum useful lives as recommended by CIPFA and endorsed by the UK Roads Leadership Group Asset Management Board. It was concluded that 40 years is applicable. Annual depreciation is the depreciation amount allocated each year.

REVENUE

9. 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 those rendered by the Council's officers) 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 there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. Disclosures will be omitted if the information is not material.

- The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

- Where the authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the applicable exchange rate.

10. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 working hours. Cash equivalents are investments that are held in instant access accounts, readily convertible to known amounts of cash with insignificant risk of change in value. Amounts held in fixed-term deposits not accessible within 24 working hours are not classified as cash equivalents, but as short-term investments. Any accrued interest will be treated in the same manner as the principal investment except for long-term investments with remaining terms in excess of 365 days; in these cases, accrued interest will be shown as short-term investments.

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

11. Changes in Accounting Policies and Estimates and Errors

Changes in accounting policies are only made when required by proper accounting practices when the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

12. Employee Benefits

Benefits Payable during Employment

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave, paid sick leave, other leave and non-monetary benefits, where material, are recognised as an expense in the year in which employees render service to the Council. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. Any accrual made is required under statute to be reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer’s employment before the normal retirement date or an officer’s decision to accept voluntary redundancy and are charged on an accruals basis to the Comprehensive Income and Expenditure Account when the Council is demonstrably committed to either terminating the employment of an officer or group of officers.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the Pension Fund or pensioner in year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pension Reserve to remove the notional debits and credits for termination benefits related to pensions enhancements and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year end.

Post-Employment Benefits

The Council participates in four defined benefit pension schemes-

- The Teachers’ Pension Scheme;
- The NHS Pension Scheme;
- The London Borough of Hillingdon Pension Fund of the Local Government Pension Scheme (LGPS), administered locally by the Council; and
- The London Pension Fund Authority Pension Fund of the LGPS, which is a closed arrangement for former employees administered by the London Pension Fund Authority.

The accounts fully conform to the International Accounting Standard 19 (IAS 19) relating to Pension Fund liabilities. Both the Comprehensive Income and Expenditure Statement and the Balance Sheet reflect the effects of these requirements.

Teachers’ Pension Scheme

- The Teachers’ Pension Scheme is unfunded and administered on behalf of the Department of Education (DfE) by Capita. The pension cost charged to the accounts is the contribution rate set by the DfE on the basis of a notional fund. The arrangements for the teachers' scheme mean that the liabilities for the benefits cannot be identified specifically to the Council. As such the scheme is accounted for as if it was a defined contribution scheme and no liability for future payment has been recognised in the Council's Balance Sheet. The Schools Budget line in the Council's Comprehensive Income and Expenditure Statement is charged with the employers’ contributions made into this scheme.

NHS Pensions Scheme

- The NHS Pension Scheme is unfunded and is administered by NHS Business Services Authority. The arrangements for the NHS scheme mean that liabilities for the benefits cannot be identified specifically to the Council. These schemes are therefore accounted for as if they are a defined contribution scheme and no liability for future payments of benefits is recognised in the Council's Balance Sheet. The relevant service line in Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the NHS Pension Scheme in the year.

The Local Government Pension Scheme

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

- Liabilities are discounted to their value at current prices.

- The Pension Fund assets attributable to the Council is included in the Balance Sheet at fair value:

    - Quoted securities – current bid price
    - Unquoted securities – professional estimate
    - Unitised securities – current bid price
    - Property – market value

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

    - Service cost comprising:

        - Current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

        - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate Operating Budgets.

        - Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council - the change during the period in the net defined benefit liability (asset) that arises from the passage of time – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period - taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

    - Remeasurements comprising:

        - The return on assets – excluding amounts included in net interest on the net defined benefit liability (asset) the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – debited to the Pensions Reserve as Other Comprehensive Income and Expenditure.

        - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve as Other Comprehensive Income and Expenditure.

    - Contributions paid to pension funds – cash paid as employer's contribution to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

13. Long Term Contracts

The Council has entered into a number of long-term contracts that have commitments beyond the period of account. These are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year. Material future fixed commitments are outlined in a note to the accounts.

14. Private Finance Initiative (PFI) Contract

The Council has one PFI contract which relates to an Academy school. The asset is not recognised on the Council's Balance Sheet as it is leased out to the Academy under a finance lease. The PFI liability continues to be recognised in the Council's accounts.

The amounts payable to the PFI operators each year are analysed into three elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as a finance lease)

15. Government Grants and Contributions

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

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

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

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

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

Grant recognition will be considered and accounted for in accordance with the provisions of IFRS 15 and whether the Council is acting as a ‘Principal or Agent’.

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

16. Inventories and Work in Progress

Inventories held by the Council are de-minimis and from 2020/21 are expensed through the Comprehensive Income & Expenditure Statement.

17. Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools’ assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore, schools’ transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council. The non-current assets of Voluntary Aided schools owned by faith organisations are found not to be controlled by the Council and as such the assets are not held within the Council’s balance sheet under Property, Plant and Equipment.

18. Fair Value

Fair value measurement is defined by IFRS13 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This definition is applied to all fair value measurement for non-operational property, plant and equipment, investment property as well as for financial instruments. Operational property, plant and equipment continue to be valued in line with its existing use. Fair value assumes the transaction to sell the asset takes place in the principle market for the asset or liability or in the absence of the principle market in the most advantageous market. When measuring non-operational property, plant and equipment, the fair value at highest and best use is adopted. Valuation techniques maximise known data and minimise the use of estimates or unknowns. This takes into account three levels of valuation inputs:

- Level 1 - Quoted prices
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 - Unobservable inputs for the asset or liability

19. Contingent Liabilities

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

20. Contingent Assets

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

21. Provisions and Reserves

The Council is required to set aside money to cover future known or anticipated liabilities and each reserve or provision should be clearly identifiable as to its purpose and usage.

Provisions

Provisions are established for any liabilities of uncertain timing or amount that have been incurred. Provisions are recognised when: -

- There is a present obligation (legal or constructive) as a result of a past event;
- It is probable that a cost will have to be met to settle the obligation; and
- A reliable estimate of the cost can be made.

Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When a payment for expenditure against a provision is made, the expenditure is charged directly to that provision. All provisions are reviewed each year.

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

Impairment Allowance

No provision is made for debts that are secured except in exceptional circumstances. Of all remaining debts, and excluding financial instruments where an expected credit loss model is applied, the Council makes an impairment allowance based upon continuous reviews of likely recovery undertaken by service managers and supporting finance staff.

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 and/or HRA Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Council.

In-year deficits relating to Dedicated Schools' Grant with be transferred to the Dedicated Schools Grant Adjustment Account through adjustments between funding and accounting under regulations.

22. Financial Assets

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

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

Amortised Cost

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

The Council recognises expected credit losses on all its financial assets held at amortised cost, either on a 12-month or lifetime basis. Lifetime losses using the simplified approach are recognised for trade receivables held by the Council. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Fair Value through Profit or Loss (FVPL)

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

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

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

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

The inputs to the measurement techniques are categorised in accordance with the following three levels shown described in item 18 Fair Values.

The Council has applied the statutory override to its long term strategic pooled fund holdings and any movements in the fair value will be reversed through the MIRS into an unusable reserve.

As the equity investment in Hillingdon First Limited is classified as capital expenditure any change in fair value will be adjusted through the MIRS into the Capital Adjustment Account.

Fair Value through Other Comprehensive Income (FVOCI)

Financial assets that are measured at FVOCI are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Gains or losses arising from a change in the fair value will be reflected in the carrying amount of the instrument and updated in the Financial Instrument Revaluation Reserve.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement with any accrued fair value change being released from the Financial Instrument Revaluation Reserve.

Financial guarantees entered into before 1 April 2006 are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

Financial assets and liabilities are set-off against each other where the Council has a legally enforceable right to set-off and it intends either to settle on a net basis or realise the asset and settle the liability simultaneously.

23. Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.

- Amortised Cost - contains all of an authority’s financial liabilities that are not ‘held for trading’ or derivatives.

The liability is maintained in the Balance Sheet at amortised cost. Initial measurement will be at fair value, normally the amount of the originating transaction, less transaction costs where material. The effective interest rate is then calculated, the effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. Annual charges to the Comprehensive Income and Expenditure

Statement are made for interest payable and are based upon the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The amount presented in the Balance Sheet for most borrowings is the outstanding principal payable plus any accrued interest.

24. Redemption of Debt

The Council sets aside resources each year for the repayment of historical debt. Debt held by the Council is distinguishable into three types of loans:

(a) Maturity loans - where the principal is repaid in full on the date the loan matures and interest is paid every 6 months. The accrued interest is shown as part of the carrying value of the loan on the Balance Sheet.
(b) Equal Instalment of Principal (EIP) Loans - where an equal instalment of principal based on the life of the loan is repaid every six months. Interest is paid every six months based on the outstanding balance. The accrued interest is shown as part of the carrying value of the loan on the Balance Sheet.
(c) LOBO (lender's option, borrower's option) loans - where the principal is borrowed at a fixed rate of interest for a specified period of time, after which the lender has the option to change the rate of interest and the borrower has the option to continue with the loan at the new rate or repay the principal before maturity without penalty. If the lender does not change the rate, the principal is repaid in full on the date the loan matures. In the interim, interest payments are made every six months. The accrued interest is shown as part of the carrying value of the loan on the Balance Sheet.

Gains and losses on the repurchase or early settlement of borrowing are credited or debited to the Net Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is calculated by discounting the revised contractual cash flows with the original effective interest rate. This is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

25. Minimum Revenue Provision

Where the Council finances its capital programme through borrowing it must set aside resources annually through a Minimum Revenue Provision (MRP). This is within the revenue budget to repay the debt in later years. MRP will generally be charged over the useful life of the assets, beginning in the year after the asset becomes operational. In all cases the Council will consider the most prudent method of providing for debt repayment. The HRA makes a form of MRP to pay down its self-financing settlement debt over the 30-year business cycle on which the settlement is based as a provision for repayment of debt.

26. Collection Fund

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and national non-domestic rates (NNDR). The key features relevant to accounting for Collection Fund activity in the core financial statements are:

- In its capacity as a billing authority the Council acts as agent; it collects and distributes income on behalf of the major preceptors and itself.

- While the income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released and transferred to the General Fund of the billing authority or paid out of the Collection Fund to major preceptors.

As the collection of Council Tax and NNDR income is in substance an agency arrangement, cash collected by the billing authority from Council Tax debtors belongs proportionately to the billing authority and the major preceptors as do the risks. There will therefore be a debtor/creditor position between the billing authority and each major preceptor to be recognised since the net cash paid to each major preceptor in the year will not be its share of the cash collected from Council Taxpayers and local Business Ratepayers.

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

27. VAT

Income and Expenditure excludes any amounts relating to VAT, as all VAT collected is payable to HM Revenue & Customs. VAT is included in the Income and Expenditure statement whether of a capital or revenue nature only to the extent that it is irrecoverable.

28. Events after the Reporting Period

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

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;

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

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

29. Exceptional Items and Prior Year Adjustments

Exceptional items are included in the cost of the service to which they relate or on the face of the Income and Expenditure Statement if required to give a fair presentation of the accounts.

Account is taken of material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors by restating the comparative figures for the preceding period. The cumulative effect of prior period adjustments is included within the Comprehensive Income and Expenditure Statement for the current period.

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

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

The items in the Council's Balance Sheet as at 31 March 2023 for which there is significant risks of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the levels of repairs and maintenance that will be incurred in relation to individual assets. Assets are subject to a 5-year rolling valuation and assumptions are made by the specialist valuer regarding market indicators and other data available to assess an asset's value. Assets of high value are valued annually to reduce this risk.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge would increase by £2.8m for every year that useful lives had reduced. A fall in value of the Council's Property, Plant and Equipment would impact on the net worth of the Council, however, would not impact on the Council's usable balances. Fluctuations in the value of assets

	Investment properties are required to be measured at fair value, reflecting market conditions at the end of the reporting period. As with operational and surplus property valuations, investment property valuations are being impacted by current market uncertainty created by the Covid-19 pandemic. The carrying amount of Property, Plant and Equipment at 31st March 2023 is £1.923bn.	will not correlate with normal market conditions; however, a 1% movement in asset values would move the Council's balance sheet position by £23.3m. The main area of risk would be the Council's Investment Properties which have a total value of £4.7m and represent a small proportion of the total fixed assets value.
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. The IAS19 balance sheet is based on financial market values and future market expectation indicators as at 31 March 2023 to comply with the accounting standard. The financial markets at the accounting date will have taken worldwide economic considerations into account. Net assets of the fund available to fund benefits at the end of 31st March 2023 are £1.183bn.	The assumptions interact in complex ways. The actuaries review the assumptions triennially and changes are adjusted for in the accounts. Sensitivity analysis is represented in note 45 to the accounts.

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

The Code of Practice requires that the Council discloses 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. This requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2024 for 2023/24). Disclosure requirements are expected to be included in a subsequent edition of the Code. Changes in the 2023/24 Code of practice that will be introduced in future versions of the accounts include :–

- IFRS 16 Leases (but only for those local authorities that have decided to voluntarily implement IFRS 16 in the 2023/24 year).
- Where an authority adopted IFRS 16 in 2022/23 but chose to defer implementation of IFRS 16 to PFI/PPP arrangements until 2023/24 information on that more specific accounting change will be required in its 2022/23 statements of accounts.
- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

The Council does not expect these changes to have a material impact upon the financial statements.

The implementation of IFRS 16 relating to Leasing has been deferred until 1 April 2024.

Main Financial Statements

The various financial statements that follow are prepared on an accruals basis and follow best practice recommended by the Chartered Institute of Public Finance & Accountancy (CIPFA) and International Financial Reporting Standards (IFRS) as defined by the Code of Practice on Local Authority Accounting in the United Kingdom. Further details of these requirements are detailed in the Statement of Accounting Policies.

These statements are published in accordance with the Accounts and Audit Regulations 2015. They summarise the overall financial position of the Council and in particular include the following:

Restatement of 2021/22 Published Accounts
This note provides an overview of changes to the Financial Statements from the published Statement of Account in 2021/22 as a result of changes in reporting requirements. This statement reconciles the position reported to management and that reported in the CIES.

Expenditure and Funding Analysis
This note shows how council funding has been used in providing services in comparison to those resources consumed or earned by authorities in accordance with generally accepted accounting practices.

Comprehensive Income and Expenditure Statement
The first of the core financial statements. This shows the expenditure and the income relating to all the services provided by the Council and how the net cost of these services has been financed by local taxpayers and government grants.

Balance Sheet
This sets out the assets and liabilities of the Council as at 31 March 2023 but excludes the assets and liabilities of pension and trust funds.

Movement in Reserves Statement
This statement sets out the reserves held by the Council, split into usable and unusable reserves, and shows how they have moved during the year.

Cash Flow Statement
This consolidated statement summarises the inflows and outflows of cash and cash equivalents arising from transactions with third parties for revenue and capital purposes. The statement excludes any transactions of the pension and trust funds.

Notes to the Main Financial Statements
A selection of notes provided to support the information in the main financial statements with additional detail of movement breakdown and analysis.

Expenditure and Funding Analysis

The Expenditure and Funding Analysis (EFA), aims to demonstrate to council tax and rent payers how the funding available to the Council for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates and other service departments.

Since the production of the 2021/22 Statement of Accounts the Council structure has altered with certain service departments now reporting to different portfolios. As such the statement below shows the movement of funding used to provide services relating to the General Fund, from the originally published 2021/22 Statement of Accounts to the new Council structure.

The reported outturn position to Cabinet in 2022 is reflected in the table below alongside the restatement required to align the comparator cost of service to the management structure as at 31 March 2023, for the opening EFA position. The EFA then shows how these figures feed through to the Comprehensive Income and Expenditure Statement.

Restatement of 2021/22 Published Accounts

Council Structure as per 2022/23 Statement of Accounts	Published EFA - Total Net Expenditure Charged to GF & HRA Balances £'000	Restated as per Council Structures 31 March 23 £'000	Restated EFA - Charged to GF & HRA Balance Total Net Expenditure £'000
Corporate Budgets	22,582	Funding	22,785
Finance	22,725	Finance	25,303
Health and Social Care	115,146	Health and Social Care	58,899
Families, Education and Wellbeing	36,579	Children, Families & Education	93,676
Environment, Housing & Regeneration	38,163	Property, Highways & Transport	22,844
Property & Infrastructure	10,472	Residents' Services	39,350
Public Safety and Transport	15,007	Corporate Services	32,519
Corporate Services and Transformation	34,702		
Total General Fund	**295,376**	**Total General Fund**	**295,376**
School Budget	1,503	School Budget	1,503
HRA	7,615	HRA	7,615
Total Other Funds	**9,118**	**Total Other Funds**	**9,118**
Net Cost of Services	**304,494**	**Net Cost of Services**	**304,494**

Expenditure and Funding Analysis

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

2022/23	Total Net Expenditure Charged to GF & HRA Balances	Adjustments between the Funding & Accounting Basis (Note 1A)	Earmarked Reserve Adjustments (Note 5)	Adjustments between Funding & Other Income and Expenditure on the Provision of Services (Note 1B)	Net Expenditure in Comprehensive Income and Expenditure Statement
General Fund	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Funding	(254,456)	(14,785)	23,108	246,879	746
Finance	24,929	(328)	2,873	11,889	39,363
Health and Social Care	96,654	6,731	907	(43,888)	60,404
Children, Families & Education	66,351	17,464	4,780	0	88,595
Property, Highways & Transport	10,667	13,580	118	0	24,365
Residents' Services	29,634	8,774	95	(411)	38,092
Corporate Services	26,094	7,548	744	0	34,386
Total General Fund	**(127)**	**38,984**	**32,625**	**214,469**	**285,951**
Other Funds					
Schools Budget	2,728	(1,562)	0	(100)	1,066
Housing Revenue Account	165	18,674	0	(5,684)	13,155
Total Other Funds	**2,893**	**17,112**	**0**	**(5,784)**	**14,221**
Net Cost of Services	**2,766**	**56,096**	**32,625**	**208,685**	**300,171**
Other Income and Expenditure on the Provision of Services	0	(35,005)	0	(208,685)	(243,690)
(Surplus)/Deficit on Provision of Services	**2,766**	**21,091**	**32,625**	**0**	**56,481**

Movement in Balances 2022/23	**£'000**
Opening General Fund and HRA Balance	106,349
General Fund Declared Surplus	127
HRA Deficit	(165)
Schools Reserve Movements	(2,728)
Other Earmarked Reserve Movements	(32,625)
Closing General Fund and HRA Balance at 31	**70,958**

Expenditure and Funding Analysis

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

2021/22	Total Net Expenditure Charged to GF & HRA Balances (Restated)	Adjustments between the Funding & Accounting Basis (Note 1A) (Restated)	Earmarked Reserve Adjustments (Note 5) (Restated)	Adjustments between Funding & Other Income and Expenditure to the Provision of Services (Note 1B) (Restated)	Net Expenditure in Comprehensive Income and Expenditure Statement (Restated)
General Fund	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Funding	(253,468)	(25,053)	37,523	263,783	22,785
Finance	25,530	(415)	(19,543)	19,731	25,303
Health and Social Care	91,459	6,415	642	(39,617)	58,899
Children, Families & Education	70,026	23,655	222	(227)	93,676
Property, Highways & Transport	10,595	12,602	(147)	(206)	22,844
Residents' Services	31,383	8,906	(939)	0	39,350
Corporate Services	26,280	6,295	(56)	0	32,519
Total General Fund	**1,805**	**32,405**	**17,702**	**243,464**	**295,376**
Other Funds					
Schools Budget	(692)	2,226	0	(31)	1,503
Housing Revenue Account	(150)	14,177	224	(6,637)	7,615
Total Other Funds	**(842)**	**16,403**	**224**	**(6,668)**	**9,118**
Net Cost of Services	**963**	**48,808**	**17,926**	**236,796**	**304,494**
Other Income and Expenditure on the Provision	0	(10,509)	0	(236,796)	(247,307)
(Surplus)/Deficit on Provision of Services	**963**	**38,299**	**17,926**	**0**	**57,187**

Movement in Balances 2021/22	**£'000**
Opening General Fund and HRA Balance	125,238
General Fund Declared Deficit	(1,805)
HRA Surplus	150
Schools Reserve Movements	692
Other Earmarked Reserve Movements	(17,926)
Closing General Fund and HRA Balance at 31 March 2022	**106,349**

Comprehensive Income and Expenditure Statement

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

		31 March 2023			31 March 2022		
	Note	Expenditure £'000	Income £'000	Net Expenditure £'000	Expenditure (Restated) £'000	Income (Restated) £'000	Net Expenditure (Restated) £'000
EXPENDITURE ON SERVICES							
Funding		746	0	746	22,784	0	22,784
Finance		129,073	(89,711)	39,362	125,338	(100,035)	25,303
Health and Social Care		145,615	(85,211)	60,404	139,127	(80,228)	58,899
Children, Families & Education		109,897	(21,302)	88,595	113,736	(20,060)	93,676
Property, Highways & Transport		30,168	(5,803)	24,365	29,117	(6,273)	22,844
Residents' Services		75,287	(37,195)	38,092	71,280	(31,930)	39,350
Corporate Services		36,682	(2,296)	34,386	34,503	(1,984)	32,519
Schools Budget		234,205	(233,139)	1,066	206,307	(204,804)	1,503
Housing Revenue Account		81,117	(67,962)	13,155	72,019	(64,403)	7,616
NET COST OF SERVICES		842,790	(542,619)	**300,171**	814,211	(509,717)	**304,494**
Other Operating Expenditure	*6*	824		824	1,993		1,993
Net loss/(gain) on disposal of non-current assets			(9,106)	(9,106)		(6,136)	(6,136)
Net Financing and Investment Income and Expenditure	*7*	25,569	(3,163)	22,406	24,261	(608)	23,653
Taxation and Non-Specific Grant Income	*8*		(257,814)	(257,814)		(266,816)	(266,816)
Other Income and Expenditure on the Provision of Services		26,393	(270,083)	**(243,690)**	26,254	(273,560)	**(247,306)**
(SURPLUS)/DEFICIT ON PROVISION OF SERVICES		**869,183**	**(812,702)**	**56,481**	**840,465**	**(783,277)**	**57,188**
(Surplus)/Deficit on revaluation of Property, Plant and Equipment assets				(79,360)			(41,336)
Actuarial (gain)/loss on pension assets and liabilities	*43*			(397,534)			(163,105)
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE				**(420,413)**			**(147,253)**

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held.

Reserves are reported in two categories:

The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and requirement to maintain any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt).

The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'adjustments between accounting basis and funding basis under regulations'.

	Note	31 March 2023 £'000	31 March 2022 £'000
Property, Plant & Equipment	*9*	1,910,915	1,818,816
Infrastructure Assets	*9*	184,543	185,091
Heritage Assets	*9*	5,729	5,598
Intangible Assets	*9*	1,271	1,587
Investment Properties	*9*	4,687	3,959
Long Term Investments	*14*	21,562	19,123
Long Term Debtors	*17*	1,511	1,922
LONG TERM ASSETS		**2,130,218**	**2,036,096**
Short Term Debtors	*15*	157,326	121,760
Short Term Investments	*14*	1,461	35,462
Cash and Cash Equivalents	*20*	60,525	47,792
Assets Held for Sale	*9*	0	33
CURRENT ASSETS		**219,312**	**205,047**
Short Term Provisions	*21*	(4,163)	(5,803)
Short Term Borrowing	*14*	(83,203)	(89,322)
Short Term Creditors	*18*	(174,906)	(144,626)
CURRENT LIABILITIES		**(262,272)**	**(239,751)**
Long Term Provisions	*21*	(1,215)	(1,611)
Deferred Credits		(1)	(2)
Long Term Borrowing	*14*	(232,713)	(259,143)
Long Term Creditors	*19*	(4,670)	(3,926)
Capital Grant Receipts in Advance	*34*	(73,467)	(26,303)
Deferred Liabilities	*36*	(30)	(102)
Net Liabilities Related to Defined Benefit Pension Schemes	*44*	(260,645)	(616,201)
LONG TERM LIABILITIES		**(572,741)**	**(907,288)**
NET ASSETS		**1,514,517**	**1,094,104**
Usable Reserves		117,128	153,678
Unusable Reserves	*22*	1,397,389	940,426
TOTAL RESERVES		**1,514,517**	**1,094,104**

Richard Ennis
Corporate Director of Finance
20 November 2024

Movement in Reserves Statement

This statement shows the detail of the movement from the start of the year to the end of the year on the different reserves held by the Council. These reserves are analysed into ‘Usable Reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'Unusable Reserves'. The statement shows how the movements to the reserves in year are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council Tax (or rents) for the year. The Increase/(Decrease) line shows the net movement to the statutory General Fund Balance and Housing Revenue Account Balances in the year.

As at 31 March 2020 the Council held a negative Dedicated Schools Grant balance of £15.0m within the Earmarked Reserves. In November 2020 a statutory instrument came into effect amending the Local Authority (Capital Finance and Accounting) Regulations (2003 Regulations) by establishing new accounting practices in relation to the treatment of local authorities’ schools budget deficits. This relates to deficits in local authority accounts for 1st April 2020, 2021 and 2022. The Council must now not charge the deficit to a revenue account but instead record any such deficit in an account established solely for recording schools’ deficits. The new account is the Dedicated Schools Grant Adjustment Account and sits within Unusable Reserves. The new practice has the effect of splitting schools budget deficits from the General Fund into a new dedicated ring-fenced reserve for a period of three years.

Movement in Reserves Statement

	Note	General Fund Balance £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Grants Unapplied Reserve £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000
Balance at 31 March 2022		**26,712**	**64,286**	**15,351**	**7,115**	**9,537**	**30,678**	**153,678**
Total Comprehensive Income & Expenditure		(30,490)	(35,354)	9,363	0	0	0	**(56,481)**
Adjustments between accounting basis & funding basis under regulations	*4*	30,617	0	(9,528)	(5,062)	(4,609)	8,512	**19,930**
Increase/(Decrease) in Year		**127**	**(35,354)**	**(165)**	**(5,062)**	**(4,609)**	**8,512**	**(36,551)**
Balance at 31 March 2023		**26,839**	**28,932**	**15,186**	**2,053**	**4,928**	**39,190**	**117,127**

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	Note	General Fund Balance £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Grants Unapplied Reserve £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000
Balance at 31 March 2021		**28,517**	**81,520**	**15,201**	**12,784**	**4,613**	**20,508**	**163,143**
Total Comprehensive Income & Expenditure		(38,927)	(17,234)	(1,027)	0	0	0	**(57,188)**
Adjustments between accounting basis & funding basis under regulations	*4*	37,122	0	1,177	(5,669)	4,924	10,170	**47,724**
Increase/(Decrease) in Year		**(1,805)**	**(17,234)**	**150**	**(5,669)**	**4,924**	**10,170**	**(9,464)**
Balance at 31 March 2022		**26,712**	**64,286**	**15,351**	**7,115**	**9,537**	**30,678**	**153,679**

Movement in Unusable Reserves Statement

This statement shows the detail of the movement from the start of the year to the end of the year on the Unusable Reserves held by the Council breaking down the total figure for these reserves which are represented on the Movement in Reserves note overleaf. The statement shows how the movements to the reserves in year are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year.

	Note	Revaluation Reserve £'000	Capital Adjustment Account £'000	Financial Instruments Adjustment Account £'000	Pensions Reserve £'000	Collection Fund Adjustment Account £'000	Accumulated Absences Account £'000	Dedicated Schools Grant Adjustment Account £'000	Pooled Investment Fund Adjustment Account £'000	Total Unusable Reserves £'000
Balance at 31 March 2022		**591,896**	**1,010,185**	**(229)**	**(616,201)**	**(14,125)**	**(7,133)**	**(23,521)**	**(446)**	**940,426**
Total Comprehensive Income & Expenditure		79,360	0	0	397,534	0	0	0	0	**476,894**
Adjustments between accounting basis & funding basis under regulations	*4*	(10,639)	15,900	(411)	(41,978)	15,361	1,263	1,634	(1,061)	**(19,931)**
Increase/(Decrease) in Year		**68,721**	**15,900**	**(411)**	**355,556**	**15,361**	**1,263**	**1,634**	**(1,061)**	**456,963**
Balance at 31 March 2023		**660,617**	**1,026,085**	**(640)**	**(260,645)**	**1,236**	**(5,870)**	**(21,887)**	**(1,507)**	**1,397,389**

	Note	Revaluation Reserve £'000	Capital Adjustment Account £'000	Financial Instruments Adjustment Account £'000	Pensions Reserve £'000	Collection Fund Adjustment Account £'000	Accumulated Absences Account £'000	Dedicated Schools Grant Adjustment Account £'000	Pooled Investment Fund Adjustment Account £'000	Total Unusable Reserves £'000
Balance at 31 March 2021		**561,035**	**1,033,231**	**(258)**	**(739,389)**	**(37,244)**	**(8,591)**	**(25,385)**	**310**	**783,709**
Total Comprehensive Income & Expenditure		41,336	0	0	163,105	0	0	0	0	**204,441**
Adjustments between accounting basis & funding basis under regulations	*4*	(10,475)	(23,046)	29	(39,917)	23,119	1,458	1,864	(756)	**(47,724)**
Increase/(Decrease) in Year		**30,861**	**(23,046)**	**29**	**123,188**	**23,119**	**1,458**	**1,864**	**(756)**	**156,717**
Balance at 31 March 2022		**591,896**	**1,010,185**	**(229)**	**(616,201)**	**(14,125)**	**(7,133)**	**(23,521)**	**(446)**	**940,426**

Cash Flow Statement

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

	Note	2022/23 £'000	2021/22 £'000
Net deficit on the provision of services	*23*	56,481	57,188
Adjust net (surplus) on the provision of services for non cash movements	*23*	(134,915)	(117,952)
Adjust for items in the net deficit on the provision of services that are investing or financing activities	*23*	104,659	84,810
Net cash flows from operating activities	*23*	26,225	24,046
Net cash flows from investing activities	*24*	(31,263)	58,274
Net cash flows from financing activities	*25*	(7,694)	(74,324)
(Increase)/Decrease in cash and cash equivalents		**(12,732)**	**7,996**
Cash and cash equivalents at the beginning of the reporting period		**(47,793)**	**(55,789)**
Cash and cash equivalents at the end of the reporting period		**(60,525)**	**(47,793)**

Notes to the Main Financial Statements

1A. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

This note gives a summary of the adjustments allocated as 'Total Adjustments Between Funding & Accounting Basis' within the EFA which are required to adjust the General Fund and HRA management outturn reported to Cabinet to arrive at the Comprehensive Income and Expenditure Statement; recognised in accordance with proper accounting practices. Further information on these items can be found in note 4 to the accounts for Adjustments between Accounting Basis & Funding Basis Under Regulations which feed into the Movement in Reserves statement to align with the statutory amounts charged to the council taxpayer.

Adjustments from the management reported General Fund and HRA Balances to arrive at the Comprehensive Income and Expenditure Statement amounts within Adjustments between Funding & Accounting Basis are analysed below.

2022/23	Adjustments for Capital Purposes (1)	Net Change for the Pensions Adjustment (2)	Other Differences (3)	Total Adjustments between Funding & Accounting Basis
	£'000	£'000	£'000	£'000
Funding	0	576	(15,361)	(14,785)
Finance	(6,461)	2,456	3,677	(328)
Health and Social Care	977	3,186	2,568	6,731
Children, Families & Education	8,849	6,706	1,909	17,464
Property, Highways & Transport	10,748	1,173	1,659	13,580
Residents' Services	3,291	5,332	151	8,774
Corporate Services	2,147	3,430	1,971	7,548
Schools Budget	0	580	(2,142)	(1,562)
Housing Revenue Account	22,429	1,581	(5,336)	18,674
Net Cost of Services	**41,980**	**25,020**	**(10,904)**	**56,096**
Other Income & Expenditure on the Provision of Services from the Expenditure and Funding Analysis	(50,477)	16,229	(757)	**(35,005)**
Difference between General Fund surplus or deficit and CIES (Surplus) or Deficit on the Provision of Services	**(8,497)**	**41,249**	**(11,661)**	**21,091**

2021/22	Adjustments for Capital Purposes (Restated) (1)	Net Change for the Pensions Adjustment (Restated) (2)	Other Differences (Restated) (3)	Total Adjustments between Funding & Accounting Basis (Restated)
	£'000	£'000	£'000	£'000
Funding	0	(1,934)	(23,119)	(25,053)
Finance	(5,329)	2,688	2,226	(415)
Health and Social Care	711	4,049	1,655	6,415
Children, Families & Education	15,655	7,189	811	23,655
Property, Highways & Transport	10,280	1,297	1,025	12,602
Residents' Services	3,277	5,738	(109)	8,906
Corporate Services	1,847	3,739	709	6,295
				0
Schools Budget	0	670	1,556	2,226
Housing Revenue Account	17,131	1,469	(4,423)	14,177
Net Cost of Services	**43,572**	**24,905**	**(19,669)**	**48,808**
Other Income & Expenditure on the Provision of Services from the Expenditure and Funding Analysis	(27,717)	15,982	1,226	**(10,509)**
Difference between General Fund surplus or deficit and CIES (Surplus) or Deficit on the Provision of Services	**15,855**	**40,887**	**(18,443)**	**38,299**

(1) Adjustments for Capital Purposes

Net Cost of Services
This column adds depreciation, impairment and revaluation gains and losses in the services line

Other Income and Expenditure on the Provision of Services
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 on the Provision of Services 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.

(2) Net Change for the Pensions Adjustments

Net Cost of Services
Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income.

The removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.

Other Income and Expenditure on the Provision of Services
Financing and investment income and expenditure - the net interest on the defined benefit liability which is charged to the CIES.

(3) Other Differences

Net Cost of Services
Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute.

Other Income and Expenditure on the Provision of Services
Financing and investment income and expenditure - the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

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

1B. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

This note gives a summary of the adjustments allocated as "Adjustments Between Funding and Other Income and Expenditure" within the EFA which are required to adjust the General Fund and HRA management outturn reported to Cabinet to arrive at the Comprehensive Income and Expenditure statement. These adjustments remove items included within service lines of the Council's management presentation which relate to non-service items and reported under "Other Income and Expenditure on the Provision of Service" below the cost of service provision within the Comprehensive Income and Expenditure Statement. These items can be found within notes 6, 7 and 8.

Transfers include costs and income allocated between the service lines and also within items reported to management; transfers between General Fund and Earmarked Reserves.

Adjustments to General Fund and HRA net cost of services reported to management to Other Income and Expenditure on the Provision of Services in the Comprehensive Income and Expenditure Statement are analysed below.

2022/23	Precepts and Levies	Interest Payable	Interest Receivable	Taxation & Non Specific Grant Income (excl. Capital)	Transfers	Total Adjustments
	£'000	£'000	£'000	£'000	£'000	£'000
Funding	0	0	0	202,981	43,899	246,880
Finance	(823)	(3,837)	1,755	13,463	1,330	11,888
Health and Social Care	0	0	11	0	(43,899)	(43,888)
Children, Families & Education	0	0	0	0	0	0
Property, Highways & Transport	0	0	0	0	0	0
Residents' Services	0	0	0	0	(411)	(411)
Corporate Services	0	0	0	0	0	0
						0
Schools Budget	0	0	0	0	(100)	(100)
Housing Revenue Account	0	(5,503)	638	0	(819)	(5,684)
Net Cost of Services	**(823)**	**(9,340)**	**2,404**	**216,444**	**0**	**208,685**

2021/22	Precepts and Levies (Restated)	Interest Payable (Restated)	Interest Receivable (Restated)	Taxation & Non Specific Grant Income (excl. Capital) (Restated)	Transfers (Restated)	Total Adjustments (Restated)
	£'000	£'000	£'000	£'000	£'000	£'000
Funding	0	0	0	224,159	39,624	263,783
Finance	(823)	(2,453)	652	21,076	1,279	19,731
Health and Social Care	0	0	7	0	(39,624)	(39,617)
Children, Families & Education	0	(227)	0	0	0	(227)
Property, Highways & Transport	0	0	0	0	(206)	(206)
Residents' Services	0	0	0	0	0	0
Corporate Services	0	0	0	0	0	0
						0
Schools Budget	0	0	0	0	(31)	(31)
Housing Revenue Account	0	(5,600)	5	0	(1,042)	(6,637)
Net Cost of Services	**(823)**	**(8,280)**	**664**	**245,235**	**0**	**236,796**

2. SEGMENTAL INCOME AND EXPENDITURE

This note shows the Income and Expenditure received and paid on a segmental basis for material items reported in the Total Net Expenditure Charged to General Fund & HRA Balances within the Expenditure and Funding Analysis.

Segmental Income & Expenditure 2022/23	Fees charges and other service income	Interest Receivable	Depreciation	Interest Payable
	£'000	£'000	£'000	£'000
Funding	0	0	0	0
Finance	(322)	(1,755)	0	3,837
Health and Social Care	(15,232)	(11)	0	0
Children, Families & Education	(2,585)	0	0	0
Property, Highways & Transport	(5,798)	0	0	0
Residents' Services	(28,764)	0	0	0
Corporate Services	(1,228)	0	0	0
			0	0
Schools Budget	(31,221)	0	0	0
Housing Revenue Account	(67,905)	(638)	12,772	5,503
Net Cost of Services	**(153,055)**	**(2,404)**	**12,772**	**9,340**

Segmental Income & Expenditure 2021/22	Fees charges and other service income (Restated)	Interest Receivable (Restated)	Depreciation (Restated)	Interest Payable (Restated)
	£'000	£'000	£'000	£'000
Funding	0	0	0	0
Finance	(2,171)	652	0	(2,453)
Health and Social Care	(13,179)	7	0	0
Children, Families & Education	(2,277)	0	0	(227)
Property, Highways & Transport	(5,350)	0	0	0
Residents' Services	(24,558)	0	0	0
Corporate Services	(1,139)	0	0	0
		0	0	0
Schools Budget	(15,576)	0	0	0
Housing Revenue Account	(63,289)	5	12,208	(5,600)
Net Cost of Services	**(127,539)**	**664**	**12,208**	**(8,280)**

3. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

	2022/23	2021/22
Expenditure	**£'000**	**£'000**
Employee benefits expenses	241,933	228,198
Employee benefits of Voluntary Aided & Foundation Schools*	44,770	42,343
Other services expenses	478,868	466,243
Support service recharges	4,932	5,162
Depreciation, amortisation, impairment	72,287	72,265
Interest payments	26,298	23,291
Precepts and levies	823	823
Payments to Housing Capital Receipts Pool	1	1,171
Change in the Fair Value of Investment Properties	(729)	970
Total Expenditure	**869,183**	**840,466**
Income		
Fees, charges and other service income	(153,055)	(127,539)
Interest and investment income	(1,965)	(664)
Income from Council Tax and Non Domestic Rates	(173,243)	(165,971)
Government grants and contributions	(474,135)	(483,023)
Strategic Pooled Fund Fair Value Adjustment	1,061	756
Hillingdon First Ltd Fair Value Adjustment	(2,259)	(700)
Gain on the disposal of assets	(9,106)	(6,136)
Total Income	**(812,702)**	**(783,277)**
(Surplus)/Deficit on the Provision of Services	**56,481**	**57,189**

*Employee benefits of Voluntary Aided & Foundation schools - Voluntary aided and foundation school employees are not the employees of the Council but are incorporated into the single entity financial statements of the Council. The costs of employee benefits of voluntary aided and foundation schools have therefore been separately identified.

4. 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 the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to paid and out of which all liabilities of an authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. The balance is not available to be applied to fund HRA services which is ring fenced.

Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority Council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council’s landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS 2022/23

2022/23	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Grants Unapplied Reserve £'000	Capital Receipts Reserve £'000	Usable Reserves £'000	Revaluation Reserve £'000	Capital Adjustment Account £'000	Financial Instruments Adjustment Account £'000	Pensions Reserve £'000	Collection Fund Adjustment Account £'000	Dedicated Schools Grant Adjustment Account £'000	Accumulated Absences Account £'000	Pooled Investment Fund Adjustment Account £'000	Unusable Reserves £'000
Amortisation of intangible assets	(362)					**(362)**		362							**362**
Depreciation of non current assets	(25,198)		(12,772)			**(37,970)**	6,395	31,575							**37,970**
Revaluation and impairment of non current assets	(1,630)	(32,325)				**(33,955)**		33,955							**33,955**
Statutory provision for the financing of capital investment (MRP & VRP) and HRA debt provision	7,422	9,897				**17,319**		(17,319)							**(17,319)**
Revenue expenditure funded from capital under statute (REFCUS)	(12,744)	(19)				**(12,763)**		12,763							**12,763**
Capital grants and contributions applied	19,045	22,327		4,609		**45,981**		(45,981)							**(45,981)**
Repayment of prior year loan to HFL					0	**0**									**0**
Capital expenditure charged in year to balances	73		23,140			**23,213**		(23,213)							**(23,213)**
Use of Capital Receipts Reserve to finance new capital expenditure					13,697	**13,697**		(13,697)							**(13,697)**
Amounts written off on disposal of non current assets	2,164	6,943			(22,210)	**(13,103)**	4,244	8,859							**13,103**
Finance Lease Principal	216					**216**		(216)							**(216)**
Gain/Loss Investment Property	729					**729**		(729)							**(729)**
Transfer from capital receipts reserve to meet payments to the housing capital receipts pool	(1)				1	**0**									**0**
Premiums and discounts	29					**29**			(29)						**(29)**
Strategic pooled fund fair value adjustment	(1,061)					**(1,061)**								1,061	**1,061**
Soft Loan charge	(440)					**(440)**			440						**440**
Hillingdon First Limited Fair Value Adjustment	2,259					**2,259**		(2,259)							**(2,259)**
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations	(67,909)	(4,575)				**(72,484)**				72,484					**72,484**
Employer's contributions payable to the pension fund and retirement benefits payable direct to pensioners	28,580	1,926				**30,506**				(30,506)					**(30,506)**
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated	15,361					**15,361**					(15,361)				**(15,361)**
DSG	1,634					**1,634**						(1,634)			**(1,634)**
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from	1,215	48				**1,263**							(1,263)		**(1,263)**
Transfer to Reserve for Capital projects		5,306	(5,306)			**0**									**0**
Total Adjustments	**(30,617)**	**9,528**	**5,062**	**4,609**	**(8,512)**	**(19,931)**	**10,639**	**(15,900)**	**411**	**41,978**	**(15,361)**	**(1,634)**	**(1,263)**	**1,061**	**19,931**

ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS 2021/22

2021/22	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Grants Unapplied Reserve £'000	Capital Receipts Reserve £'000	Usable Reserves £'000	Revaluation Reserve £'000	Capital Adjustment Account £'000	Financial Instruments Adjustment Account £'000	Pensions Reserve £'000	Collection Fund Adjustment Account £'000	Dedicated Schools Grant Adjustment Account £'000	Accumulated Absences Account £'000	Pooled Investment Fund Adjustment Account £'000	Unusable Reserves £'000
Amortisation of intangible assets	(420)					**(420)**		420							**420**
Depreciation of non current assets	(24,002)		(12,208)			**(36,210)**	6,178	30,032							**36,210**
Revaluation and impairment of non current assets	(8,703)	(26,931)				**(35,634)**		35,634							**35,634**
Statutory provision for the financing of capital investment (MRP & VRP) and HRA debt provision*	6,467	9,799				**16,266**		(12,266)				-4000			**(16,266)**
Revenue expenditure funded from capital under statute (REFCUS)	(7,300)	123				**(7,177)**		7,177							**7,177**
Capital grants and contributions applied	17,393	4,188		(4,924)		**16,657**		(16,657)							**(16,657)**
Repayment of prior year loan to HFL					(6,771)			6,771							
Capital expenditure charged in year to balances	129		22,123			**22,252**		(22,252)							**(22,252)**
Use of Capital Receipts Reserve to finance new capital expenditure					13,281	**13,281**		(13,281)							**(13,281)**
Amounts written off on disposal of non current assets	(3,559)	9,696			(17,851)	**(11,714)**	4,297	7,417							**11,714**
Finance Lease Principal	219					**219**		(219)							**(219)**
Gain/Loss Investment Property	(970)					**(970)**		970							**970**
Transfer from capital receipts reserve to meet payments to the housing capital receipts pool	(1,171)				1,171	**0**									**0**
Premiums and discounts	29					**29**			(29)						**(29)**
Strategic pooled fund fair value adjustment	(756)					**(756)**								756	**756**
Hillingdon First Limited Fair Value Adjustment	700					**700**		(700)							**(700)**
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations	(65,242)	(4,087)				**(69,329)**				69,329					**69,329**
Employer's contributions payable to the pension fund and retirement benefits payable direct to pensioners	27,676	1,736				**29,412**				(29,412)					**(29,412)**
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	23,119					**23,119**					(23,119)				**(23,119)**
DSG	(2,136)					**(2,136)**						2,136			**2,136**
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory	1,405	53				**1,458**							(1,458)		**(1,458)**
Transfer to Reserve for Capital projects		4,246	(4,246)			**0**									**0**
Total Adjustments	**(37,122)**	**(1,177)**	**5,669**	**(4,924)**	**(10,170)**	**(47,724)**	**10,475**	**23,046**	**(29)**	**39,917**	**(23,119)**	**(1,864)**	**(1,458)**	**756**	**47,724**

5. EARMARKED RESERVE TRANSFERS

	31 March 2021 £'000	Transfers In 2021/22 £'000	Transfers Out 2021/22 £'000	31 March 2022 £'000	Transfers In 2022/23 £'000	Transfers Out 2022/23 £'000	31 March 2023 £'000
Earmarked Reserves:							
Grants Unapplied	**3,308**	20,943	(17,905)	**6,346**	788	(4,202)	**2,932**
Member Initiatives	**15,583**	20	(3,127)	**12,476**	(1,710)	(6,995)	**3,771**
Other Reserves	**12,543**	13,751	(10,282)	**16,012**	12,258	(15,625)	**12,645**
Business Rates Reserve	**31,537**	13,616	(32,499)	**12,654**	463	(16,548)	**(3,430)**
Barnhill PFI	**687**	376	(437)	**626**	399	(514)	**511**
Public Health Reserve	**3,321**	597	(2,517)	**1,401**	767	(1,506)	**661**
Parking Revenue Account / New Roads & Street Works Reserve	**490**	0	(238)	**252**	0	(200)	**52**
Housing Revenue Account	**224**	0	(224)	**0**	0	0	**0**
Total Council Earmarked Reserves	**67,693**	**49,303**	**(67,229)**	**49,767**	**12,966**	**(45,591)**	**17,142**
Schools Reserves							
Other Schools Reserves	**13,827**	692	0	**14,519**	0	(2,728)	**11,791**
Total Schools Reserves	**13,827**	**692**	**0**	**14,519**	**0**	**(2,728)**	**11,791**
Total	**81,520**	**49,995**	**(67,229)**	**64,286**	**12,966**	**(48,319)**	**28,933**

Grants Unapplied

Funds set aside from specific revenue grants to support future investment in services, which will be drawn down as required to support ongoing projects. Balances at 31 March 2023 include monies in respect of the Homelessness.

Member Initiatives

Funds set aside to support delivery of specific local initiatives, including Hillingdon Improvement Programme, Highways maintenance and Leader's Initiatives amongst other balances. These monies are expected to be drawn down over the life of these initiatives.

Other Reserves

Funds set aside to manage cyclical or irregular expenditure, including Housing Needs Initiatives, the Corporate Insurance Reserve, Elections Reserve and provision for costs of service transformation amongst other balances. Funds will be drawn down as required to fund specific costs.

Business Rate Retention Reserve

Grant income received from Government to reimburse the Council for losses within the Collection Fund Adjustment Account relating to changes to Business Rates Reliefs. Under the current Business Rates Retention System, these grants are received in advance of deficits impacting upon the General Fund and therefore held in a separate reserve. Note that the significant decrease in the reserve balance reflects the utilisation of LBH share of retail relief granted after budgets were set for 2022/23 to finance an element of the corresponding deficit of £39,245k held in the Collection Fund Adjustment Account at 31st March 2022.

Barnhill PFI

Funds held to cover costs occurring over the lifecycle for the PFI school Barnhill Academy.

Public Health Reserve

A reserve required under statute to earmark any accounting under spend on Public Health activities transferred into the Council from the NHS from 1 April 2013. Monies set aside include funds to meet outstanding commitments and manage any risks associated with the service.

6. OTHER OPERATING EXPENDITURE

	2022/23 £'000	2021/22 £'000
Payments to Government Housing Capital Receipts Pool	1	1,171
Precepts and Levies	823	823
Total	**824**	**1,994**

7. NET FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2022/23 £'000	2021/22 £'000
Interest payable and similar charges	9,340	8,280
Interest receivable and similar income	(2,404)	(664)
Strategic pooled fund fair value adjustment	1,061	756
Hillingdon First Ltd fair value adjustment	(2,259)	(700)
Net interest on the net defined benefit liability	16,958	15,011
Changes in the fair value of investment properties	(729)	970
Total	**21,967**	**23,653**

8. TAXATION AND NON-SPECIFIC GRANT INCOME

	2022/23 £'000	2021/22 £'000
Council Tax Income	(127,626)	(124,624)
Non-Domestic Rates Income	(105,769)	(100,981)
Non-Domestic Rates Tariff payable to Central Government	53,667	53,667
Non-Domestic Rates Levy (receivable)/Payable to Central Government	6,485	5,967
Non-Ringfenced Government Grants	(43,199)	(79,264)
Capital Grants & Contributions	(41,372)	(21,581)
Total	**(257,814)**	**(266,816)**

9. MOVEMENT OF NON-CURRENT ASSETS 2022/23

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Sub Total Plant, Property & £'000	Heritage Assets £'000	Intangibles £'000	Investment Properties £'000	Assets Held for Sale £'000	Total Non Current Assets £'000
Cost or Valuation as at 1 April 2022	**811,393**	**904,130**	**98,461**	**14,720**	**22,508**	**8,339**	**1,859,551**	**5,598**	**2,938**	**3,959**	**33**	1,872,079
Additions	34,221	61	3,473	52	16,101	0	**53,908**	0	66	0	0	**53,974**
Enhancements	20,495	8,848	26	502	6,494	0	**36,365**	131	0	0	0	**36,496**
Revaluation increases/(decreases) recognised in Revaluation Reserve	28,227	4,732	8,882	0	0	21,845	**63,686**	0	0	0	0	**63,686**
Revaluation increases/(decreases) recognised in Surplus/Deficit on Services	(33,861)	(5,841)	0	0	(339)	(7)	**(40,048)**	0	0	729	0	**(39,319)**
Derecognition - Disposals	(5,103)	(6,644)	(256)	0	(1,571)	0	**(13,574)**	0	(280)	0	(33)	**(13,887)**
Derecognition - Other		(1,017)	(2,886)	0		0	**(3,903)**	0	0	0	0	**(3,903)**
Assets reclassified within Property Plant and Equipment	866	(240)	39	0	(8,355)	7,690	**0**	0	0	0	0	**0**
Other Movements in Cost or Valuation	0	0	185	0	0	0	**185**	0	(2)	(1)	0	**182**
Cost or Valuation as at 31 March 2023	**856,238**	**904,029**	**107,924**	**15,274**	**34,838**	**37,867**	**1,956,170**	**5,729**	**2,722**	**4,687**	**0**	**1,969,308**
Accumulated Depreciation & Impairment as at 1 April 2022	**0**	**(14,267)**	**(25,936)**	**(528)**	**0**	**(4)**	**(40,735)**	**0**	**(1,351)**	**0**	**0**	**(42,086)**
Depreciation charge in 2022/23	(12,056)	(9,690)	(7,827)	0	0	(18)	**(29,591)**	0	(380)	0	0	**(29,971)**
Depreciation written out to Revaluation Reserve	10,000	4,358	1,296	0	0	20	**15,674**	0	0	0	0	**15,674**
Depreciation written out to Surplus/Deficit on Services	1,982	3,195	0	0	0	2	**5,179**	0	0	0	0	**5,179**
Derecognition - Disposals	74	253	3,142	0	0	0	**3,469**	0	0	0	0	**3,469**
Derecognition - Other	0	934	0	0	0	0	**934**	0	280	0	0	**1,214**
Assets reclassified within Property Plant and Equipment	0	22	0	0	0	0	**22**	0	0	0	0	**22**
Other movements in Depreciation and Impairment	0	13	(185)	(13)	(9)	(13)	**(207)**	0	0	0	0	**(207)**
Accumulated Depreciation & Impairment as at 31 March 2023	**0**	**(15,182)**	**(29,510)**	**(541)**	**(9)**	**(13)**	**(45,255)**	**0**	**(1,451)**	**0**	**0**	**(46,706)**
Balance Sheet amount 1 April 2022	**811,393**	**889,863**	**72,525**	**14,192**	**22,508**	**8,335**	**1,818,816**	**5,598**	**1,587**	**3,959**	**33**	**1,829,993**
Balance Sheet amount 31 March 2023	**856,238**	**888,847**	**78,414**	**14,733**	**34,829**	**37,854**	**1,910,915**	**5,729**	**1,271**	**4,687**	**0**	**1,922,602**
Nature of asset holding												
Owned	856,238	888,847	78,414	14,733	34,829	37,854	**1,910,915**	5,729	1,271	4,687	0	**1,922,602**
Finance Lease	0	0	0	0	0	0	**0**	0	0	0	0	**0**
Balance Sheet amount 31 March 2023	**856,238**	**888,847**	**78,414**	**14,733**	**34,829**	**37,854**	**1,910,915**	**5,729**	**1,271**	**4,687**	**0**	**1,922,602**

MOVEMENT OF NON-CURRENT ASSETS 2021/22

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Sub Total Plant, Property & Equipment £'000	Heritage Assets £'000	Intangibles £'000	Investment Properties £'000	Assets Held for Sale £'000	Total Non Current Assets £'000
Cost or Valuation as at 1 April 2021	**786,295**	**897,356**	**95,739**	**13,763**	**24,923**	**7,697**	**1,825,773**	**5,629**	**2,938**	**4,929**	**40**	**1,839,309**
Additions	10,319	0	4,199	0	6,175	0	**20,693**	0	0	0	0	**20,693**
Enhancements	28,656	10,255	2,128	443	(2,583)	0	**38,899**	61	0	0	2	**38,962**
Revaluation increases/(decreases) recognised in Revaluation Reserve	13,110	14,000	(733)	0	694	643	**27,714**	(92)	0	0	0	**27,622**
Revaluation increases/(decreases) recognised in Surplus/Deficit on Services	(28,273)	(9,948)	(294)	0	(694)	0	**(39,209)**	0	0	(970)	0	**(40,179)**
Derecognition - Disposals	(4,632)	(6,142)	0	0	0	0	**(10,774)**	0	0	0	(27)	**(10,801)**
Derecognition - Other	0	(1,003)	(2,549)	0	0	0	**(3,552)**	0	0	0	(13)	**(3,565)**
Assets reclassified within Property Plant and Equipment	(31)	0	0	0	0	0	**(31)**	0	0	0	31	**0**
Assets reclassified (to) & from Held for Sale & Investment Properties	5,949	(388)	(29)	514	(6,007)	(1)	**38**	0	0	0	0	**38**
Cost or Valuation as at 31 March 2022	**811,393**	**904,130**	**98,461**	**14,720**	**22,508**	**8,339**	**1,859,551**	**5,598**	**2,938**	**3,959**	**33**	**1,872,079**
Accumulated Depreciation & Impairment as at 1 April 2021	**0**	**(9,387)**	**(22,507)**	**(460)**	**0**	**(43)**	**(32,397)**	**0**	**(932)**	**0**	**0**	**(33,329)**
Depreciation charge in 2021/22	(11,403)	(9,602)	(7,216)	0	0	(20)	**(28,241)**	0	(419)	0	0	**(28,660)**
Depreciation written out to Revaluation Reserve	9,253	3,285	1,136	0	0	57	**13,731**	0	0	0	0	**13,731**
Depreciation written out to Surplus/Deficit on Services	2,089	1,364	88	0	0	2	**3,543**	0	0	0	0	**3,543**
Derecognition - Disposals	60	23	0	0	0	0	**83**	0	0	0	1	**84**
Derecognition - Other	0	19	2,549	0	0	0	**2,568**	0	0	0	0	**2,568**
Assets reclassified within Property Plant and Equipment	1	0	0	0	0	0	**1**	0	0	0	(1)	**0**
Assets reclassified (to) & from Held for Sale & Investment Properties	0	31	14	(68)	0	0	**(23)**	0	0	0	0	**(23)**
Accumulated Depreciation & Impairment as at 31 March 2022	**0**	**(14,267)**	**(25,936)**	**(528)**	**0**	**(4)**	**(40,735)**	**0**	**(1,351)**	**0**	**0**	**(42,086)**
Balance Sheet amount 1 April 2021	**786,295**	**887,969**	**73,232**	**13,303**	**24,923**	**7,654**	**1,793,376**	**5,629**	**2,006**	**4,929**	**40**	**1,805,980**
Balance Sheet amount 31 March 2022	**811,393**	**889,863**	**72,525**	**14,192**	**22,508**	**8,335**	**1,818,816**	**5,598**	**1,587**	**3,959**	**33**	**1,829,993**
Nature of asset holding												
Owned	811,393	889,863	72,525	14,192	22,508	8,335	**1,818,816**	5,598	1,587	3,959	33	**1,829,993**
Finance Lease	0	0	0	0	0	0	**0**	0	0	0	0	**0**
Balance Sheet amount 31 March 2022	**811,393**	**889,863**	**72,525**	**14,192**	**22,508**	**8,335**	**1,818,816**	**5,598**	**1,587**	**3,959**	**33**	**1,829,993**

INFRASTRUCTURE ASSETS

	2022/23 £'000	2021/22 £'000
Net Book Value as at 1 April	**185,091**	**181,923**
Enhancements	7,812	11,140
Revaluation increases/(decreases) recognised in Revaluation Reserve	0	(18)
Assets reclassified (to) & from Held for Sale & Investment Properties	0	18
Depreciation charge in 2021/22	(8,360)	(7,972)
Net Book Value as at 31 March	**184,543**	**185,091**

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets, this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

10. REVALUATION LOSSES/GAINS RECOGNISED IN COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

The Council undertakes a rolling programme that ensures all of its Property, Plant and Equipment is carried at current value or fair value as prescribed in the Code of Practice and that every asset is valued at least every 5 years. In 2022/23 a rolling programme of General Fund assets including investment properties and high value assets, were valued by external independent valuers Wilks Head & Eve LLP.

The Housing Stock was uplifted in value to reflect market conditions for all Council Dwellings by Jones Lang LaSalle Limited to reflect the value at 31 March 2023 through a desktop valuation process. Valuations are carried out in accordance with professional standards of the Royal Institution of Chartered Surveyors.

During 2022/23, the Council has recognised revaluation gains of £79,360k directly to the revaluation reserve. The Council also recognised valuation losses of £33,955k in the Surplus/Deficit on provision of services which was then reversed through the Movement in Reserves Statement to mitigate any impact on General Fund and Housing Revenue Account Balances.

Fair Value Hierarchy

Investment property and surplus properties are measured at fair value in accordance with IFRS13 Fair Value Measurement. In estimating the fair value, the valuation has taken into account the highest and best use of the assets estimating the price at which an orderly transaction to sell the asset would take place under current market conditions. IFRS13 also seeks to increase consistency and comparability within the valuation process and categorises valuations under a fair value hierarchy which considers methodology of the valuation using levels of observable and unobservable inputs. Property within the borough is actively purchased, sold or leased on the open market and there are a number of comparables. As such, the level of observable inputs is significant, leading to all properties being categorised as level 2 on the fair value hierarchy. There have been no changes in asset methodology which resulted in moving asset fair values between levels on the fair value hierarchy during the year.

11. COMMITMENTS UNDER CAPITAL CONTRACTS

As at March 2023, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment during 2022/23 and future years budgeted to cost £165,912k.

Commitments under capital contracts

Scheme	31 March 2023 £'000	31 March 2022 £'000
Housing	11,221	10,995
Housing Regeneration	30,526	0
New Vehicles	306	561
New Platinum Jubilee Leisure Centre, West Drayton	23,609	32,647
Other Capital Projects	4,368	4,478
Schools Expansions Programme	263	640
Total	**70,293**	**49,321**

Notes:
1. Housing Regeneration is the Regeneration Programme on the Hayes town Centre and Avondale Road estates. The council is in a development agreement for all phases of the development expected to last for 7 years, with an estimated value of £126,144k. The first contractual phase commenced in December 2022 and has £30,526k remaining as at 31st March 2023.
2. New Platinum Jubilee Leisure Centre, West Drayton is a major construction project in progress budgeted at £37m.

12. HERITAGE ASSETS

At 31 March 2023 the Council held Civic Regalia and a statue 'Anticipation' at an insurance value of £589k. The Council owns the Battle of Britain Bunker that has been insured for £4,859k and there was capital expenditure of £131k in year to maintain the asset. As neither a current market valuation, nor a replacement cost is available due to the specialist nature of this historic asset, the insurance has been used as the basis for valuation. In addition, several artefacts held at the battle of Britain bunker site are held as heritage assets, which belonged to Battle of Britain flying ace Wing Commander Ronald Gustave Kellett who was stationed at RAF Northolt in 1940. These items have been valued at £150k based on auctions of similar items.

The Council also holds an 18th Century stable block within the grounds of Cranford Park alongside a collection of antique farm equipment. There are a number of artefacts including historical archives stored within the Battle of Britain bunker. These are insured through the Council's general insurance scheme but do not hold specific valuations, are non-realisable and therefore are not included on the Council's balance sheet.

Heritage Assets of Particular Importance

The Battle of Britain Bunker is an underground operations room and is a historic landmark of national significance. The bunker played a crucial role in the air defence of the United Kingdom throughout World War Two by the No 11 Group Fighter Command. It was vital in directing RAF operations throughout the war with fighter aircraft operations being controlled from the bunker throughout the war but most notably during the Battle of Britain and on D-Day. The bunker was visited by both Winston Churchill and King George VI in 1940 and it was here that Winston Churchill on 16 August 1940 spoke the famous words "Never in the field of human conflict was so much owed, by so many, to so few". Evacuations started in 1938 and the operations bunker was constructed in 1939. The bunker is located 60 feet below ground level and is accessed via a staircase of over 70 steps. Within the collection which belonged to Wing Commander Ronald Gustave Kellett, are medals awarded for distinguished acts of valour and courage such as the Distinguished Flying Cross (DFC) as well as flying logbooks. A number of items are displayed for residents to view while other items will be preserved researchers and historians to view to represent the historical importance and protect for generations to come. The Battle of Britain Bunker is signed up to the Museums Association's code of ethics. The site is alarmed and monitored with security services to protect the site and artefacts. Restoration and conservation works have been carried out on a number of exhibited artefacts within the bunker such as the wartime map.

13. INVESTMENT PROPERTIES

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

	2022/23 £'000	2021/22 £'000
Rental income from investment property	(260)	(229)
Direct operating expenses arising from investment property	55	50
Net gain	**(204)**	**(179)**

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 repairs, maintenance or enhancement.

Notes to the Main Financial Statements

14. FINANCIAL INSTRUMENT BALANCES

FINANCIAL ASSETS

	Current		Long-Term		Total	
	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000
Investments at Amortised Cost	1,461	35,462		0	1,461	35,462
Fair Value through Profit & Loss						
- Principal	0	0	15,070	15,110	15,070	15,110
- Fair Value Adjustment	0	0	(1,507)	(487)	(1,507)	(487)
- Hillingdon First Limited - Principal	0	0	4,500	3,800	4,500	3,800
- Hillingdon First Limited - Fair Value Adjustment	0	0	2,259	700	2,259	700
- GLL Soft Loan	0	0	1,240	0	1,240	0
Total Investments	**1,461**	**35,462**	**21,562**	**19,123**	**23,023**	**54,585**
Cash & Cash Equivalents at Amortised Cost						
- Cash held by the Council	22	24	0	0	22	24
- Bank Current Accounts	13,797	15,068	0	0	13,797	15,068
- Liquid Deposits	46,707	0	0	0	46,707	0
Fair Value through Profit & Loss	0	32,700	0	0	0	32,700
Total Cash & Cash Equivalents	**60,526**	**47,792**	**0**	**0**	**60,526**	**47,792**
Other Assets at Amortised Cost						
- Trade Receivables	47,138	32,704	223	0	47,361	32,704
- Lease Receivables	1,132	1,337	11,115	12,239	12,247	13,576
- Loss allowance	(12,122)	(6,475)	0	0	(12,122)	(6,475)
Total Other Assets	36,148	27,566	11,338	12,239	47,486	39,805
Total Financial Assets	**98,135**	**110,820**	**32,900**	**31,362**	**131,035**	**142,182**

Notes to the Main Financial Statements

FINANCIAL LIABILITIES

	Current		Long-Term		Total	
	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000
Loans at Amortised Cost						
- Principal sum borrowed	(81,500)	(88,167)	(242,171)	(268,671)	(323,671)	(356,838)
- Accrued Interest	(1,703)	(1,155)	0	0	(1,703)	(1,155)
- EIR Adjustment	0	0	9,458	9,528	9,458	9,528
Total Loans	**(83,203)**	**(89,322)**	**(232,713)**	**(259,143)**	**(315,916)**	**(348,465)**
Other Liabilities at Amortised Cost						
- Trade Payables	(37,068)	(41,938)	(4)	0	(37,072)	(41,938)
- PFI arrangements	(72)	(216)	(30)	(102)	(102)	(318)
Total Other Liabilities	**(37,140)**	**(42,154)**	**(34)**	**(102)**	**(37,174)**	**(42,256)**
Total Financial Liabilities	**(120,343)**	**(131,476)**	**(232,747)**	**(259,245)**	**(353,090)**	**(390,721)**

INCOME, EXPENSE, GAINS AND LOSSES

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	2022/23	2021/22
	Surplus or Deficit on the provision of Services £'000	Surplus or Deficit on the provision of Services £'000
Interest Revenue		
- Assets measured at amortised cost	(1,019)	(247)
- Other		(7)
Dividend Revenue		
- Assets measured at fair value through profit and loss	(1,373)	(410)
Net Gains		
- Revaluation gains on assets measured at fair value through profit and loss	(1)	0
Interest & Investment Income and Revaluation Gains	**(2,393)**	**(664)**
Interest Expenses		
- Liabilities measured at amortised cost	8,812	7,940
- PFI & Lease Contracts	119	227
- Other	357	3
Other Expenses		
- Brokerage Fees	46	64
- Other Professional Fees	6	6
Net Losses		
- Revaluation loss on assets measured at fair value through profit & loss	(1,198)	96
Interest Payable and Revaluation Losses	**8,142**	**8,336**
Net (Gain)/Loss for the Year	**5,749**	**7,672**

STRATEGIC POOLED FUND INVESTMENTS AT FAIR VALUE THROUGH PROFIT & LOSS

The Council has elected to apply the statutory override to account for the following investments measured at fair value through profit & loss and transfer any fair value movements through the MIRS into the Pooled Investment Fund Adjustment Account.

Equity Instruments designated at Fair Value through Profit & Loss

	Fair Value		Dividends		Transfer Gain/(Loss)	
Long Term	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000
- Ninety One Diversified Income Fund	4,469	4,719	189	176	(250)	(236)
- Columbia Threadneedle Strategic Bond Fund	4,510	5,008	162	113	(498)	(240)
- M&G Optimal Income Fund	4,513	4,826	162	99	(313)	(280)
Total Equity Instruments	**13,493**	**14,553**	**513**	**388**	**(1,061)**	**(756)**

FAIR VALUES OF ASSETS AND LIABILITIES

Financial instruments

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

The financial assets held by the Council during the year are accounted for under the following classifications:

- Amortised cost
- Fair value through other comprehensive income
- Fair value through profit and loss

Financial liabilities

A financial liability is a contractual obligation to deliver cash or other financial asset to another entity or exchange a financial asset or liability with another entity under conditions, which are potentially unfavourable to the Council. The Council's financial liabilities held during the year were all measured at amortised cost.

The fair value of an instrument is determined by calculating the Net Present Value of future cash flows that are scheduled to take place over the remaining life of the instrument. This provides an estimate of the value of payments in the future in today's terms.

Fair Value

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including shares in money market funds and other pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2023, using the following methods and assumptions:

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2023, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lenders' options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate, or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows, excluding service charge elements, at the appropriate AA-rated corporate bond yield.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

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

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

FAIR VALUE OF LIABILITIES

Financial Liabilities	Fair Value Level	31 March 2023 Carrying Amount £'000	31 March 2023 Fair Value £'000	31 March 2022 Carrying Amount £'000	31 March 2022 Fair Value £'000
PWLB Loans	2	(191,732)	(172,434)	(199,726)	(217,320)
Market Loans	2	(48,610)	(54,886)	(48,612)	(74,786)
Local Authority Loans	2	(75,574)	(74,686)	(100,127)	(99,617)
Lease & PFI Liabilities	2	(102)	(132)	(318)	(468)
Trade Payables	N/A	(37,068)	(37,068)	(41,938)	(41,938)
		(353,086)	**(339,206)**	**(390,721)**	**(434,129)**

The fair value of liabilities is lower than the balance sheet carrying amount because the Council's debt portfolio includes a number of loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. Overall, there is a notional future gain (based on economic conditions at 31 March 2023) arising from a commitment to pay interest to lenders below current market rates.

FAIR VALUE OF ASSETS

	Fair Value Level	31 March 2023 Carrying Amount £'000	31 March 2023 Fair Value £'000	31 March 2022 Carrying Amount £'000	31 March 2022 Fair Value £'000
Financial Assets Held at Fair Value					
Money Market Funds	1	0	0	32,700	32,700
Pooled Funds (Long-Term)	2	13	13	13	13
Strategic Pooled Funds (Long-Term)	2	13,493	13,493	14,553	14,553
Shares in Listed Companies (Long-Term)	1	58	58	57	57
Hillingdon First Limited - Equity	3	6,759	6,759	4,500	4,500
Financial Assets Held at Amortised Cost					
Short-Term Deposits & Deposit Accounts	N/A	1,461	1,461	35,462	35,462
Cash and Bank Current Accounts	N/A	60,525	60,525	15,092	15,092
GLL Soft Loan	3	1,240	1,240	0	0
Lease Receivables	N/A	102	102	318	318
Trade Receivables	N/A	35,016	35,016	26,229	26,229
		118,667	**118,667**	**128,924**	**128,924**

The fair value of short-term financial assets held at amortised cost, including trade and lease receivables, is assumed to approximate to the carrying amount.

LOSS ALLOWANCE BY ASSET CLASS

	31 March 2023		31 March 2022	
	Gross receivable £'000	Simplified approach Loss £'000	Gross receivable £'000	Simplified approach Loss £'000
Lifetime Expected Credit Loss - Trade Receivables	47,138	(12,122)	32,704	(6,475)

Offsetting Financial Assets and Liabilities

Financial assets or liabilities are set off against each other where the Council has a legally enforceable right to do so. The Council's bank accounts held with NatWest Bank have a right of offset; for 2022/23 there were no accounts in an overdraft position where an offset was applied.

RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

	31 March 2023 £'000	Realised gains/losses £'000	Unrealised gains/losses £'000	Sales £'000	Purchases £'000	Transfers out of Level 3 £'000	Transfers into Level 3 £'000	01 April 2022 £'000
Hillingdon First Limited - Equity	6,759	0	2,259	0	0	0	0	4,500
	6,759	**0**	**2,259**	**0**	**0**	**0**	**0**	**4,500**

There have been no transfers between levels during the financial year. Transfers will only occur when there is a fundamental change in the underlying pricing structure and inputs.

The Council has invested £3.37m as equity shares in Hillingdon First Limited (HFL), a wholly owned subsidiary. Shares in HFL are not publicly traded so a market share is not readily available thus the fair value of the company has been independently determined to be £6.8m on the basis of future cash flows, business plan and the company's own accounts.

Changes in any of these assumptions would influence the fair value of HFL, thus a 1% change in assumptions would mean a £68k change in fair value.

15. SHORT TERM DEBTORS

	31 March 2023 £'000	31 March 2022 £'000
Trade Receivables	35,016	26,229
Prepayments	4,218	5,729
Other receivable amounts	118,092	89,802
	157,326	**121,760**

Included within short term debtors is an impairment allowance for £32,605k (£30,530k in 21/22) of which £12,122k relates to trade receivables and £20,483k relates to other receivable amounts.

Notes to the Main Financial Statements

16. DEBTORS FOR TAXATION

Debtors for taxation are included within the ‘other receivable amounts’ in note 15 and are detailed below:

	31 March 2023 £'000	31 March 2022 £'000
Up to one year	8,589	9,294
One to three years	14,245	10,813
Over three years	12,020	12,071
	34,854	**32,178**

17. LONG TERM DEBTORS

	31 March 2023 £'000	To Short Term £'000	Repayments £'000	Additions £'000	31 March 2022 £'000
Housing advances & associations	2				2
Sale of council houses	2				2
Other loans & advances	1,177		(679)	268	1,588
Developer contributions	330				330
	1,511	**0**	**(679)**	**268**	**1,922**

18. SHORT TERM CREDITORS

	31 March 2023 £'000	31 March 2022 £'000
Trade Payables	37,068	41,938
Other Payables	137,838	102,688
	174,906	**144,626**

19. LONG TERM CREDITORS

Long Term Creditors consist of balances held under Section 106 and 278 Agreements and deposits. These amounted to £4,670k at 31 March 2023 (£3,925k at 31 March 2022).

20. CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is made up of the following elements:

	31 March 2023 £'000	31 March 2022 £'000
Cash and Bank Current Accounts	60,525	47,792
Total Cash and Cash Equivalents	**60,525**	**47,792**

21. PROVISIONS

	1 April 2022 £'000	Additional provisions made in 2022/23 £'000	Amounts used in 2022/23 £'000	Unused amounts reversed in 2022/23 £'000	31 March 2023 £'000	Short-Term Provisions £'000	Long-Term Provisions £'000
Non Domestic Rates Appeal Losses	838	0	0	(686)	152	152	0
Social Care Disputes	1,003	382	(155)	0	1,230	1,230	0
Insurance Provision	5,069	1,735	0	(2,962)	3,842	2,636	1,206
Other provisions	504	68	(101)	(316)	154	145	9
Total Provisions	**7,414**	**2,185**	**(256)**	**(3,964)**	**5,378**	**4,163**	**1,215**

Non-Domestic Rates Appeal Losses

See note 3 to the Collection Fund Accounts. The Collection Fund Share represents the Council's 30% obligation in relation to appeals over the rateable value of properties from NNDR purposes.

The movement in the provision is caused by a decrease in the number of cases lodged with the Valuation Office Agency, reflecting that 2022/23 is the final year that the 2017 Rateable Value list was applicable with no further appeals against this list permitted after this year. Therefore, the overall Appeals Provision for the Collection Fund decreased from £2,762k at the end of 2021/22 to £506k at the end of 2022/23. As Hillingdon's percentage share of Business Rates has remained stable over the two financial years, the share of the appeals provision has moved proportionately.

Social Care Disputes

There are a small number of cases within Adult Social Care where the Ordinary Residence is in dispute with another local authority and determination from the Secretary of State is being sought. If it is determined that the Ordinary Residence for these cases is within the London Borough of Hillingdon, then payments will have to be made for the back dated costs of the placements. This provision is based on paying for the placements from the date the cases were originally referred to the Social Work teams. In addition, there are potential legal disputes in relation to funding levels of care provision.

Insurance

The Council has external insurance and liability indemnity to protect against major risks associated with items such as buildings and motor vehicles. The excess levels are as follows:
1. Property - £100k for combined risks
2. Liability - £375k
3. Motor Vehicles - £100k

The Council self-funds claims which fall under the excess thresholds. The insurance fund provision is to provide for outstanding claims against the Council as at 31 March 2023.
An exercise to determine long and short-term provisions was carried out and currently the ratio is circa 70% short-term and 30% long-term.

Other provisions

The other provisions represent amounts set aside to meet potential future liabilities. This includes items such as: legal costs; among others.

Notes to the Main Financial Statements

22. UNUSABLE RESERVES

	31 March 2023 £'000	31 March 2022 £'000
Revaluation reserve	660,617	591,896
Capital adjustment account	1,026,085	1,010,185
Financial instruments adjustment account	(640)	(229)
Pensions reserve	(260,645)	(616,201)
Collection fund adjustment account	1,236	(14,125)
Accumulated absences account	(5,870)	(7,133)
Dedicated schools grant adjustment account	(21,887)	(23,521)
Pooled Investment Fund Adjustment Account	(1,507)	(446)
Total Unusable Reserves	**1,397,389**	**940,426**

22A. CAPITAL ADJUSTMENT ACCOUNT

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

	2022/23 £'000	2022/23 £'000	2021/22 £'000	2021/22 £'000
Balance at 1 April		**1,010,185**		**1,033,231**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
- Charges for depreciation and impairment of non-current assets	(37,970)		(36,210)	
- Revaluation gains/(losses) on Property, Plant and Equipment	(33,955)		(35,634)	
- Change in Fair Value Adjustment Hillingdon First	2,259		700	
- Amortisation of intangible assets	(362)		(420)	
- Revenue expenditure funded from capital under statute	(12,763)		(7,177)	
- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(13,103)	(95,894)	(11,714)	(90,455)
Adjusting amounts written out of the Revaluation Reserve		10,639		10,475
Net written out amount of the cost of non-current assets consumed in the year		(85,255)		(79,980)
Capital financing applied in the year:				
- Use of the Capital Receipts Reserve to finance new capital expenditure	13,697		13,281	
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	41,239		14,810	
- Application of grants to capital financing from the Capital Grants Unapplied Account	4,742		(4,924)	
- Statutory and voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	17,319		12,266	
- Finance Lease Principal	216		219	
- Capital expenditure charged against the General Fund and HRA balances	23,213	100,426	22,252	57,904
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		729		(970)
Balance at 31 March		**1,026,085**		**1,010,185**

22B. REVALUATION RESERVE

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

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

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

	2022/23		2021/22	
	£'000	£'000	£'000	£'000
Balance at 1 April		**591,896**		**561,035**
Upward revaluation of assets				
- Land & Buildings	23,025		32,334	
- Council Dwellings	40,332		24,005	
- Community Assets			0	
- Heritage Assets			88	
- Surplus Assets	22,884		700	
- Assets Under Construction			695	
- Plant and Equipment	10,156	96,397	1,582	59,404
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services				
- Land & Buildings	(13,935)		(15,049)	
- Council Dwellings	(2,105)		(1,642)	
- Surplus Assets	(1,019)		0	
- Infrastructure			(18)	
- Heritage Assets			(180)	
- Plant and Equipment	22	(17,037)	(1,179)	(18,068)
Surplus or (Deficit) on revaluation of non-current assets not posted to the Surplus or (Deficit) on the Provision of Services		**79,360**		**41,336**
Difference between fair value depreciation and historical cost depreciation				
- Land & Buildings	(3,702)		(3,821)	
- Surplus Assets	(16)		(17)	
- Plant and Equipment	(840)		(809)	
- Council Dwellings	(1,837)	(6,395)	(1,532)	(6,179)
Accumulated gains on assets sold or scrapped				
- Land & Buildings	(2,469)		(3,708)	
- Assets Held for sale	(1)		(30)	
- Council Dwellings	(808)		(558)	
- Assets Under Construction	(966)	(4,244)	0	(4,296)
Amount written off to the Capital Adjustment Account		**(10,639)**		**(10,475)**
Balance at 31 March		**660,617**		**591,896**

23. CASH FLOW STATEMENT - OPERATING ACTIVITIES

	2022/23 £'000	2021/22 £'000
(Surplus)/Deficit on the provision of services	**56,481**	**57,188**
Depreciation and impairment of non-current assets	(71,925)	(71,844)
Amortisation of intangible fixed assets	(362)	(420)
Revenue Expenditure Funded from Capital under Statute	(12,763)	(7,177)
Pension Fund adjustments	(41,978)	(39,917)
(Increase)/Decrease in impairment for provision for bad debts	303	(3,212)
(Increase)/Decrease in creditors	(31,026)	50,703
Increase/(Decrease) in debtors	35,155	(34,010)
Increase/(Decrease) in inventories	-	0
Carrying amount of non-current assets sold	(13,103)	(11,714)
Other non-cash items charged to the net Surplus or Deficit on the Provision of Services	784	(361)
Total adjusting items	**(134,915)**	**(117,952)**
Adjustments for items included in the net Surplus or Deficit on the Provision of Services that are investing or financing activities		
Proceeds from the disposal of plant, property and equipment, investment property and intangible assets	22,210	17,851
Capital Grants and other contributions credited to Surplus or Deficit on the Provision of Services	41,372	21,581
Billing Authorities - Council Tax and NNDR adjustments	41,077	45,378
Total included elsewhere on Cash Flow Statement	**104,659**	**84,810**
Net cash flows from operating activities	**26,225**	**24,046**

Interest received, interest paid and dividends received

	2022/23 £'000	2021/22 £'000
Interest paid	(9,340)	8,280
Interest received	2,404	(664)

24. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2022/23 £'000	2021/22 £'000
Cash Outflows		
Purchase of property, plant and equipment	98,282	70,732
Other payments for investing activities	12,763	7,177
	111,045	**77,909**
Cash Inflows		
Sale of property, plant and equipment	(22,210)	(17,851)
Capital grants received	(41,372)	(21,581)
Other receipts from investing activities	(47,164)	(7,436)
	(110,746)	**(46,868)**
Net Cash Outflow	**299**	**31,041**
Net Increase/(Decrease) in Short-Term Investments	(34,001)	27,330
Net Increase/(Decrease) in Long-Term Investments	2,439	(97)
Net cash flows from investing activities	**(31,263)**	**58,274**

25. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2022/23 £'000	2021/22 £'000
Cash Outflows		
Repayments of amounts borrowed	88,167	50,833
Capital element of finance lease rental and on-balance sheet PFI payments	216	219
Cash Inflows		
New borrowing taken	(55,000)	(79,998)
Billing Authorities - Council Tax and NNDR adjustments	(41,077)	(45,378)
Net cash flows from financing activities	**(7,694)**	**(74,324)**

Reconciliation of Liabilities arising from Financing Activities

	Balance 31 March 2022 £'000	Financing Cash Flows £'000	Non Cash Acquisition £'000	Other Non Cash Changes £'000	Balance 31 March 2023 £'000
Short Term Borrowing	(89,320)	39,833	(34,869)	1,155	**(83,201)**
Long Term Borrowing	(259,143)	(6,667)	0	33,097	**(232,713)**
Short Term Lease & PFI	(216)	216	(72)	0	**(72)**
Deferred Liabilities Lease & PFI	(102)	0	0	72	**(30)**
Council Tax and NNDR	39,750	(41,077)	0	0	**(1,327)**
Total	**(309,031)**	**(7,694)**	**(34,941)**	**34,324**	**(317,343)**

	Balance 31 March 2021 £'000	Financing Cash Flows £'000	Non Cash Acquisition £'000	Other Non Cash Changes £'000	Balance 31 March 2022 £'000
Short Term Borrowing	(51,938)	23,501	(61,988)	1,105	**(89,320)**
Long Term Borrowing	(267,259)	(52,666)	0	60,782	**(259,143)**
Short Term Lease & PFI	(219)	219	(216)	0	**(216)**
Deferred Liabilities Lease & PFI	(318)	0	0	216	**(102)**
Council Tax and NNDR	85,128	(45,378)	0	0	**39,750**
Total	**(234,606)**	**(74,324)**	**(62,204)**	**62,103**	**(309,031)**

26. EXTERNAL AUDIT COSTS

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

	2022/23 £'000	2021/22 £'000
Scale Fee	121	121
Variable fees	114	97
Housing Benefit	32	31
Teachers Pension	15	14
Capital Receipts Pooling	9	8
Total External Audit costs	**291**	**271**

27. PARKING REVENUE ACCOUNT

The Parking Revenue Account is maintained in accordance with section 55 of the Road Traffic Regulation Act 1984 which provides that a London Borough Council must keep an account of the income and expenditure in respect of parking places on the highway and sets out how any deficit must be treated and limitations on the use of any surplus.

	2022/23 £'000	2021/22 £'000
Income	(5,644)	(5,352)
Expenditure	3,781	3,765
(Surplus)/ Deficit	**(1,863)**	**(1,587)**
Allocation of Income from COVID-19 Funding	**(888)**	**(826)**
Contribution to transport services	2,951	2,650
Total (Surplus)/ Deficit	**200**	**237**

28. MEMBER ALLOWANCES

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

	2022/23 £'000	2021/22 £'000
Salaries & Allowances	1,303	1,466
Total	**1,303**	**1,466**

Further details on Members' allowances are available on the Council website.

29. POOLED BUDGETS

A section 75 agreement is in operation between London Borough of Hillingdon and North West London Integrated Care Board in respect of Learning Disability Services and was effective from 1st April 2008. This is not operating as a Pooled Budget in that it clearly identifies the financial liabilities of the two partners on an individual client basis. The object of the agreement is to enable the effective commissioning of services for this client group thereby providing a seamless service to the individual. For 2022-23, this service provided support to approximately 818 clients at a gross cost of £33,616k, which included approximately 27 NWL ICB clients and 46 Joint Funded clients, for which the Council received £4,089k.

Better Care Fund Pooled Budget

The Better Care Fund (BCF) Pooled Budget was set up in 2015-16. It is a mandatory process through which Council and NHS North West London Integrate Care Board (ICB) budgets are pooled and then reallocated on the basis of an approved plan intended to achieve closer integration of health and social care activities. This is intended to lead to improved outcomes for residents. The BCF is also a route through which the Government targets funding to support the local health and care system.

The Council and the ICB are required to enter into an agreement under section 75 of the National Health Service Act, 2006 in order to give legal effect to the financial and partnership arrangements within the plan. The Authority and NWLICB have defined within the Section 75, confirmed funding levels required to operate these services and they are reviewed on an annual basis. Some schemes are demand led and partners make relevant contributions depending on the type of services being accessed. There is a compulsory contribution that each party must contribute but additional funds can also be pooled. In 2022-23 £74,856k additional contributions were added to the Pooled Budget.

The focus of Hillingdon's 2022/23 Better Care Fund plan is improving care outcomes for older people, people with learning disabilities and/or autism and children and young people. With a focus on prevention and early intervention rather than crisis management. Key outcomes include, for example, a reduction in admissions to hospital that are avoidable and also a reduction in permanent admissions to care homes.

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.

The table below sets out the allocation received by each party for inclusion in the Better Care Fund.

	2022/23			2021/22		
	NWL ICB £'000	**LB Hillingdon £'000**	**Total £'000**	**NWL ICB £'000**	**LB Hillingdon £'000**	**Total £'000**
BCF Grant	21,645	0	21,645	20,485	0	20,485
DFG Base Allocation	0	5,111	5,111	0	5,111	5,111
iBCF	0	7,468	7,468	0	7,248	7,248
Voluntary Contributions	29,402	45,454	74,856	28,642	44,968	73,610
	51,047	**58,033**	**109,080**	**49,127**	**57,327**	**106,454**

This funding was then pooled and split out between the partners as set out below:

	2022/23			2021/22		
	NWL ICB £'000	**LB Hillingdon £'000**	**Total £'000**	**NWL ICB £'000**	**LB Hillingdon £'000**	**Total £'000**
BCF Grant	13,753	7,892	21,645	13,015	7,470	20,485
DFG Base Allocation	0	5,111	5,111	0	5,111	5,111
iBCF	0	7,468	7,468	0	7,248	7,248
Voluntary Contributions	29,402	45,454	74,856	28,642	44,968	73,610
	43,155	**65,925**	**109,080**	**41,657**	**64,797**	**106,454**

The voluntary contributions increased in line with the 2022-2023 plan for the BCF with further inclusion of residential placements budgets. The increase also reflects the expanded scope of the plan beyond older people to include children and young people and people with learning difficulties. The 2022/23 voluntary contributions increased to reflect inflation.

30. RELATED PARTY TRANSACTIONS

The Council is required to disclose any 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 effective 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). Grants received from government departments are set out in note 34.

London Housing Consortium

The Council, in partnership with other councils and housing associations, participates in the London Housing Consortium (LHC). The LHC provides specialist architectural services and bulk procurement arrangements for the public sector.

West London Waste Authority

West London Waste Authority is a statutory waste disposal authority created in 1986 with membership of the London Borough of Hillingdon and five other London Boroughs. It is primarily funded by a levy paid by each of the six participating councils. The amount contributed for 2022/23 is included under the heading Precepts and Levies below.

Hillingdon First Limited

The Council has set up a 100% wholly owned subsidiary named Hillingdon First Limited (HFL), to provide affordable housing to residents of Hillingdon and contribute towards local regeneration. As part of the agreement the Council has committed to lend up to £35m to HFL. Any loan advance is subject to the Capital Release process and each project undergoes democratic approval. The Council has invested £3.37m as equity shares in Hillingdon First Limited (HFL). Shares in HFL are not publicly traded so a market share is not readily available thus the fair value of the company has been independently determined to be £6.8m on the basis of future cash flows, business plan and the company's own accounts.

The Pension Fund

The London Borough of Hillingdon Pension Fund is considered a related party. The employer's contribution to the Pension Fund in 2022/23 was £28,095k (£26,168k in 2021/22). The Council also recharged the Pension Fund £325k for staffing and overhead apportionment costs in 2022/23 (£431k in 2021/22). A precept of £349k was paid to the London Pension Fund Authority in 2022/23 (£349k in 2021/22).

Members and Chief Officers

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2022/23 is shown in note 28.

This note concerns the disclosure of additional information on transactions between the Council and its related parties. The purpose of the note is to demonstrate fairness and openness in the accounts. All councillors and relevant officers are required to complete declarations to meet the requirements of IAS 24 - Transactions with Related Parties. Disclosures of Interest have been made in respect of the following organisations: the payment amount will not necessarily be just in respect of grants but will be a total of transactions between the Council and the organisation during the year. There were no material outstanding balances at year-end.

Notes to the Main Financial Statements

Organisation	Name	Payments made as at 31st March 2023 (£)
Her Majesty's Prison And Probation Service	Councillor Jas Dhot	854,597.00
London Councils	Councillor Jonathan Bianco, Councillor Ian Edwards, Councillor Martin Goddard, Councillor Eddie Lavery, Councillor Douglas Mills, Councillor Susan O'Brien, Councillor Jane Palmer	606,892.07
Uxbridge Business Improvement District Ltd	Councillor Eddie Lavery	555,275.58
Citizens Advice Hillingdon	Councillor Tony Burles	285,000.00
Bell Farm Christian Centre	Councillor Stuart Mathers	93,949.00
Harlington Hospice Association Limited	Councillor Kuldeep Lakhmana	63,320.18
Ruislip & Northwood Old Folks Association	Councillor Becky Haggar, Councillor Eddie Lavery	52,550.00
Harlington Hospice Association	Councillor Kuldeep Lakhmana	45,000.00
Hillingdon Brain Tumour Group	Councillor Becky Haggar	30,000.00
Hillingdon Citizens Advice Bureau	Councillor Tony Burles	27,876.50
Yiewsley Baptist Church	Councillor Stuart Mathers	18,652.96
The Law Society	Councillor Nick Denys	7,272.00

Organisation	Name(s)	Payments made as at 31st March 2022 (£)
Carers Trust Hillingdon	Councillor Judith Cooper, Councillor Becky Haggar	1,376,139.90
Mayors Office For Policing And Crime	Councillor Ian Edwards	584,372.00
London Councils	Councillor Jonathan Bianco, Councillor Keith Burrows, Councillor Martin Goddard, Councillor Eddie Lavery, Councillor Ian Edwards, Councillor Richard Lewis, Councillor Douglas Mills, Councillor Susan O'Brien, Councillor Jane Palmer	675,198.97
Her Majesty's Prison And Probation Service	Councillor Jas Dhot	450,457.00
Uxbridge Business Improvement District Ltd	Councillor Eddie Lavery	343,005.87
Hillingdon Citizens Advice Bureau	Councillor Raymond Graham, Councillor John Riley	195,753.00
Harlington Hospice Association	Councillor Kuldeep Lakhmana	121,879.03
Bell Farm Christian Centre	Councillor Janet Duncan, Councillor Stuart Mathers	96,885.10
Ruislip & Northwood Old Folks Assoc	Councillor Becky Haggar, Councillor Eddie Lavery	87,860.00
The Abbeyfield Society Ltd	Councillor Martin Goddard	29,928.86
BAA Business Support Cntr. Ltd	Councillor Kuldeep Lakhmana	37,449.12
Hillingdon Brain Tumour Group	Councillor Becky Haggar, Councillor Jane Palmer	30,000.00
Hillingdon Shopmobility	Councillor Teji Barnes	22,000.00
Yiewsley Baptist Church	Councillor Stuart Mathers	10,227.92
Send Family Support	Councillor Simon Arnold	10,000.00
Relate London NW Family Mediation	Councillor Stuart Mathers, Councillor Susan O'Brien	7,677.50

Notes to the Main Financial Statements

Precepts/Levies

In 2022/23, the following precepts and levies are considered related party transactions:

	2022/23 £'000	2021/22 £'000
Business Rate Retention - MHCLG	113,296	121,570
Business Rate Retention - GLA	127,029	136,305
Greater London Authority Precept	11,867	37,119
Greater London Authority Crossrail	41,078	10,169
West London Waste Authority Levy	12,191	11,707
TFL Concessionary Fares	4,878	7,015
Lee Valley Regional Park Authority	246	246
Environment Agency	245	240

31. OFFICER EMOLUMENTS

The number of employees in 2022/23 whose remuneration, excluding pension contributions, was £50k or more, are detailed below in bands of £5k. The bandings only include the remuneration of senior employees that have not been disclosed separately. The number of employees included in the totals that exceeded the £50k threshold due to lump sum termination payments are indicated in brackets. These employees left the employment of the Council during the financial year.

	LBH EMPLOYEES				SCHOOL EMPLOYEES			
	2022/23		2021/22		2022/23		2021/22	
Remuneration Band	Total	Due to Lump Sum	Total	Due to Lump Sum	Total	Due to Lump Sum	Total	Due to Lump Sum
£50,000 - £54,999	130	0	95	(2)	79	0	74	0
£55,000 - £59,999	95	(1)	50	(3)	55	0	45	0
£60,000 - £64,999	47	0	42	0	28	0	27	0
£65,000 - £69,999	45	(1)	46	(1)	18	0	17	0
£70,000 - £74,999	21	0	14	(1)	15	0	15	0
£75,000 - £79,999	6	0	14	0	12	0	9	0
£80,000 - £84,999	8	0	5	0	8	0	9	(1)
£85,000 - £89,999	8	(2)	8	0	8	0	7	0
£90,000 - £94,999	5	(1)	3	0	1	0	3	0
£95,000 - £99,999	4	0	1	0	4	0	5	0
£100,000 - £104,999	3	0	3	0	2	0	0	0
£105,000 - £109,999	3	0	3	0	1	0	2	0
£110,000 - £114,999	1	0	0	0	1	0	1	0
£115,000 - £119,999	1	(1)	0	0	0	0	0	0
£120,000 - £124,999	1	(1)	0	0	0	0	0	0
£125,000 - £129,999	2	(2)	0	0	0	0	0	0
£130,000 - £134,999	0	0	1	0	0	0	1	0
£135,000 - £139,999	1	0	2	(1)	0	0	0	0
£170,000 - £174,999	1	(1)	1	(1)	0	0	0	0
	382	**(10)**	288	(9)	**232**	**0**	215	(1)

Notes to the Main Financial Statements

Disclosure of Remuneration for Senior Employees (Schools): -

Details of school employees in the above table earning over £100,000 during 2022/23 is listed below.

Job Title	Pensionable Pay 2022/23	Pensionable Pay 2021/22	Due to Lump Sum
Headteacher - Harlington Community School	Below £100,000	£130,811	No
Headteacher - Yeading Infant School	£0	£112,912	No
Headteacher - Deanesfield Primary School	£0	£105,508	No
Headteacher - Meadow High	Below £100,000	£108,884	No
Headteacher - Hedgewood School	£0	Previously below £100,000	No
Headteacher - Oak Wood School	£0	Previously below £100,000	No

Disclosure of Remuneration for Senior Employees (LBH): -

The following disclosure sets out remuneration for staff included in tiers 1 and 2 of the Council's management structure for 2022/23.

		2022/23			
Job Title		**Contracted**	**Compensation**	**EER's pension**	**Total**
Interim Chief Executive and Corporate Director (T Zaman)		£222,384	£0	£0	£222,384
Corporate Director of Finance (A Evans)		£151,636	£0	£36,544	£188,181
Corporate Director of Place (P Scott)		£192,319	£0	£46,349	£238,668
Corporate Director of Resources (D Kennedy)		£183,005	£0	£44,104	£227,109
Interim Head of Legal Services		£116,520	£0	£28,081	£144,602
Executive Director of Children's Services		£149,907	£0	£0	£149,907
Executive Director of Adult Services and Health		£146,944	£0	£35,413	£182,357
Corporate Director of Finance (P Whaymand)	1	£92,214	£146,270	£0	£238,485
Head of Legal Services (R Alagh)	2	£32,159	£91,248	£7,750	£131,157
Deputy Director Corporate Finance	3	£11,048	£0	£2,663	£13,711
Director Adult Social Work	4	£35,953	£0	£8,665	£44,617
Director of Education & SEND (V Hansrani)	5	£150,404	£11,183	£29,126	£190,712

1. P Whaymand Corporate Director of Finance until 13/09/2022
2. R Alagh Head of Legal Services until 10/06/2022
3. Post deleted 28/04/2022
4. Employment ended 31/07/2022
5. Employment ended 10/03/2023

Notes to the Main Financial Statements

Disclosure of Remuneration for Senior Employees (LBH): -

The following disclosure sets out remuneration for staff included in tiers 1 and 2 of the Council's management structure for 2021/22.

			2021/22			
Group	**Job Title**		**Contracted Salary**	**Compensation for**	**EER's pension**	**Total**
	Outgoing Chief Executive and Corporate Director (F Beasley)	1	£263,102	£0	£0	£263,102
	Incoming Chief Executive and Corporate Director (T Zaman)	2	£52,151	£0	£0	£52,151
	Corporate Director of Finance (P Whaymand)		£184,896	£0	£0	£184,896
	Corporate Director of Place (P Scott)		£172,835	£0	£41,653	£214,488
	Corporate Director of Resources (D Kennedy)		£162,006	£0	£39,043	£201,049
	Head of Legal Services (R Alagh)		£161,238	£0	£38,858	£200,096
	Deputy Director Corporate Finance		£144,060	£0	£34,718	£178,778
	Director Children's Services		£126,564	£0	£0	£126,564
	Director of Provider and Commissioned Care		£121,923	£0	£29,383	£151,306
	Director Adult Social Work		£104,934	£0	£25,289	£130,223
	Director of Education & SEND		£101,496	£0	£24,460	£125,956
	Director Safeguarding, Partnerships & QA		£95,592	£0	£23,038	£118,630
	Leavers:					
	Corporate Director Social Care (T Zaman)	3	£146,172	£0	£0	£146,172
Leavers	Corporate Director of Resources	4	£108,595	£0	£25,000	£133,595

1. Both F Beasley and T Zaman in post during handover period 01/01/2022 - 31/03/2022.
2. T Zaman previously Corporate Director Social Care (up to 31/12/2021)
3. Post deleted wef 01/01/2022 following promotion of T Zaman to post of Chief Executive and Corporate Director
4. Employment ended 22/12/2021

32. EXIT PACKAGES

The number of exit packages that have been agreed by the Council during the year are listed below. These packages include redundancy costs, pension strain costs, ex gratia payments and other departure costs. The Council does not award added years pension contributions, but pension strain is incurred where a pension is taken early without actuarial reduction and is a cost to the Council, not a direct payment to the employee.

Exit package costs by banding which include special payments and pension strain costs.

	LBH EMPLOYEES					
Cost Band	2022/23 No. of LBH Employees with Exit Packages Number	Number of Compulsory Redundancies Number	Number of Other Departures Agreed Number	Total Exit Payments to Employees £'000	Pension Strain Costs £'000	Total Exit Package Cost £'000
£0 - £20,000	7	7	0	64	0	**64**
£20,001 - £40,000	7	1	6	155	39	**194**
£40,001 - £60,000	2	0	2	90	0	**90**
£60,001 - £80,000	2	0	2	144	0	**144**
£80,001 - £100,000	1	0	1	0	95	**95**
£100,001 - £150,000	4	2	2	411	77	**488**
Over £150,000	3	1	2	237	324	**561**
	26	**11**	**15**	**1,101**	**535**	**1,636**

	LBH EMPLOYEES					
Cost Band	2021/22 No. of LBH Employees with Exit Packages Number	Number of Compulsory Redundancies Number	Number of Other Departures Agreed Number	Total Exit Payments to Employees £'000	Pension Strain Costs £'000	Total Exit Package Cost £'000
£0 - £20,000	15	0	15	138	0	**138**
£20,001 - £40,000	13	0	13	337	53	**390**
£40,001 - £60,000	7	0	7	206	109	**315**
£60,001 - £80,000	2	0	2	87	63	**150**
£80,001 - £100,000	1	0	1	21	68	**89**
£100,001 - £150,000	2	0	2	60	190	**250**
Over £150,000	2	0	2	121	341	**462**
	42	**0**	**42**	**970**	**824**	**1,794**

	SCHOOL EMPLOYEES					
Cost Band	2022/23 No. of Schools Employees with Exit Packages Number	Number of Compulsory Redundancies Number	Number of Other Departures Agreed Number	Total Exit Payments to Employees £'000	Pension Strain Costs £'000	Total Exit Package Cost £'000
£0 - £20,000	5	5	0	34	0	**34**
£20,000-£40,000	2	2	0	14	35	**49**
	7	**7**	**0**	**48**	**35**	**83**

	SCHOOL EMPLOYEES					
Cost Band	2021/22 No. of Schools Employees with Exit Packages Number	Number of Compulsory Redundancies Number	Number of Other Departures Agreed Number	Total Exit Payments to Employees £'000	Pension Strain Costs £'000	Total Exit Package Cost £'000
£0 - £20,000	19	0	1	194	0	**194**
	19	**0**	**1**	**194**	**0**	**194**

33. DEDICATED SCHOOLS GRANT

The Dedicated Schools Grant has been credited to Education and Children's Services in the Comprehensive Income and Expenditure Statement.

The Council's expenditure on schools is funded by grant monies provided by the Department for Education through the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budgets as defined in the School and Early Years Finance (England) Regulations 2014. The Schools Budget includes elements for a restricted range of services provided on a council-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of the DSG receivable for 2022/23 are as follows:

	Schools Budget Funded by Dedicated Schools Grant		
	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
Final DSG for 2022/23 before academy and high needs recoupment			336,528
Academy and high needs figure recouped for 2022/23			(162,446)
Total DSG after academy recoupment for 2022/23			**174,082**
Plus Brought-forward from 2021/22			1,864
Less Carry-forward to 2023/24 agreed in advance			0
Agreed initial budgeted distribution in 2022/23	52,523	123,424	175,947
In year adjustments	12,078	0	12,078
Final budgeted distribution for 2022/23	**64,601**	**123,424**	**188,025**
Less actual central expenditure	(61,102)		(61,102)
Less actual ISB deployed to schools		(123,424)	(123,424)
Absorbed by Local Authority 2022/23			0
Total	**3,499**	**0**	3,499
In-year carry-forward to 2023/24	3,499	0	3,499
Carry-forward to 2023/24	**6,998**	**0**	**6,998**
DSG unusable reserve at the end of 2020/21			(25,386)
Cumulative Adjustment to DSG unusable reserve up to end of 2022/23			3,499
Total of DSG unusable reserve at the end of 2022/23			(21,887)
Net DSG position at the end of 2022/23			**(21,887)**

Note – the carry forward of £3,499k to 2023/24 includes the cumulative adjustments of £1,864k in 2021/22 and £1,635k in 2022/23 to the 2020/21 DSG unusable reserve (deficit) of £-25,386k, since the inception of the DSG Safety Valve Agreement with London Borough of Hillingdon and the Department for Education.

As DSG is paid specifically to finance the Schools Budget, it is appropriate to credit the grant receivable for the year to the relevant service segment.

34. GRANT INCOME

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

REVENUE GRANT INCOME

	2022/23 £'000	2021/22 £'000
Revenue Grant Income Credited to Taxation and Non Specific Grant Income		
Section 31 Business Rates Grants	14,233	15,764
Council Tax Energy Rebate	12,749	0
Revenue Support Grant	7,014	6,800
Services Grant	3,255	0
New Homes Bonus	2,765	2,385
Tax Income Guarantee	0	4,700
Housing Benefit Administration Subsidy	1,030	1,151
Independent Living Fund Grant	493	0
COVID-19 Business Support Grant Payments	465	10,502
Lower Tier Services Grant	459	427
Local Council Tax Support Administration Subsidy	372	366
Other	316	216
COVID-19 Omicron Hospitality & Leisure Grant	36	1,157
COVID-19 Test & Trace Support Payments	12	354
COVID-19 Additional Restrictions Grant	0	11,314
COVID-19 Contain Outbreak Management Fund	0	9,750
COVID-19 Emergency Funding	0	8,569
COVID-19 Hardship Fund	0	2,735
COVID-19 Sales, Fees & Charges Compensation	0	1,306
COVID-19 Clinically Extremely Vulnerable	0	1,227
COVID-19 Local Restrictions Grant	0	542
Total Non-Specific Revenue Grants	**43,199**	**79,264**

Notes to the Main Financial Statements

Revenue Grant Income Credited to Services		
Department for Education		
Dedicated Schools Grant	185,786	174,688
Pupil Premium	4,714	5,785
Teachers Pay Grant	4,567	2,172
Universal Infant Free School Meals	2,292	2,453
Adult & Community Learning	1,895	1,691
Private Finance Initiative	1,778	1,778
Sixth Form & Adult Learning Grants	1,726	1,524
Holiday Activities & Food Grant	1,204	532
PE & Sports Grant	879	911
School Improvement Monitoring & Brokering Grant	125	259
Department for Levelling Up, Housing & Communities		
Homelessness Prevention Grant	2,910	2,471
Rough Sleeping Initiative	2,252	2,564
Homes for Ukraine	1,659	0
Troubled Families Grant	1,033	877
Business Rates Cost of Collection Allowances	567	566
Apprenticeship Levy	552	0
Criminal Justice Grant	546	266
Afghan Relocation Scheme	307	120
Redmond Review	63	62
COVID-19 Reopening the High Street Safely	20	568
COVID-19 Surge Testing	5	53
COVID-19 Practical Support Grant	3	544
COVID-19 Rough Sleepers Cold Weather Fund	0	216
COVID-19 Compliance & Enforcement	0	79
Department of Health & Social Care		
Better Care Fund	7,893	7,470
Public Health Grant	18,539	18,032
Adult Social Care Support Grant	9,506	6,873
Improved Better Care Fund	7,468	7,248
COVID-19 Infection Control Grant	612	5,872
Market Sustainability & Fair Cost of Care	532	0
COVID-19 Community Testing	19	994
Winter Scheme Funding Grant	0	197
COVID-19 Test & Trace Support Payments Admin	0	42
Arts Council		
Music Education Hub	450	622
Department for Work and Pensions:		
Housing Benefit Subsidy	87,669	96,937
COVID-19 Winter Grant Scheme	4,072	3,372
Discretionary Housing Payments	665	956
Home Office:		
Funding for Unaccompanied Asylum Seeking Children	7,348	8,472
Department for Environment, Food & Rural Affairs		
COVID-19 Emergency Assistance Grant for Food and Essential Supplies	0	113
Sports England		
COVID-19 National Leisure Recovery Fund	0	425
Other		
Other Grants	7,206	5,667
Contributions		
Other Contributions	22,704	18,216
Total Grants Credited to Services	**389,565**	**381,685**
Total Revenue Grant Income	**432,763**	**460,949**

CAPITAL GRANT INCOME

	2022/23 £'000	2021/22 £'000
Capital Grant Income credited to the Comprehensive Income and Expenditure Statement		
Disabled Facilities Grant	5,111	5,111
Education and Skills Funding Agency	5,616	3,082
Department for Business Energy and Industrial Strategy	1,151	1,932
HS2	823	676
Greater London Assembly	19,568	509
West London Waste Authority	0	487
Transport for London	1,099	343
Food Standards Agency	0	110
Better Homes Grant capital	0	32
Total Capital Grant Income	**33,368**	**12,282**
Schools Capital Contributions	2,210	1,393
S106 Contributions	1,499	957
Community Infrastructure Levy	2,528	6,537
Environment Agency	201	0
Heritage Lottery Fund	985	0
Other Capital Contributions	581	412
Total Capital Grants and Contributions Received	**41,372**	**21,581**

Of the capital grant income applied to the Comprehensive Income and Expenditure account within Taxation and Non-Specific Grant income, £41,239k was used to fund the Capital Programme and £133k was transferred to the Capital Grants Unapplied Reserve for future use.

GRANTS RECEIVED IN ADVANCE

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 will require the monies or property to be returned to the awarding body should condition for use fail to be met. Revenue grants with these conditions are included within Creditors under the amounts owed to Government Departments. The balances for capital grants at the year-end are as follows:

	2022/23 £'000	2021/22 £'000
Capital Grant & Contribution Receipts in Advance		
ESFA & Other Capital Grants	21,604	7,505
Housing Capital Grants including Green initiatives	28,186	3,083
S106	23,677	15,715
Total Capital Grant & Contribution Receipts in Advance	**73,467**	**26,303**

35. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2022/23 £'000	2021/22 £'000
Opening Capital Financing Requirement	**412,056**	**404,414**
Capital investment		
Property, Plant and Equipment	97,301	70,661
Intangible Assets	66	130
Revenue Expenditure Funded from Capital under Statute	12,763	7,177
Long Term Investment in HFL - remove*	(1,129)	1,129
Loan to HFL		(6,771)
Sources of finance		
Capital receipts	(13,697)	(13,281)
Government grants and other contributions	(45,981)	(16,657)
Sums set aside from revenue:		
Direct revenue contributions	(23,213)	(22,252)
Minimum Revenue Provision (MRP) / loans fund principal	(17,319)	(12,266)
Other Revenue Provision	(225)	(228)
Closing Capital Financing Requirement	**420,622**	**412,056**
Explanation of movements in year		
Increase/(Decrease) in underlying need to borrow :		
- unsupported by Government financial assistance	8,566	7,642
Increase/(Decrease) in Capital Financing Requirement	**8,566**	**7,642**

The Capital Financing Requirement (CFR) is a measure of the Council's underlying need to borrow for capital purposes. It does not represent the Council's actual borrowing which is determined following consideration of other balances such as reserves, provisions, working capital and timing differences of cash inflows and outflows.

*Nb long term investment in HFL reflecting movements in the company's fair market value was erroneously included in CFR in 2021/22. The company's valuation has no impact on the CFR.

36. LEASES

In financial years prior to 2022/23 the Council acquired a private finance initiative (PFI) school under finance leases with the risks and rewards associated with ownership of such assets having transferred to the Council. Assets acquired under finance leases are carried as Property, Plant and Equipment in the Balance Sheet. Since the initial transfer, the PFI school moved to Academy status and the asset was removed from the balance sheet, however the Council still holds the liability.

The Council is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the asset and finance costs that will be payable by the Council in future years whilst the liability remains outstanding.

The future payments relating to both finance and operating leases held by the Council are made up of the following amounts:

Finance Leases - Lessee (including PFI)

Plant, Property and Equipment Outstanding obligations on 31 March	Finance Lease Liabilities		Minimum Lease Payments	
	2022/23 £000's	2021/22 £000's	2022/23 £000's	2021/22 £000's
Within 1 year (held in current liabilities)	72	216	95	334
2 - 5 years	30	102	39	134
Total costs payable in future years	30	102	39	134
Total future lease payments	**102**	**318**	**134**	**468**

Operating Leases – Lessee

Plant, Property and Equipment Outstanding obligations on 31 March	Operating Lease	
	2022/23 £'000	2021/22 £'000
Within 1 year	125	101
2 - 5 years	163	76
Total future lease payments	**288**	**177**

Operating lease obligations include commitments held by Hillingdon maintained schools as well as those held by the Council. Operating lease expenditure of £125k (£101k in 21/22) relating to maintained schools is included within Cost of Services in the Comprehensive Income and Expenditure Statement.

Operating Leases - Lessor

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

- for the provision of community services, such a sports facilities and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses

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

Future Minimum Lease Payments:	Operating Lease	
	2022/23 £'000	2021/22 £'000
Within 1 year	1,132	1,337
2 - 5 years	2,911	3,441
More than 5 years	8,204	8,798
Total future lease payments	**12,247**	**13,576**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the commencement of the lease, such as adjustments following rent reviews.

37. LONG TERM CONTRACTS AND PRIVATE FINANCE INITIATIVE

Private Finance Initiative (PFI)

In December 1998 the Council entered into a 25 year contract with a private sector partner, Jarvis (Barnhill) Limited, to build and provide facilities management at Barnhill Community High School under a private finance initiative (PFI) arrangement. The school opened in September 1999. In 2010 the parent company Jarvis PLC went into administration and management of the facility was transferred to Johnson Workplace Management Ltd without impacting the day to day operation of the school. In August 2013 Johnson Workplace Management Ltd were acquired by Bellrock Facilities Management who are now responsible for the management of the contract. In 2022/23 the Council paid principal of £216k, interest of £119k and service charges of £3,554k. Current forecasts of future payments, assuming satisfactory performance over the remaining 1 year of the contract, are set out below. As payments to the contractor are index linked, these figures are based on current indexation rates and may vary if rates alter.

	Payment for Services £'000	Reimbursement of Capital Expenditure £'000	Interest £'000	Total £'000
Within 1 year	3,651	72	23	3,746
2 - 5 years	1,665	30	9	1,704
Total	**5,316**	**102**	**32**	**5,450**

In 2018/19 Barnhill Community High School transferred to academy status resulting in the removal of the property from the Council's asset register; however, the liability will remain in place until it is extinguished in 2023/24. The Council will have no responsibility after this date.

The charge for the current year was £216k matching the principal repayment. The outstanding liability of the capital value at 31 March 2023 is £102k, of this £72k is due within a year and therefore included in creditors, with the deferred liability reduced to £30k.

38. CONTINGENT LIABILITIES AND ASSETS

Contingent assets –

The Council has entered into legal proceedings to recover costs against an organisation from which it purchased a block of flats. The costs are estimated at £15.4m and relate to significant fire safety and structural defects works and associated costs.

Prompted by recent case law, where the Valuation Office revised its valuation approach from a contractor's basis to a receipts and expenditure approach, an NNDR refund of £459k may be received.

Other potential reimbursements could amount to £234k.

Contingent liability –

The Council has a number of potential claims which may be pending; the liabilities associated with these potential claims could total £840k collectively.

39. EVENTS AFTER THE BALANCE SHEET DATE

Events taking place after the 31st March 2023 are not reflected in the financial statements or notes, unless they are of such importance that non-disclosure would affect the ability of users to make proper evaluations and decisions. Where events taking place before this date provided information about conditions existing at 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no events to report after the Balance Sheet date that deem adjustment or disclosure in the accounts.

40. AGENCY

Collection of Mayoral CIL

The Community Infrastructure Levy (CIL) is a planning charge, introduced by the Planning Act 2008, as a tool for local authorities in England and Wales to help deliver infrastructure to support the development of their area. Following this, the Mayoral CIL (MCIL) was introduced to assist in financing Crossrail. The MCIL Levy was ratified on 29 February 2012 and applies to developments agreed after 1 April 2012. The levy is charged on most developments in Central London and is charged at £35 per square metre (MCIL1) or £60 per sqaure metre (MCIL2) in Zone 2. Local planning authorities are responsible for collecting Mayoral CIL payments on behalf of the Mayor. The local planning authority is able to retain 4% of the levy to cover the costs of administration and collection. Contributions of £2,784k have been received this year and £2,672k has been paid over to the charging authority (Transport for London) with £111k retained by the Council to cover administrative expenses.

41. SUMMARY OF TREASURY MANAGEMENT POLICY

The Council defines its treasury management activities as:

"The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

The Council's underlying need to borrow for capital purposes is measured by reference to the Capital Financing Requirement which represents the cumulative capital expenditure of the Council that has not been financed from internal resources.

The Council's borrowing will be affordable, sustainable, and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.

The Council's primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Authority's investments followed by the yield earned on investments remain important but are secondary considerations.

42. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Financial Instruments - Risks

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2021.

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

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

- Credit risk - the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments.
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

Credit Risk: Treasury

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. The Council manages credit risk by ensuring treasury investments are only placed with organisations of high credit quality as outlined in the Treasury Management Strategy. These include financial institutions with a minimum long term credit rating of A- (Fitch); A3 (Moody's); A- (S&P) for UK counterparties, A+ (Fitch); A1 (Moody's); A+ (S&P) for Overseas counterparties and AA+ (Fitch); Aa1 (Moody's); AA+ (S&P) for non-UK sovereigns, the UK government, other local authorities and organisations without credit ratings upon which the Council has received independent investment advice. The Treasury Management Strategy also sets maximum sums that can be invested with any financial institution.

The Council also considers other information such as corporate developments, market sentiment towards investment counterparties and other sources of intelligence before making deposits.

Credit Rating Definitions

Long Term	
AAA	Highest credit quality
AA	Very high credit quality
A	High credit quality
BBB	Good credit quality
BB	Speculative
B	Highly speculative
CCC	Default possibility
CC	Default imminent
D	Defaulted

Money Market Funds
Fitch: AAAmmf : Extremely strong capacity to achieve fund's investment objective of preserving principal and providing shareholder liquidity through limiting credit, market, and liquidity risk.
Moody's: Aaa Money Market Funds are judged to be of an investment quality similar to Aaa-rated fixed income obligations.
S&P: AAAm has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market and/or liquidity risks.

Notes to the Main Financial Statements

The table below summarises the credit risk exposures of the Council’s treasury investment portfolio and other receivables by credit rating and remaining time to maturity, also identifying expected loss:

	31 March 2023				31 March 2022			
	Rating at 31 March 2023*	Long Term £'000	Short Term £'000	Expected Loss £'000	Rating at 31 March 2022*	Long Term £'000	Short Term £'000	Expected Loss £'000
Credit Risk Exposures								
UK Banks:								
- Barclays Current Accounts	A	0	2,260	0	A	0	3,936	0
- Handelsbanken Current Account	AA-	0	0	0	AA	0	1	0
- HSBC Current Accounts	A+	0	140	0	A+	0	82	0
- Lloyds Current Accounts	A+	0	12,624	0	A+	0	14,303	0
- Lloyds Short-Term Deposit	A+	0	1,461	0	A+	0	1,461	0
- NatWest Current Accounts	A	0	(2,820)	0	A	0	-3,255	0
- Santander Current Accounts	A	0	0	0	A	0	1	0
- PrePaid Financial	Unrated	0	1,592	0	Unrated	0	0	0
Sub Total		**0**	**15,257**	**0**		**0**	**16,529**	**0**
Investments where credit loss is not applicable								
Government & Local Authority Investments:								
- DMADF	AA-	0	36,704	N/A	AA-	0	34,001	N/A
- Cornwall Council	AA-	0	10,003	N/A				
Money Market Funds	AAA**	0	0	N/A	AAA**	0	32,700	N/A
Pooled Funds (Long-Term)	Unrated	13	0	N/A	Unrated	13	0	N/A
Strategic Pooled Funds	Unrated	13,493	0	N/A	Unrated	14,553	0	N/A
Shares in Listed Companies (Long-Term)	Unrated	58	0	N/A	Unrated	57	0	N/A
Hillingdon First Limited	Unrated	6,759	0	N/A	Unrated	4,500	0	N/A
Cash Held By Council	N/A	0	22	N/A	N/A	0	24	N/A
Sub Total		**20,323**	**46,729**	**0**		**19,123**	**66,725**	**0**
Soft Loan	N/A	1,242	0	(2)	N/A	0	0	0
Trade Receivables - Simplified Approach		223	47,138	(12,122)		0	32,704	(6,475)
Sub Total		**223**	**47,138**	**(12,122)**		**0**	**32,704**	**(6,475)**
Total		**20,546**	**109,124**	**(12,122)**		**19,123**	**115,958**	**(6,475)**

*Ratings provided are the Fitch rating or lowest equivalent, ** All funds held with AAAmmf or equivalent ratings with at least one of the rating agencies

Loss Allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies. Loss allowances as at 31 March 2023 and 31 March 2022 have been calculated on treasury investments held at amortised cost but are immaterial and therefore no impairments have been made.

Loss allowances on trade receivables are calculated using a simplified approached based on historic experience adjusted for current and forecast influences. Credit impairment assessments are carried out annually with the total balance sheet carrying amount being adjusted and the movement being allocated to the CIES accordingly.

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

Borrowing

The policy on borrowing is to spread exposure between Public Works Loans Board (PWLB), local authorities and market sources. This enables the Council to avail itself of rescheduling facilities offered by PWLB and to obtain favourable rates, when offered by the market.

	31 March 2023				31 March 2022			
	PWLB £'000	Market £'000	Temporary Local Authorities £'000	Total £'000	PWLB £'000	Market £'000	Temporary Local Authorities £'000	Total £'000
Nominal Value	200,671	48,000	75,000	**323,671**	208,838	48,000	100,000	**356,838**
Premium	(9,472)		14	**(9,458)**	(9,528)	0	0	**(9,528)**
Accrued Interest	533	610	560	**1,703**	416	612	127	**1,155**
Amortised Value	**191,732**	**48,610**	**75,574**	**315,916**	**199,726**	**48,612**	**100,127**	**348,465**

Liquidity Risk

Liquidity risk is the risk that cash will not be available when it is required. This can jeopardise the ability of the Council to carry out its daily functions or disrupt these from being carried out in the most cost-effective manner. To prevent or minimise this risk, the Council has a comprehensive cash flow management process that seeks to ensure that cash is available as needed. The Council holds as a minimum £10m of liquid financial assets that can be withdrawn at short notice if required to meet cash outflows on financial liabilities. If unexpected movements occur, the Council has ready access to borrowings from money markets and the PWLB. There is no significant risk that the Council will be unable to raise finance to meet its commitments.

Instead, the risk to which the Council is exposed is when loans or other forms of capital financing mature, they cannot be refinanced where necessary on terms that reflect the assumptions made in formulating revenue and capital budgets. The policy on debt redemption is to maintain a fairly stable fall out of debt required to be refinanced each year. To achieve this, targets are set within the Treasury Management Strategy which limit the maximum amount of debt maturities within specific time periods. This spreads the risk of interest rate exposure so all debt is not subject to renewal at the same time. The maturity analysis of financial liabilities is as follows:

	31 March 2023				31 March 2022			
	Limit for Debt Maturity	Actual % Debt Maturity	Principal Repayment £'000	Principal and Interest Repayments £'000	Limit for Debt Maturity	Actual % Debt Maturity	Principal Repayment £'000	Principal and Interest Repayments £'000
Less than 1 year	50%	27.00%	88,203	96,132	50%	25.63%	89,321	97,566
Between 1 and less than 2 years	50%	7.00%	22,514	30,055	50%	9.52%	33,167	40,667
Between 2 and less than 5 years	50%	19.00%	62,833	83,450	50%	9.90%	34,500	55,838
Between 5 and less than 10 years	100%	14.00%	45,833	74,557	100%	15.45%	53,833	83,781
Between 10 and less than 20 years	100%	20.00%	65,404	107,460	100%	20.25%	70,571	114,625
Between 20 and less than 30 years	100%	0.00%	0	35,239	100%	0.00%	0	34,805
Between 30 and less than 40 years	100%	9.00%	19,128	43,718	100%	5.48%	19,072	45,398
Between 40 and less than 50 years	100%	2.00%	8,000	15,837	100%	11.19%	39,000	48,462
Over 50 years	100%	1.00%	4,000	5,017	100%	2.58%	9,000	10,363
Total		**99.00%**	**315,915**	**491,465**		**100.00%**	**348,465**	**531,506**

In addition to debt that falls out naturally in any year, the Council can choose to redeem debt early as part of its overall debt management policy. This assists in restructuring the Council's debt portfolio and although in the short term a premium charge may be incurred, longer term finance costs may be significantly reduced. LOBO loans have been included at their final maturity date.

Interest Rate Risk

The Council is exposed to risks arising from movements in interest rates. To manage interest rate risk the Council will aim to balance variable rate debt with its exposure to variable rate investments. This approach will offset any increase or decrease in borrowing costs with comparable changes in investment income. The Council is required to set an indicator to control the Council's exposure to interest rate risk. The interest rate risk indicator Limit Upper limit on one-year revenue impact of a 1% rise in interest rates is £1.0m; Upper limit on one-year revenue impact of a 1% fall in interest rates is (£1.0m). The impact of a change in interest rates is calculated both on the assumption that fixed-rate maturing loans and investments will be replaced at their existing fixed rates and with a forecast maximum variable rate net investment and debt position of £100m.

Movements in interest rates can impact the Council in several ways. For instance, a rise in interest rates would have the following effects:
- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates and pooled funds – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

If interest rates had been 1% higher (based on 2022/23 balances and with all other variables held constant) the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	407
Increase in interest receivable on variable rate investments	(633)
Decrease in fair value of investments held at FVPL charged against provision of services	546
Impact on Surplus or Deficit on the Provision of Services	**320**
Share of overall impact credited to the HRA	**638**
Decrease in fair value of investments held at FVOCI	0
Impact on Other Comprehensive Income and Expenditure	**0**
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(21,838)

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. The fair value assumptions are based on the same methodology as used in the "Fair Value" disclosure note.

Price Risk

The Council has a small historic holding of £58k classified as shares in listed companies. Based on the holding value at 31 March 2023 a 5% fall in share prices would result in a £3k charge to the Income and Expenditure Account.

The Council's investment in pooled equity funds is subject to the risk of falling share prices. This risk is limited by the Council's maximum exposure to equity investment of £15m. Based on the holding value at 31 March 2023 a 5% fall in share prices would result in transfer of £67k to Financial Instruments Revaluation Reserve.

The market prices of the Council's units in pooled funds are governed by prevailing interest rates and the market risk associated with these instruments which is managed alongside interest rate risk.

Foreign Exchange Risk

All the financial assets and liabilities are denominated in GBP and thus have no exposure to loss arising from movements in exchange rates.

Financial Liabilities

The majority of borrowing made by the Council is sourced from the PWLB (£200,671k nominal value 31 March 2023; all at fixed rates). Borrowing at fixed rates enables the Council to enjoy stability of costs in future years and helps improve budgetary processes. Fixed rates protect the Council from interest rate increases but in contrast exposes it to opportunity costs should rates fall. Borrowing at variable rates currently allows the Council to source debt at levels which are considerably lower than fixed rate debt. Sourcing debt from the PWLB allows the Council to reschedule or prematurely redeem debt and the portfolio is continually monitored to take advantage of opportunities that may present themselves periodically to reduce overall costs.

£36,000k of debt (nominal value) is held in "Lenders Option Borrowers Option" (LOBO) market loans. These have been set to provide varying periods of fixed rate ranges with subsequent options for the lender to change this rate on agreed dates. Over the next three years loans totalling £5,000k, £6,000k and £10,000k respectively are scheduled for rate change options. In addition, the Council holds £12,000k of fixed-rate market loans and £75,000k of Local Authority to Local Authority borrowing.

Although the Council continued to utilise internal balances to reduce the need to borrow, significant external borrowing was also required during 22/23 to ensure liquidity was maintained. However, the loan portfolio decreased by £33,167k as a result of £10,000k of new PWLB loan term borrowing being taken during 22/23, £45,000k of new local authority borrowing being taken to replace some of the £70,000k maturing local authority borrowing and £18.167k of naturally maturing PWLB debt, leaving a balance at year-end of £323,671k.

Financial Assets

The Council had a weighted average balance of investments for 2022/23 of £88,031k. Throughout the year deposits were placed in instant access accounts, pooled funds and in fixed-term deposits with varying maturity periods. This approach aimed to match investment maturities with expected expenditure and so spread interest rate risk. At year-end there were no deposits with maturities extending one year and therefore all instruments are classified as variable.

The Council has a long-term investment of £3,371k in shares in the subsidiary Hillingdon First. The objective of Hillingdon First Limited is to deliver a financial return to the Council and provide housing and or a commercial unit for sale or rent. It will achieve this by the generating of long-term sustainable revenue streams through the delivery of high-quality housing to meet the needs of Hillingdon’s residents.

The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. While one of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. To limit these risks, upper limits on the sums invested in each category have been set in Table 1 below. Furthermore, the Council is protected against any loss through a charge over the assets of Hillingdon First Ltd.

Table 1 - Loans & Shares for Service Purposes

Hillingdon First Ltd	2022/23 Approved Limit £m
Loans	0-35
Shares	0-50
TOTAL	**50**

43. PENSION SCHEMES

Defined Benefit Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits that include retirement pensions, dependent pensions, death grants and lump sum payments. Although these benefits will not actually be payable until employees retire, the Council's commitment to make future payments needs to be disclosed as the future entitlement is earned.

The Council participates in four defined benefit pension schemes; two funds of the Local Government Pension Scheme (LGPS), the Teachers' Pension Scheme and the NHS Pension Scheme. Accounting for the Teachers' Pension Scheme and NHS scheme varies from that of the LGPS and is expanded upon further within this note.

LGPS

The two LGPS scheme funds are:

- London Borough of Hillingdon (LBH) Pension Fund of the LGPS for employees, administered locally by the Council.
- London Pension Fund Authority (LPFA) Pension Fund of the LGPS, which is a closed arrangement for former employees administered by the London Pension Fund Authority.

For the London Borough of Hillingdon LGPS, contributions are made at a level intended to balance the pensions liabilities with investment assets. The adequacy of the funds' contributions and investments to resource future liabilities is reviewed tri-annually by actuaries appointed by the Council. Contribution rates are then set to meet the overall liabilities of the fund under Pension Fund Regulations. During 2022/23 the employer's contribution rate was 24.1%.

Employees contributed at variable rates between 5.5% and 12.5% of pensionable salary. The employer's contribution rate set for 2023/24 is 24.1% with any pension strain costs being directly attributable to the service area, as was the case in 2022/23.

The London Pension Fund Authority (LPFA) Pension Scheme has been combined with London Borough of Hillingdon Pension Fund in the figures within this note as it is a closed non-contributing fund for a number of former employees.

Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme. This fund is administered by the Department for Education and provides teachers with defined benefits upon their retirement. The Council contributes towards the pensions by making payments to the fund based on a percentage of members' pensionable salaries. The employer's contribution rate for 2022/23 was 23.68% (the rate in 2021/22 was 23.68%). The total contribution to the fund by the Council in 2022/23 was £11,263 k (£11,125k in 2021/22), of this amount £957k was outstanding on 31 March 2023 (£941k on 31 March 2022).

The Teachers' Pension Scheme is a defined benefit scheme. Although the scheme is unfunded, a notional fund is used as a basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this statement of accounts it is therefore accounted on the same basis as a defined contribution scheme. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teacher's scheme. There was £312k paid in respect of on-going early retirement payments in 2022/23 (£297k in 2021/22).

NHS Pension Scheme

The Health and Social Care Act 2012 made provision for the transfer of public health services and staff from primary care trusts (PCTs) to local authorities. As a result of this transfer, the Council is responsible for deduction of pension contributions, both employees and employers from transferred staff. These contributions are forwarded on directly to the National Health Service Pension Scheme. The National Health Service Pension Scheme is unfunded and administered by National Health Service Business Services Authority (NHSBSA). It is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this statement of accounts it is therefore accounted on the same basis as a defined contribution scheme. The pension cost charged to the accounts is the contribution rate set by the NHSBSA. In 2022/23 the Council paid a total of £19.5k, £32.9k in 2021/22) to the NHS Pension Scheme, representing 14.38% of pensionable pay. The Department of Health and Social Care's transitional arrangement for the increase of employer contributions continued in 2022/23. This means that in 2022/23 all employers continued to pay 14.38% in employer contributions including 0.08% for the scheme administrator charge under the normal monthly payment process to the NHS Pension Scheme. This rate will continue to be paid in 2023/24.

Transactions relating to retirement benefits

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and via the Movement in Reserves Statement during the year:

Comprehensive Income and Expenditure Statement	**LBH Pension Fund**		**LPFA Pension Fund**		**Total**	
	31 March 2023 £'000	**31 March 2022 £'000**	**31 March 2023 £'000**	**31 March 2022 £'000**	**31 March 2023 £'000**	**31 March 2022 £'000**
Cost of Services						
Current Service Cost	53,975	55,490	0	0	53,975	55,490
Past Service Costs (Including curtailments)	618	202	0	0	618	202
(Gain)/Loss Settlements	0	(2,254)	0	0	0	(2,254)
Administration Expenses	933	879	0	0	933	879
Financing and Investment Income and Expenditure:						
Net Interest Expense	16,897	14,973	61	38	16,958	15,011
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	**72,423**	**69,290**	**61**	**38**	**72,484**	**69,328**
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement						
Remeasurement of the net defined benefit liability comprising:						
Return on plan assets (excluding the amount included in the net interest expense)	91,799	(69,880)	1	(9)	91,800	(69,889)
Actuarial gains and losses arising on changes in financial assumptions	(569,009)	(93,865)	(400)	(51)	(569,409)	(93,916)
Other	79,900	693	175	7	80,075	700
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	**(397,310)**	**(163,052)**	**(224)**	**(53)**	**(397,534)**	**(163,105)**
Movement in Reserves Statement						
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(41,920)	(39,882)	(58)	(35)	(41,978)	(39,917)
Actual amount charged against the General Fund						
Balance for pensions in the year:						
Employer's contributions payable to scheme	(28,648)	(27,493)	0	0	(28,648)	(27,493)
Contributions in respect of unfunded benefits	(1,855)	(1,916)	(3)	(3)	(1,858)	(1,919)
Total Employers Contributions Payable to Scheme	**(30,503)**	**(29,409)**	**(3)**	**(3)**	**(30,506)**	**(29,412)**

In addition, the Comprehensive Income and Expenditure Statement included an actuarial gain of £397,534k in 2022/23 (£163,052k actuarial gain in 2021/22). Any impact of foreign exchange rates will come through as a result of market value movements in asset holdings.

The Council expects to make payments of £28,095k in respect of contributions to the LBH Pension Fund during the financial year 2023/24.

44. PENSION SCHEMES BALANCE SHEET DISCLOSURES

Reconciliation of present value of scheme liabilities

	LBH Pension Fund		LPFA Pension Fund		Total	
	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000
Opening Benefit Obligation	1,658,268	1,716,627	2,312	2,607	1,660,580	1,719,234
Current Service Cost	53,975	55,490	0	0	53,975	55,490
Administration Expenses	933	879	0	0	933	879
Interest on defined liability	44,962	34,441	56	39	45,018	34,480
Contributions by Members	7,828	7,362			7,828	7,362
Remeasurement (gains) and losses:						0
- Actuarial (gains)/losses arising from changes in financial assumptions	(569,009)	(93,865)	(400)	(51)	(569,409)	(93,916)
- Other	79,900	(12,698)	205	7	80,105	(12,691)
Past Service Cost including Curtailments	618	202	0	0	618	202
Liabilities Extinguished on Settlements	0	(3,411)	0	0	0	(3,411)
Estimated Unfunded Benefits Paid	(1,855)	(1,916)	(3)	(3)	(1,858)	(1,919)
Estimated Benefits Paid	(45,100)	(44,843)	(277)	(287)	(45,377)	(45,130)
Closing Defined Benefit Obligation	**1,230,520**	**1,658,268**	**1,893**	**2,312**	**1,232,413**	**1,660,580**

Reconciliation of fair value of scheme assets

	LBH Pension Fund		LPFA Pension Fund		Total	
	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000
Opening Fair Value of Employer Assets	1,044,447	979,636	(68)	209	1,044,379	979,845
Interest Income on Plan Assets	28,065	19,467	(5)	1	28,060	19,468
Contributions by Members	7,828	7,362	0	0	7,828	7,362
Contributions by the Employer	28,648	27,493	0	0	28,648	27,493
Contributions in respect of Unfunded Benefits	1,855	1,916	3	3	1,858	1,919
Remeasurement (gains) and losses:						
- The return on plan assets, excluding the amount in the net interest expense	(91,799)	69,880	(1)	9	(91,800)	69,889
- Other	0	(13,391)	30	0	30	(13,391)
Assets Distributed on Settlements	0	(1,157)	0	0	0	(1,157)
Estimated Unfunded Benefits Paid	(1,855)	(1,916)	0	0	(1,855)	(1,916)
Estimated Benefits Paid	(45,100)	(44,843)	(280)	(290)	(45,380)	(45,133)
Closing Fair Value of Employer Assets	**972,089**	**1,044,447**	**(321)**	**(68)**	**971,768**	**1,044,379**

Administration costs are included within liabilities for the LBH Pension Fund and within assets for the LPFA Pension Fund as determined by the respective actuaries.

The LBH return on scheme assets is based on actual fund returns as provided by the administering authority at -6.1%

The LPFA return is based on investment returns and market returns estimated where necessary.

Pension Scheme assets comprised

	LBH Pension Fund				LPFA Pension Fund				Total	
	Quoted in Active Markets (Level 1) 22/23 £'000	Not Quoted in Active Markets (Level 2&3) 22/23 £'000	Quoted in Active Markets (Level 1) 21/22 £'000	Not Quoted in Active Markets (Level 2&3) 21/22 £'000	Quoted in Active Markets (Level 1) 22/23 £'000	Not Quoted in Active Markets (Level 2&3) 22/23 £'000	Quoted in Active Markets (Level 1) 21/22 £'000	Not Quoted in Active Markets (Level 2&3) 21/22 £'000	31 March 2023 £'000	31 March 2022 £'000
Equity Instruments										
Consumer	0	0	0	0	(45)	0	(8)	0	(45)	(8)
Manufacturing	0	0	0	0	(22)	0	(4)	0	(22)	(4)
Energy & Utilities	0	0	0	0	0	0	(1)	0	0	(1)
Financial Institutions	0	0	0	0	(29)	0	(4)	0	(29)	(4)
Health & Care	0	0	0	0	(13)	0	(2)	0	(13)	(2)
Information Technology	0	0	0	0	(42)	0	(10)	0	(42)	(10)
Other	24	0	24	0	(3)	0	(1)	0	21	23
Debt Securities									0	0
Other	0	0	0	0	(3)	0	(2)	0	(3)	(2)
Private Equity	0	5,483	0	7,597	0	(26)	0	(6)	5,457	7,591
Real Estate	0	121,973	0	141,739	0	(32)	0	(6)	121,941	141,733
Investment Funds & Unit Trusts									0	0
Equities	0	501,348	0	525,742	0	0	0	0	501,348	525,742
Bonds	0	222,069	0	269,890	0	0	0	0	222,069	269,890
Infrastructure	0	45,050	0	39,561	0	(42)	0	(7)	45,008	39,554
Other	0	62,447	0	50,009	0	0	0	0	62,447	50,009
Target Returns	0	0	0	0	(26)	(32)	(7)	(5)	(58)	(12)
Cash & Cash Equivalents	13,695	0	9,885	0	(6)	0	(5)	0	13,689	9,880
	13,719	**958,370**	**9,909**	**1,034,538**	**(189)**	**(132)**	**(44)**	**(24)**	**971,768**	**1,044,379**

LBH allocation between quoted and not-quoted investments reflects the fair value hierarchy shown in the Pension Fund Accounts.

Pensions Assets and Liabilities recognised in the Balance Sheet

	2022/23 £'000	2021/22 £'000	2020/21 £'000	2019/20 £'000	2018/19 £'000	2017/18 £'000	2016/17 £'000
Present value of liabilities:							
LBH	(1,230,520)	(1,658,268)	(1,716,627)	(1,353,063)	(1,518,557)	(1,395,187)	(1,381,086)
LPFA	(1,893)	(2,312)	(2,607)	(2,711)	(3,567)	(3,783)	(4,283)
Fair Value of Assets:							
LBH	972,089	1,044,447	979,636	837,351	904,602	873,391	862,749
LPFA	-321	-68	209	457	832	1,111	1,450
Deficit in the scheme:							
LBH	(258,431)	(613,821)	(736,991)	(515,712)	(613,955)	(521,796)	(518,337)
LPFA	(2,214)	(2,380)	(2,398)	(2,254)	(2,735)	(2,672)	(2,833)
Total	**(260,645)**	**(616,201)**	**(739,389)**	**(517,966)**	**(616,690)**	**(524,468)**	**(521,170)**

The liabilities show the underlying commitments that the Council has in the long term to pay retirement benefits. The total liability of £1,232m is offset by the scheme assets of £972m to give the net pension liability of £260.6m as disclosed on the balance sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains viable: the deficit on the LBH scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary, in addition to ongoing investment returns.

45. PENSION SCHEMES BASIS OF ESTIMATION

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The scheme liabilities for both LBH and LPFA have been assessed by their appointed actuary, estimates for the LBH scheme being based on the latest full valuation of the scheme as at 31 March 2022. The appointed actuary for LBH is Hymans Robertson LLP and for LPFA is Barnett Waddingham.

	LBH Pension Fund		LPFA Pension Fund	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
Financial Assumptions: (% p.a.)				
Pension Increase Rate	3.00%	3.20%	2.80%	3.60%
Salary Increase Rate	3.50%	3.70%	3.80%	4.60%
Discount Rate	4.75%	2.70%	4.80%	2.60%
Mortality Assumptions:				
Longevity at 65 for current pensioners:				
- Men	21.7	22.3	21.5	22.0
- Women	24.4	24.8	24.8	24.6
Longevity at 65 for future pensioners:				
- Men	22.4	23.0	22.9	23.4
- Women	25.6	26.0	26.2	26.1
Take-up of option to convert annual pension to tax free lump sum pre-April 2008	55%	55%	50%	50%
Take-up of option to convert annual pension to tax free lump sum post-April 2008	55%	55%	0%	0%

Sensitivity Analysis

The estimation of the defined benefit obligation is sensitive to principal actuarial assumptions used to measure the scheme. The sensitivity analyses below have been based on possible changes to principal assumptions occurring at the end of the reporting period and assumes all other assumptions remain constant. For example, the assumptions in longevity assume that life expectancy increases or decreases. The estimations on sensitivity analysis have followed the accounting policies of the scheme. The methods and types of estimations in sensitivity analysis have not changed from those in the previous period. Life expectancy is based on the Fund's Vita Curves with improvements in line with the Continuous Mortality Investigation (CMI) 2020 model

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Changes in Assumptions as at 31 March 2023	LBH Pension Fund		LPFA Pension Fund	
	% Increase to Employer Liability	Increase to Employer Liability £'000	% Increase to Employer Liability	Increase to Employer Liability £'000
0.1% Decrease in Real Discount Rate	2%	19,526	1%	10
1 Year Increase in Member Life Expectancy	4%	49,221	10%	197
0.1% Increase in the Salary Increase Rate	0%	1,313	0%	0
0.1% Increase in the Pension Increase Rate	2%	18,507	1%	11

*The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, the estimate that a one-year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 4%. In practice the actual cost of a one-year increase in life expectancy will depend on the structure of the revised assumption.

IAS19 remeasurements of plan amendments, curtailments and settlements

On 7 February 2018, the IASB issued amendments to IAS19 on accounting for plan amendments, curtailments and settlements ('events'). As set out in IAS19 and CIPFA guidance, it the actuaries understanding that where an event is considered 'significant', the profit and loss account should be remeasured at the date of the event. Where the event is not deemed to be significant, the actuary has not remeasured the profit and loss account in this year's disclosures. In the absence of any instruction or statutory guidance, the actuary has measured significance based on 5% of active membership being affected by any event. If an alternative measure of significance were to apply, changes may be required to our calculations and disclosures, however the closing balance sheet position would remain unchanged. Analysis by the actuary shows there were no significant events for 2022/23.

Scheme and Impact on the Authorities cash flows

The LBH Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Committee of the Council. Policy is determined in accordance with the Pension Fund Regulations. The principal risks to the Council in relation to the scheme are the sensitivity of contribution rates to changes in assumptions, investment risk and regulatory risk. These risks are mitigated to an extent by the statutory requirements to charge amounts required by statute as described in the accounting policies note.

The objectives of the LBH LGPS Pension fund are to keep employer's contributions at a rate, which is as constant as possible. The Council's Pension Fund undergoes a triennial valuation to set the contribution rates of the all the employers in the scheme to give a greater than 50% chance of achieving a funding level of 100% within the next 20 years. The current contribution rate was set over the last triennial valuation period ending March 2022 to cover contribution rates of the Council for three years from April 2023. Contributions are set for three years to minimise disruption in cash flow impacts of the Council.

The weighted average duration of the defined benefit obligation for Council scheme members is 19 years as established in the triennial valuation dated 31 March 2019.

Further information about the LBH pension Fund can be seen in the Pension Fund accounts and in the Pension Fund annual report.

Other Financial Statements

Housing Revenue Account (HRA) (page 101)

There is a statutory duty to account separately for local authority housing provision. The HRA Income and Expenditure Statement shows further detail of the Income and Expenditure on HRA services included in the whole Council Comprehensive Income and Expenditure Statement. It includes the major elements of Council housing revenue expenditure on maintenance, administration and capital financing costs and major income sources such as rents and other income.

The Collection Fund Account (page 105)

This account reflects the statutory requirement to maintain a separate Collection Fund which shows the transactions of the billing authority in relation to non-domestic rates and council tax, and illustrates the way in which these have been distributed to preceptors and the general fund. The Collection fund is consolidated with the other accounts of the Council.

The Pension Fund Account (page 109)

This fund is not included within the Council's Balance Sheet but is maintained separately. The Council acts as the administrator for the London Borough of Hillingdon Fund of the Local Government Pension Scheme.

Housing Revenue Account 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 other income. Councils 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 Housing Revenue Account Statement.

	Note	31 March 2023 £'000	31 March 2022 £'000
Expenditure			
Repairs and maintenance		11,949	11,121
Supervision and management		22,703	20,991
Rents, rates, taxes & other charges		281	314
Increase in provision for bad debts		1,087	454
Depreciation of non current assets	*3*	12,772	12,208
Impairment or Reversal of previous impairment / revaluation loss		32,325	26,931
		81,117	**72,019**
Income			
Gross dwelling rents		(61,575)	(58,325)
Gross non dwelling rents		(1,836)	(1,651)
Charges for services and facilities		(3,929)	(3,346)
Contributions towards expenditure		(622)	(1,081)
		(67,962)	**(64,403)**
Net Cost of HRA Services as included in the HRA Income and Expenditure Statement		**13,155**	**7,616**
HRA Services share of Corporate and Democratic Core		819	1,041
Net Cost of HRA services		**13,974**	**8,657**
(Gain) on sale of HRA non current assets		(6,943)	(9,696)
Interest payable and similar charges		6,571	6,483
Interest & Investment Income		(638)	(5)
Capital Grant Income		(22,327)	(4,188)
(Surplus)/Deficit for the year on HRA services		**(9,363)**	**1,251**

Movement on the Housing Revenue Account Statement

The Movement on Housing Revenue Account Statement shows how the HRA Income and Expenditure Statement (surplus) / deficit for the year reconciles to the movement on the Housing Revenue Account Balance for the year.

	Note	31 March 2023 £'000	31 March 2022 £'000
HRA Balance 31 March		**(15,351)**	**(15,201)**
(Surplus)/Deficit for the year on HRA services		(9,363)	1,251
Adjustments between accounting basis & funding basis under regulations			
Gain/(Loss) on sale of HRA non current assets		6,943	9,696
HRA share of contributions to or from the Pension Reserve		(2,649)	(2,351)
Revaluation of Non Current Assets		(32,325)	(26,931)
Annual Leave Accrual Adjustment		48	53
Revenue Expenditure funded by Capital Under Statute		(19)	123
Provision for repayment of debt		9,896	9,799
Capital Grant Income		22,327	4,188
Net Increase before transfer to reserves		**(5,142)**	**(4,172)**
Transfer to Major Repairs Reserve		5,307	4,246
Transfer from Earmarked Reserve		0	(224)
(Increase)/Decrease in year on HRA		**165**	**(150)**
HRA Balance at 31 March		**(15,186)**	**(15,351)**
HRA Earmarked Reserve			**0**
Major Repairs Reserves	*7*	**(2,054)**	**(7,115)**
Total HRA Balances		**(17,240)**	**(22,466)**

Notes to the Housing Revenue Account

1. HOUSING STOCK

The Council was responsible at 31 March 2023 for managing dwellings (including shared ownership).
The stock was as follows:

	Total Properties 31 March 2023	Total Properties 31 March 2022
1 Bed Properties	3,763	3,739
2 Bed Properties	3,467	3,483
3 Bed Properties	2,770	2,748
4 Bed plus Properties	279	256
Total	**10,279**	**10,226**

2. VALUE OF HRA ASSETS

	Net Book Value 31 March 2023 £'000	Net Book Value 31 March 2022 £'000
Council Dwellings	856,238	811,393
Other Land & Buildings	1,642	1,775
Vehicle, Plant & Equipment	3,447	3,875
Surplus Assets	8,225	656
Intangible Asset	69	86
Assets Held For Sale	0	32
Assets Under Construction	10,980	12,424
Total	**880,601**	**830,241**

The vacant possession value of dwellings within the Council's HRA as at 31 March 2023 was £3,425m; this differs from the balance sheet value of £856m, which is based on the economic use value of social housing. The difference of £2,569m between these two figures shows the economic cost of providing housing at social rents over 30 year cycle compared to open market rents.

3. DEPRECIATION

Depreciation charged in year to the HRA

	Depreciation 31 March 2023 £'000	Depreciation 31 March 2022 £'000
Council Dwellings	12,056	11,403
Other Land & Buildings	33	30
Intangibles	17	17
Surplus Assets	8	9
Vehicle, Plant & Equipment	658	749
Total	**12,772**	**12,208**

4. CAPITAL EXPENDITURE

HRA Capital Expenditure during 2022/23 totalled £62,764k. This was financed by:

Notes to the Housing Revenue Account

	31 March 2023 £'000	31 March 2022 £'000
Capital Receipts	6,628	8,736
Capital Grants & Contributions	22,328	4,188
Borrowing	10,668	0
Major Repairs Reserve	23,140	22,123
	62,764	**35,047**

Capital receipts from the sale of HRA RTB properties during 2022/23 totalled £12,686k and all of this was retained by the Council.

5. RENT ARREARS

At 31 March 2023 the gross HRA rent arrears amounted to £3,879k (£2,989k in 2021/22).

6. IMPAIRMENT ALLOWANCE

The provision for bad debts on all HRA debts as at 31 March 2023 was £2,984k (£2,208k in 2021/22). In year, there was an increase in the HRA bad debt provision of £1,086k and debts totalling £310k were written off.

7. MAJOR REPAIRS RESERVE

HRA resource accounting requires the maintenance of a Major Repairs Reserve (MRR) and holds depreciation charged to the HRA and revenue contribution to capital expenditure of HRA. The movements on this reserve are shown below.

	31 March 2023 £'000	31 March 2022 £'000
Balance as at 1 April	7,115	12,784
Depreciation transferred to Reserve	12,772	12,208
Transfer to MRR	5,307	4,246
Capital programme funding	(23,140)	(22,123)
	2,054	**7,115**

The £2,054k held in this reserve will be used to finance future capital expenditure on dwellings.

8. CONTRIBUTIONS TO PENSION RESERVE

The cost of employer's pension contributions in the HRA Income and Expenditure is reported in-line with IAS 19, which requires the current service cost, rather than the actual employer's contribution, be recognised. The HRA increase for 2022/23 was £2,649k.

Collection Fund Account

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

Council Tax	**Note**	**31 March 2023** **£'000**	**31 March 2022** **£'000**
Council Tax Income		(169,494)	(162,504)
Contribution towards previous years' estimated Council Tax (Surplus)/Deficit	*1*	(4,329)	(3,084)
Write-offs Uncollectable Council Tax Debt		(1)	129
Write-back Uncollectable Council Tax Debt		0	(166)
Provision for Doubtful Council Tax Debts		1,294	1,361
London Borough of Hillingdon Council Tax Precept	*1*	131,179	126,539
Greater London Authority Council Tax Precept	*1*	41,078	37,119
Council Tax (Surplus)/Deficit for the Year		**(273)**	**(606)**
Opening Council Tax (Surplus)/Deficit Balance		3,507	4,113
Council Tax (Surplus)/Deficit for the Year		(273)	(606)
Brought Forward Council Tax (Surplus) / Deficit Balance		**3,234**	**3,507**

National Non-Domestic Rates (NNDR) & Business Rate Supplement (BRS)	**Note**	**31 March 2023** **£'000**	**31 March 2022** **£'000**
National Non-Domestic Rates Income		(352,725)	(335,102)
Business Rate Supplement Income		(13,181)	(10,177)
Contribution towards previous years' estimated NNDR (Surplus)/Deficit		(42,622)	(104,793)
Write-offs Uncollectable NNDR Debt		313	565
Write-back Uncollectable NNDR Debt		(1)	(79)
Provision for Doubtful NNDR Debts		1,692	(149)
Provision/(Release of Provision) for Backdated Appeal Losses	*3*	(2,256)	(4,285)
London Borough of Hillingdon Share NNDR Income	*2*	102,997	110,518
Greater London Authority Share NNDR Income	*2*	127,029	136,305
Central Government Share NNDR Income	*2*	113,296	121,570
Transitional Payment Protection Receivable		(154)	1,881
Payment to Greater London Authority in respect of BRS Income		13,171	10,167
NNDR Cost of Collection Allowance		567	566
BRS Cost of Collection Allowance		10	10
NNDR (Surplus)/Deficit for the Year		**(51,864)**	**(73,003)**
Opening NNDR (Surplus)/Deficit Balance		39,245	112,248
NNDR (Surplus)/Deficit for the Year		(51,864)	(73,003)
Brought Forward NNDR (Surplus)/Deficit Balance		**(12,619)**	**39,245**

Notes to the Collection Fund Account

1. Calculation of the Council Tax Base and 2022/23 Council Tax Revenues

The Council Tax Base is based upon the number of dwellings within the borough, analysed by valuation band and adjusted for reductions in expected tax yield arising from discounts, exemptions and the Council Tax Support Scheme. The Council Tax Base is set annually in advance of budget setting, with the 2022/23 base agreed by full Council on 13 January 2022.

	Estimated No. of Properties	Discounts & Exemptions	Council Tax Support Scheme	Net Estimated No. of Properties	Band D Equivalent Ratio	Band D Equivalent 2022/23	Band D Equivalent 2021/22
				854	6/9	570	522
				4,180	7/9	3,251	3,201
				0,343	8/9	18,083	17,514
				0,039	9/9	40,040	39,461
				6,775	11/9	20,503	20,241
				9,111	13/9	13,160	12,999
				4,590	15/9	7,650	7,528
				433	18/9	866	862
				6,325		**104,123**	**102,328**
Adjustment for Non-collection						(1,049)	(1,023)
Ministry of Defence Contribution						766	766
Council Tax Base						**103,840**	**102,071**
London Borough of Hillingdon Band D Council Tax (£)						1,263.28	1,239.72
Greater London Authority Band D Council Tax (£)						395.59	363.66
Total Band D Council Tax (£)						**1,658.87**	**1,603.38**
Demand on Collection Fund (£'000)						**172,257**	**163,658**

Notes to the Collection Fund Account

Annual precepts levied upon the Collection Fund Account in respect of Council Tax by the Council and Greater London Authority are derived from the Council Tax Base and the Band D Council Tax charge approved for the financial year. The following table analyses all Council Tax activity within the Collection Fund between the major preceptors, with the Council's own activity reflected in the main statement of accounts.

	Balance 31 March 2022 £'000	2022/23 Precept £'000	Release of Prior Year Estimated Surplus £'000	2022/23 Council Tax Revenues £'000	2022/23 Deficit £'000	Balance 31 March 2023 £'000
London Borough of Hillingdon	2,350	131,179	(3,356)	(127,625)	198	2,548
Greater London Authority	1,157	41,078	(973)	(40,577)	(472)	685
Total	**3,507**	**172,257**	**(4,329)**	**(168,202)**	**(273)**	**3,234**

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Notes to the Collection Fund Account

2. National Non-Domestic Rating Income & Business Rate Retention System

National Non-Domestic Rates are levied on the basis of the Valuation Office Agency's assessment of the Rateable Value of a non-domestic property. As at 31 March 2023 the aggregate Rateable Value across the 8,934 hereditaments within the borough totalled £795,587k, with rates payable determined by the National Non-Domestic multiplier which is set annual by Central Government. For 2022/23 the standard multiplier was frozen at 51.2p in the pound and for small businesses 49.9p in the pound.

The Business Rate Retention System requires that locally raised income is shared between the Council (30%), the Greater London Authority (37%) and Central Government (33%). The Council's own share of these revenues are reflected in the main statement of accounts.

	Balance 31 March 2022 £'000	2022/23 Budgeted Share of Income £'000	Release of Prior Year Estimated Surplus £'000	2022/23 Non-Domestic Rates Revenues £'000	2022/23 Surplus £'000	Balance 31 March 2023 £'000
London Borough of Hillingdon	11,762	102,998	(12,775)	(105,769)	(15,546)	(3,784)
Greater London Authority	14,528	127,029	(15,777)	(130,450)	(19,198)	(4,670)
Central Government	12,955	113,296	(14,070)	(116,346)	(17,120)	(4,165)
Total	**39,245**	**343,323**	**(42,622)**	**(352,565)**	**(51,864)**	**(12,619)**

3. Provision for losses on Non-Domestic Rating Income due to back-dated appeals

Non-Domestic Ratepayers are able to challenge the Valuation Office Agency's assessment of the Rateable Value for their property, which if successful will result in a reduction in future payments and in some cases a refund of previously levied rates. 16 such appeals relating to 14 separate hereditaments were outstanding with the Valuation Office Agency as at the 31 March 2023. Given the inherent uncertainty around the financial impact of such appeals, a provision of £506k has been established on the basis of past experience. This represents an decrease of £2,256k on the previously held provision as 2022/23 is the final year that the Valuation Office Agency 2017 Rateable Value list applies, with no further appeals permitted against Rateable Values on this list after this period.

PENSION FUND ACCOUNT

	Note	31 March 2023 £'000	31 March 2022 £'000
Contributions	4	53,386	50,669
Transfers In from other pension funds	5	4,542	4,297
		57,928	**54,966**
Less: Benefits	6	(51,410)	(52,029)
Less: Payments to and on account of leavers	7	(5,552)	(5,048)
		(56,962)	**(57,077)**
Net additions/(withdrawals) from dealings with members		**966**	**(2,111)**
Less: Management expenses	8	(13,844)	(10,832)
Net additions/(withdrawals) including fund management expenses		**(12,878)**	**(12,943)**
Return on investments			
Investment income	9	11,467	11,858
Profit and losses on disposal of investments and changes in market value of investments	10A	(81,849)	102,033
Taxes On Income		(28)	(35)
Net return on investments		**(70,410)**	**113,856**
Net Increase/(Decrease) in the		**(83,288)**	**100,913**
Net Assets at start of year		**1,266,115**	**1,165,202**
Net Assets at end of year		**1,182,827**	**1,266,115**

	Note	31 March 2023 £'000	31 March 2022 £'000
Investment Assets	10	1,180,397	1,264,200
Investment Liabilities	10	0	0
Total net investments		**1,180,397**	**1,264,200**
Current Assets	11	3,180	2,939
Current Liabilities	12	(750)	(1,024)
Net assets of the fund available to fund benefits at the end of the reporting period		**1,182,827**	**1,266,115**

The Pension Fund Accounts summarise the transactions of the scheme and show the net assets at the disposal of members. They 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 18.

Richard Ennis
Corporate Director of Finance
20 November 2024

Notes to the Pension Fund Account

1. DESCRIPTION OF THE FUND

a. General

The London Borough of Hillingdon Pension Fund ("the Fund") is part of the Local Government Pension Scheme (LGPS) and is administered by the London Borough of Hillingdon ("the administering body"). The Council is the reporting entity for this pension fund. The Fund is a contributory defined benefits scheme established in accordance with statute to provide benefits to members and retired members of the London Borough of Hillingdon and Admitted and Scheduled bodies in the Fund. Benefits in respect of service from 1 April 2014 are based on career average revalued earnings (CARE) scheme. Benefits in respect of past service up to 31 March 2014 are based on final salary. Pensions move in line with the Consumer Price Index (CPI) annually. Benefits paid out include a pension payable to former members and their dependants, lump sum retirement benefits, payment of death benefits where death occurs in service or retirement, and yearly payment of benefits on medical grounds.

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

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

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 of the scheme. Due to government legislation, since 1 February 2013 all new employees who are not in the scheme are automatically enrolled. Members have the option to opt out of the scheme. Employees who have opted out are then re-enrolled every 3 years, when they can again opt out.

Organisations participating in the London Borough of Hillingdon Pension Fund include the following:

- 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.

Employers who contribute to the Fund in addition to London Borough of Hillingdon are:

Admitted Bodies:

AIP – Uxbridge High school

Braybourne Facilities - Bishop Ramsey Cleaners

CCS Homecare Service

Caterlink - Frays Academy

Caterplus – Genuine Dining

Cucina - Bishopshalt

Energy Kidz Ltd

Greenwich Leisure

EcoServe

Cleantec - Harlington School Cleaners

Hayward Services

- Hillingdon School
- Highfield School
- Guru Nanak School
- Ryefield School

Heathrow Travel Care

Herts Catering

Hillingdon & Ealing Citizens Advice

Hillingdon Care Contract

HPS Services FM Limited

E/N Herts NHST

Pabulum - West Drayton Academy

PSD Childcare Limited

Service Master – Belmore Academy

Scheduled Bodies:

Barnhill Academy

Belmore Academy

Bishop Ramsey Academy

Bishopshalt Academy

Charville Academy

Douay Martyrs Academy

Eden Academy Trust

- Moorcroft School
- Pentland Field School
- Grangewood School
- Sunshine House School

Elliot Foundation Trust

- Hillingdon Primary School
- John Locke Academy
- Pinkwell School

Field End Junior School

Guru Nanak Academy Trust

- Nanak Sar Primary School
- Guru Nanak Sikh Academy

Global Academy

Harefield Academy

Harrow & Uxbridge College

Haydon Academy

Heathrow Aviation Engineering

Hermitage Primary School

LBDS Frays Academy Trust

- Cowley St. Lawrence Academy
- Laurel Lane Academy
- St. Matthews Primary School
- St. Martins Primary School

London Housing Consortium

Orchard Hill College Academy Trust

- Young Peoples Academy
- Skills HUB

Park Federation Trust

- Cranford Park Academy
- Lake Farm Park Federation

QED Academy Trust

- Wood End Academy
- West Drayton Academy
- Coteford Junior Academy
- Queensmead Academy
- Northwood Academy

Rosedale Hewens Academy Trust

- Rosedale College
- Brookside Primary School

Ruislip Academy

Ryefield Primary School

Vyners Academy

Park Academy West London

Swakeleys Academy

Uxbridge Academy

William Byrd School

Willows Academy

Notes to the Pension Fund Account

London Borough of Hillingdon Pension Fund	31 March 2023	31 March 2022
Number of employers with active members	70	69
Number of employees in scheme		
London Borough of Hillingdon	4,685	3,858
Other employers	2,614	2,183
Total	**7,369**	**6,041**
Number of Pensioners		
London Borough of Hillingdon	6,712	6,651
Other employers	824	721
Total	**7,536**	**7,372**
Deferred Pensioners		
London Borough of Hillingdon	7,935	8,995
Other employers	3,198	3,767
Total	**11,133**	**12,762**

c. Funding

The Fund is financed by contributions from the employers, Pension Fund members and by income from the Fund's investments. The Pension Fund accounts do not take account of liabilities to pay pensions and other benefits in the future. The contributions from the London Borough of Hillingdon and other participating employers are set through the triennial actuarial valuation at a rate sufficient to meet the long-term liabilities of the Fund.

Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5 % to 12.5% of pensionable pay for the financial year ending 31 March 2023. Employers also pay contributions into the Fund based on triennial funding valuations. The last such valuation was as of 31 March 2022, this covers the three financial years following 2022/23 (2023/24, 2024/2025 & 2025/26). Currently employer contribution rates range from 18.9% to 42.3% of pensionable pay, as per the 2022 valuation.

d. Investments

The Pension Fund investments are managed externally by fund managers: Adams Street Partners, AEW UK, JP Morgan Asset Management (until June 2023), Legal & General Investment Management, LGT Capital Partners, London CIV, Macquarie Investments, Permira LLP, and UBS Global Asset Management. In addition, there is one direct investment into pooled funds with M&G Investments.

e. Governance

The Fund is overseen by the Pensions Committee (comprised of Councillors) and the Pensions Board (comprised of an even number of employer and member representatives). The performance of the fund managers is monitored by the Pensions Committee (Four meetings in 2022-23) and governance is overseen by the Pensions Board (Four meetings in 2022-23). Pensions Committee and Pensions Board consisted of the following members in 2022/23:

Pensions Committee
Cllr Stuart Mathers (Chairman)
Cllr Tony Burles (Vice-Chairman)
Cllr Mohammed Shofiul Islam
Cllr Martin Goddard
Cllr Kaushik Banerjee

Pensions Board
Roger Hackett (Scheme Member Representative)
Tony Noakes (Employee Representative)
Anil Mehta – (Employer Representative) Until November 2022
Shane Woodhatch (Employer Representative)
Marie Stokes (Employer Representative) From November 2022

Notes to the Pension Fund Account

2. BASIS OF PREPARATION

The accounts have been compiled in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, which is based on International Financial Reporting Standards (IFRS) as amended for the public sector and underpinned by the Local Government Pension Scheme Regulations. The accounts have been prepared on an accrual basis, except for transfer values, which are accounted for on a cash basis, and summarise the Fund transactions and report on the net assets available to pay pension benefits as of 31 March 2023.

The accounts do not take into account obligations to pay benefits and pensions that fall due after the reporting date (31 March 2023). The Pension Fund Accounts have been prepared on a going concern basis.

3. ACCOUNTING POLICIES

a. Valuation of assets

- Market quoted investments: Equities are valued at bid market prices available on the final day of the accounting period.

- Fixed income securities including short-term instruments are priced based on evaluated prices provided by independent pricing services.
- For pooled funds, if bid prices are provided by the Fund administrators, then these are used, otherwise the Net Asset Value (NAV) is used. The NAV for pooled funds is derived by subtracting the fund's liabilities from assets and divide the result by total units/shares within the pooled fund.

- Private Equity is valued using the latest audited valuation from the Limited Partner/General Partner. This is adjusted for any capital calls/distributions that have taken place since the date of the statement. Unquoted investments for Private Placements and Infrastructure are priced using discounted cash flow methodology.

b. Foreign currency translation of assets and liabilities and forward foreign exchange contracts are converted into sterling at the closing middle rates of exchange in the Net Assets Statement. Overseas income is converted at rates of exchange ruling when remitted.

c. Acquisition costs of investments occur as brokerage commission when investments are purchased. They are recorded in the cost figure on an accrual basis.

d. Investment management expenses are recorded at cost when the fund managers/custodian invoice the fund on a quarterly basis or provide a fee schedule deducted at source. Expenses are recorded on an accrual basis. Where an investment manager's complete fee schedule has not been received by year end, an estimate based on the previous quarter's amount is included in the accounts. In 2022/23, no such fees are based on estimates (2021/22: No such Fees were based on estimates). The fund also agreed with the following fund managers that their fees include elements of performance, Adams Street Partners, AEW UK, Macquarie Infrastructure Partners and Permira LLP.

e. Administration expenses are paid when invoiced by third party providers through the administering authority's payment system and recharged to the Pension Fund.

f. Interest on property developments - property is held in unit trusts for the Pension Fund, the return received is calculated in accordance with the unit price at the Net Assets Statement date.

g. Contribution Income
Normal contributions are accounted for on accrual basis as follows:
- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes, that rise according to pensionable pay.
- Employer contributions are set at a percentage rate recommended by the fund actuary for the period 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 body.
Additional employers' contributions in respect of ill-health are accounted for as part of the tri-ennial valuation exercise and employers' contribution rates adjusted accordingly for relevant employers. Early retirement strain costs are accounted for on accrual basis.

h. Benefits are accounted for in the period in which they fall due. All benefits are calculated in accordance with the statutory regulations in force at the relevant benefit date.

i. Transfers are accounted for on a cash basis, as the amount payable or receivable by the scheme is not determined until payment is made and accepted by the recipient. Group transfers are accounted for under the agreement upon which they are made.

j. Cash and cash equivalents are held in the custody accounts by fund managers as agreed in the individual Investment Management Agreements (IMA). Cash held is at the discretion of the manager but must not exceed the stipulated permitted range in the IMA.

k. Investment Income - dividends from quoted securities are accrued when the securities are quoted ex-dividend. Interest on cash deposits is accrued on daily basis.

Critical Judgements and Uncertainties

l. Unquoted Alternative Investments - Fair values of alternative investments are highly subjective in nature. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted alternative investments are valued by investment managers using methods such as IFRS fair value principles, discounted cash flow method and guidelines set out by the International Private Equity and Venture Capital Association (IPEV), of which the British Venture Capital Association is a founding member. The value of alternative investments as of 31 March 2023 was £178,494k (£168,884k on 31 March 2022).

m. Assumptions made about the future and other major sources of estimation uncertainty - The Pension Fund accounts contains estimated figures that are based on assumptions made by the Fund about the future or events 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.

Notes to the Pension Fund Account

Items where there is a significant risk of material movements in value in the financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Private equity	Private equity investments are valued at fair value in accordance with British Venture Capital Association guidelines or commensurate overseas equivalent. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. The fair value principles employed to value the underlying investments and the valuation policy remains unchanged. Both managers continue to use the latest valuation available from underlying investment managers, adjusting for any known cash flows and take into account any known and measurable impact. It is important to note that given the evolving situation and the quarterly cycle of private equity valuations, additional data needs to be accessible before a more accurate estimate can be made with regard to potential effects of market events on net asset values.	The total private equity investments in the financial statements are £6,346k. There is a risk that this investment may be under or overstated in the accounts.

Item	Uncertainties	Effect if actual results differ from assumptions
Infrastructure - Macquarie Infrastructure Real Assets and LCIV Stepstone	Infrastructure Valuation represents the fair value of investments held at 31 March 2022. The valuations have been completed by MIRA (Macquarie Infrastructure Real Assets) in accordance with ASC 820-10 (Fair Value Measurements), under which the fair value is determined to be the price that would be received upon sale of the investments in an orderly transaction between market participants. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total infrastructure alternative investments in the financial statements are £54,838k. There is a risk that this investment may be under or overstated in the accounts. There are no openly traded market prices available for this asset category.

Item	Uncertainties	Effect if actual results differ from assumptions
Private Finance - M&G	Private Finance investments are valued at par as they are mostly floating rate notes tied to LIBOR. Final valuation is undertaken by the analysts employed by the fund manager as they are not traded on the open market.	The total private finance investments in the financial statements are £682k. There is a risk that this investment may be under or overstated in the accounts. There are no openly traded market prices available for this asset category.

Item	Uncertainties	Effect if actual results differ from assumptions
Direct Lending - Permira Credit Solutions & LCIV Private Debt	Private Debt Investments are valued on a quarterly basis and in accordance with International Private Equity and Venture Capital valuation guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total Private Debt investments in the financial statements are £75,225k. There is a risk that this investment may be under or overstated in the accounts. There are no openly traded market prices available for this asset category.

Item	Uncertainties	Effect if actual results differ from assumptions
Pooled Property - LGIM LPI, AEW UK & UBS Property	Pooled property assets are valued independently for the respective managers with a lot of subjective and unobservable inputs that may be affected by prevalent socio-economic issues. The underlying assets do not have the luxury of an open market transactional data like Equities and does result in valuation varying by wide degrees. The Assets Value as at 31 March 2022 were not subject to any uncertainty clauses as the funds had fully recovered from the effects of COVID19.	The total Pooled property investments in the financial statement is £41,362k. There is a risk the investments may be over or under stated in the accounts. These asset class of investments are not openly traded and a lot of unobservable inputs are utilised in the valuation of the assets. These unobservable valuation assumptions may have a profound effect on the actual pricing at year end thus skew shown valuation the fund accounts.

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rates used, the rates at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of actuaries, Hymans Robertson, are engaged to provide the fund with expert advice about the assumptions to be applied. The IAS19 balance sheet is based on financial market values and future market expectation indicators as at 31 March 2022 to comply with the accounting standard. The financial markets at the accounting date will have taken into account COVID19 risks (and opportunities) as one of many national and worldwide economic considerations. There has been no explicit additional allowance or adjustment made for COVID19 by Hymans Robertson.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, an increase in the discount rate assumption would result in a decrease in pension liability. An increase in assumed earnings would increase the value of liabilities and an increase in assumed life expectancy would increase the liability. This would not effect the Fund Account or Net Asset Statement, but would impact the Council Accounts. Below are the details of the sensitivity analysis to the method of assumptions used for year ended 31 March 2022 by the fund's actuaries.

Sensitivity to Unquoted Alternative Assets valuation and Pricing: Information on sensitivities of the valuation and pricing methodologies of these asset classes are disclosed in notes 14 and 16.

Notes to the Pension Fund Account

Sensitivity Analysis

Sensitivity to the assumptions for the year ended 31 March 2023	Approximate % increase to liabilities	Approximate monetary amount (£000)
0.1% p.a increase in the Discount Rate	2%	19,526
1 year increase in member life expectancy	4%	49,221
0.1% p.a. increase in the Salary Increase Rate	0%	1,313
0.1% p.a. increase in the Pension Increase Rate	2%	1,805

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

4. CONTRIBUTIONS

By category	31 March 2023 £'000	31 March 2022 £'000
Employees	12,262	11,015
Employers Contributions:		
Normal	34,920	33,824
Deficit Funding	6,204	5,830
	53,386	**50,669**

Deficit Funding: At the actuarial valuation on 31 March 2019 the Fund was 87% funded, with the remaining 13% deficit to be recovered over a period of 20 years.

By authority	31 March 2023 £'000	31 March 2022 £'000
LB Hillingdon	37,628	35,181
Scheduled Bodies	15,222	14,889
Admitted Bodies	536	599
	53,386	**50,669**

5. TRANSFERS IN

	31 March 2023 £'000	31 March 2022 £'000
Individual transfers in from other schemes	4,542	4,297
	4,542	**4,297**

Notes to the Pension Fund Account

6. BENEFITS

By category	31 March 2023 £'000	31 March 2022 £'000
Pensions	(42,970)	(42,557)
Commutations and Lump Sum Retirement Benefits	(7,234)	(8,024)
Lump Sum Death Benefits	(1,205)	(1,448)
	(51,409)	**(52,029)**

By authority	31 March 2023 £'000	31 March 2022 £'000
LB Hillingdon	(46,184)	(47,038)
Scheduled Bodies	(4,802)	(4,439)
Admitted Bodies	(423)	(552)
	(51,409)	**(52,029)**

7. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	31 March 2023 £'000	31 March 2022 £'000
Refunds to members leaving service	(205)	(161)
Individual transfers out to other schemes	(5,347)	(4,887)
	(5,552)	**(5,048)**

8. MANAGEMENT EXPENSES

The administering authority incurred costs in managing the Fund for the period ending 31 March 2022 as follows:

	31 March 2023 £'000	31 March 2022 £'000
Administrative Costs	(1,104)	(1,385)
Investment Management Expenses	(12,448)	(9,222)
Oversight and Governance	(292)	(225)
	(13,844)	**(10,832)**

8A. INVESTMENT MANAGEMENT EXPENSES BREAKDOWN

2022/2023	£'000	£'000	£'000	£'000
	Total	**Management Expenses**	**Performance Fees**	**Transaction Costs**
Pooled Investments	(7,399)	(3,740)	(2,260)	(1,399)
Pooled Property Investments	(4,904)	(3,332)	(42)	(1,530)
Private Equity	(59)	(86)	35	(8)
	(12,362)	**(7,158)**	**(2,267)**	**(2,937)**
Custody Fees	(86)			
Total	**(12,448)**			

2021/2022	£'000	£'000	£'000	£'000
	Total	**Management Expenses**	**Performance Fees**	**Transaction Costs**
Pooled Investments	(5,703)	(3,464)	(979)	(1,260)
Pooled Property Investments	(3,361)	(2,449)	(148)	(764)
Private Equity	(98)	(71)	(5)	(22)
	(9,162)	**(5,984)**	**(1,132)**	**(2,046)**
Custody Fees	(60)			
Total	**(9,222)**			

8B. EXTERNAL AUDIT COSTS

	31 March 2023 £'000	31 March 2022 £'000
Payable in Respect of External Audit	(49)	(26)
	(49)	**(26)**

External Audit costs are included in Oversight and Governance within Management Expenses

9. INVESTMENT INCOME

	31 March 2023 £'000	31 March 2022 £'000
Income from Equities	70	57
Pooled Property Investments	3,071	3,104
Pooled Investments- Unit trusts and other managed funds	8,014	8,546
Interest on cash deposits	172	42
Other (for example from stock lending or underwriting)	140	109
	11,467	**11,858**

10. INVESTMENTS

	31 March 2023 £'000	31 March 2022 £'000
Investment Assets		
Equities	29	29
Pooled investments	962,837	1,011,872
Pooled property investments	194,436	231,826
Private equity	6,445	8,545
Other Investment balances		
Cash deposits	16,510	11,821
Investment income due	140	107
Total investment assets	**1,180,397**	**1,264,200**
Net investment assets	**1,180,397**	**1,264,200**

10A. RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

2022/23	Value 1 April 2022 £'000	Purchases at cost £'000	Sales proceeds £'000	Profits and losses on disposal of investments and Changes in market value of investments £'000	Value 31 March 2023 £'000
Equities	29	0	0	0	29
Pooled Investments	1,011,872	166,017	(159,358)	(55,696)	962,935
Pooled Property Investments	231,826	1,364	(1,808)	(36,946)	194,436
Private Equity	8,545	76	(1,804)	(471)	6,346
	1,252,272	**167,457**	**(162,970)**	**(93,113)**	**1,163,746**
	1,252,272	**167,457**	**(162,970)**	**(93,113)**	**1,163,746**
Other investment balances					
Cash Deposits	11,821				16,510
Investment Income Due	107				140
Adjustments to Market Value Changes	0			11,162	0
Total Investment Assets	**1,264,200**			**(81,951)**	**1,180,396**

2022/23	Value 1 April 2022 £'000	Purchases at cost £'000	Sales proceeds £'000	Profits and losses on disposal of investments and Changes in market value of investments £'000	Value 31 March 2023 £'000
Equities	42	0	0	(13)	29
Pooled Investments	943,976	422,330	(414,496)	60,062	1,011,872
Pooled Property Investments	188,926	12,294	(3,060)	33,666	231,826
Private Equity	13,369	122	(5,763)	817	8,545
	1,146,313	**434,746**	**(423,319)**	**94,532**	**1,252,272**
	1,146,313	**434,746**	**(423,319)**	**94,532**	**1,252,272**
Other investment balances					
Cash Deposits	15,166				11,821
Investment Income Due	89				107
Outstanding Sales	0				0
Adjustments to Market Value Changes	0			7,501	0
Total Investment Assets	**1,161,568**			**102,033**	**1,264,200**

10B. ANALYSIS OF INVESTMENTS

	31 March 2023 £'000	31 March 2022 £'000
Equities		
UK		
Quoted	29	29
	29	**29**
Pooled funds - additional analysis		
Fixed income unit trust	222,601	268,297
Diversified Growth Funds	47,406	54,528
Infrastructure Funds	54,838	43,208
Global Equity	562,183	577,640
Limited liability partnerships	75,907	68,176
	962,935	**1,011,849**
Other Investments		
Pooled property Investments	194,436	231,849
Private equity	6,346	8,545
	200,782	**240,394**
Cash deposits	16,510	11,821
Investment income due	140	107
	16,650	**11,928**
Total investment assets	**1,180,396**	**1,264,200**
Net investment assets	**1,180,396**	**1,264,200**

10C. INVESTMENTS ANALYSED BY FUND MANAGER

Fund Manager	Market Value 31 March 2023 £'000	%	Market Value 31 March 2022 £'000	%
Investments Managed by London CIV Pool				
Legal & General Investment Management	667,751	57	729,696	58
London CIV Asset Pool	300,566	25	166,219	13
	968,317	82	895,915	71
Investments Managed Outside of London				
Adams Street Partners	4,282	0	5,823	0
AEW UK	71,848	6	82,349	7
JP Morgan Asset Management	0	0	115,979	9
LGT Capital Partners	2,064	0	2,722	0
M&G Investments	682	0	1,641	0
Macquarie Infrastructure	14,215	1	17,853	1
Permira Credit Solutions	27,042	2	36,624	3
UBS Global Asset Management (Equities)	97	0	93	0
UBS Global Asset Management (Property)	77,772	7	93,954	7
Other*	14,077	1	11,247	1
	212,079	18	368,285	29
Total	**1,180,396**	**100**	**1,264,200**	**100**

* Other includes pending trades, accrued income and cash held in custody accounts, independent of fund managers not mandated to hold cash.
***** No single holding within an investment represents more than 5% of total assets

10D. STOCK LENDING

The Fund's investment strategy sets the parameters for the Fund's stock-lending programme. At the year-end, the value of quoted equities on loan was £29k (31 March 2022: £29k). These equities continue to be recognised in the Fund's financial statements.

Counterparty risk is managed through holding collateral at the Fund's custodian bank. At the year-end the Fund held collateral (via the custodian) at fair value of £31k (31 March 2022: £31k) representing 106% of stock lent. Collateral consists of acceptable securities and government debt.

Stock-lending commissions are remitted to the Fund via the custodian. During the period the stock is on loan, the voting rights of the loaned stock pass to the borrower. There are no liabilities associated with the loaned assets.

11. CURRENT ASSETS

	31 March 2023 £'000	31 March 2022 £'000
Debtors		
Employers' contributions due	22	374
Employees' contributions due	75	107
Other	0	83
Cash balances	3,083	2,375
	3,180	**2,939**

12. CURRENT LIABILITIES

	31 March 2023 £'000	31 March 2022 £'000
Creditors		
Other local authorities (LB Hillingdon)	(133)	(244)
Other entities	(617)	(780)
	(750)	**(1,024)**

Note: Other entities liabilities are due from the Pension Fund to bodies external to the government e.g., fund managers.

13. ADDITIONAL VOLUNTARY CONTRIBUTIONS

Additional Voluntary Contributions paid by scheme members are not included in the accounts. The additional voluntary contributions are paid by scheme members directly to Prudential Assurance Company, who manage these monies independently of the fund and, as determined by the fund actuary, do not form part of the Fund valuation.

According to information provided by Prudential, £106k was received in additional voluntary contributions by members, in 2021/22 (£154k 2020/21) and AVC Fund value was £4,997k (£5,175k 2020/21). Any transfer of additional contributions into the Fund during the year are included in the employee contributions value as detailed in note 4.

	Market Value 31 March 2023 £'000	Market Value 31 March 2022 £'000
Prudential Assurance Company	2,267	4,997
	2,267	**4,997**

14. FAIR VALUE - BASIS OF VALUATION

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

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of accounting period.	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at market value based on current yields.	Not required	Not required
Pooled investments - overseas unit trusts and property funds	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price is published.	NAV-based pricing set on a forward pricing basis	Not required
Unquoted equity and Property	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations 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 cashflows, and by any differences between audited and unaudited accounts.

Having analysed historical data and current market trends, and consulted with fund managers, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of investments held on 31 March 2023.

It is worth noting the sensitivity analysis below is just one of the possible changes to assets value due to the impact of factors affecting valuation methodology employed by the fund managers. Sensitivity being measured in this note differs from those in note 16 (other price risks).

	Valuation range (+/-)	Market Value 31 March 2023 £'000	Value on Increase £'000	Value on Decrease £'000
Pooled investments - Limited Liability Partnerships (Infrastructure) a	10%	54,838	60,322	49,354
Pooled investments - Limited Liability Partnerships (Private Credit) b	10%	75,907	83,498	68,316
Pooled Property - UBS Property & AEW UREF	10%	41,362	45,498	37,226
Private Equity - d	5%	6,346	6,663	6,029
Venture Capital	5%	41	43	39
Total		**178,494**	**196,024**	**160,964**

a) The potential movement of 10% represents a combination of the following factors, which could all move independently in different directions: i) material changes in economic and financial assumptions. ii) discounted equity cash flow rate.

b) The assumed movement is based on pricing of loans in the secondary leveraged loan market, with widening/narrowing spreads resulting in price changes either way.

c) The assumed movement is based fluctuations in market prices for comparable assets, real estate market Illiquidity and counterparty default.

d) Movement in the assessed valuation range derive from changes in the underlying profitability of component companies, the range in the potential movement of 5% is caused by unexpected changes to cash flow forecast and discounts for lack of potential bids.

14A. FAIR VALUE HIERARCHY

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

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

Level 2
Assets and liabilities at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.

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

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Values as at 31 March 2023	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets at Fair Value through Profit and Loss				
Equities	29	0	0	29
Pooled Investments	0	832,149	130,786	962,935
Pooled Property Investments	0	153,074	41,362	194,436
Private Equity	0	0	6,346	6,346
	29	**985,223**	**178,494**	**1,163,746**
Financial Liabilities at Fair Value through Profit and Loss				
Total	**29**	**985,223**	**178,494**	**1,163,746**

Values as at 31 March 2022	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets at Fair Value through Profit and Loss				
Equities	29	0	0	29
Pooled Investments	0	900,445	111,427	1,011,872
Pooled Property Investments	0	182,914	48,912	231,826
Private Equity	0	0	8,545	8,545
	29	**1,083,359**	**168,884**	**1,252,272**
Financial Liabilities at Fair Value through				
Total	**29**	**1,083,359**	**168,884**	**1,252,272**

14B. RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

Level 3 Assets Reconciliation

Fund Managers & Asset Categories	Value 1 April 2022	Transfers Out of Level 3	Purchases at cost	Sales proceeds	Unrealised gains/(losses)	Realised gains/(losses)	Value 31 March 2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Private Equity - Adams Street Partners, LGT Capital Partners & UBS	8,545	0	76	(1,804)	(1,751)	1,280	6,346
Private Finance - M&G	1,641	0	0	(1,232)	(136)	409	682
Infrastructure - Maquarie & LCIV	43,208	0	14,400	(7,433)	(877)	5,540	54,838
Venture Capital - UBS	41	0	0	0	0	0	41
Property - UBS Property, LGIM LPI & AEW URE	48,912	0	0	0	(7,550)	0	41,362
Direct Lending - Permira & LCIV Private Debt	66,537	0	22,682	(15,633)	(253)	1,892	75,225
Total Level 3 Assets	**168,884**	**0**	**37,158**	**(26,102)**	**(10,567)**	**9,121**	**178,494**

There were no transfers out of level 3 assets in 2022/23.

14C. LEVEL 3 PRICING HIERARCHY DISCLOSURES

Quantitative Information on Significant unobservable inputs

Private Equity: Adams Street & LGT capital
The significant unobservable inputs used in the fair value measurement of privately held securities are Revenue multiples, EBITDA multiple, net income multiple and discount for lack of marketability and potential bids.

Private Finance: M&G
The assets are mostly floating rate notes and held at par value.

Infrastructure: Macquarie
The following quantitative information are considered for significant unobservable inputs, in valuation of infrastructure assets:

- The acquisition financial model is used as a base case.
- Update for any material changes in economic, operational, and financial assumptions.
- Discount equity cash flows at the sum of the risk-free rate and the appropriate risk premium (as determined by the implied risk premium at acquisition unless there is an inherent change in the riskiness of the underlying investments which may necessitate a change in the risk premium).

Direct Lending: Permira
The following key terms are confirmed as inputs for each yield analysis calculation:

- Cash / PIK (Payment in Kind) margin
- Frequency of interest payments
- Commitment and settlement date
- Contracted and expected maturity date

Pooled Property: AEW, UBS Property & LGIM LPI
Fair value is primarily derived using recent market transactions on arm's length terms, where available and discounted cashflow of future earnings are taking into consideration, alongside observable and unobservable inputs.

Description of Valuation Process

Private Equity
The fair value of financial instruments that are not traded in an active market are determined by using valuation techniques. Private equity investments for which market quotations are not readily available are valued at their fair values by the Board of Directors. Private equity valuations are usually generated by the managers of the underlying portfolio of investments on a quarterly basis and are actually received with a delay of at least one-to-two months after the quarter end date. As a result, the year-end net asset value predominantly consists of portfolio valuations provided by the investment managers of the underlying funds at a specific date, adjusted for subsequent capital calls and distributions. If the Board of Directors comes to the conclusion upon recommendation of the Investment Manager (after applying the above-mentioned valuation methods), that the most recent valuation reported by the manager/administrator of a Fund investment is materially misstated, it will make the necessary adjustments using the results of its own review and analysis. The valuation adjustments relate to events subsequent to the last capital account valuation statement received but based upon information provided by the investment manager and all other available unobservable inputs. In estimating the fair value of fund investments, the Investment Manager in its valuation recommendation to the Board of Directors considers all appropriate and applicable factors.

Private Finance: M&G
These assets are floating rate and are held to maturity, they are valued at par unless suffering from impairment. Impairments may be applied if an asset's credit rating deteriorates.

Direct Lending: Permira

- In each case, valuations are prepared in accordance with International Private Equity & Venture Capital Valuation ("IPEV") Guidelines
- All direct lending investments are valued on a mark-to-market basis at the date of valuation
- Where an investment is considered illiquid (level 3), a yield analysis is performed to infer a fair market value for that investment.
- Each valuation is reviewed to ensure:

- Third party evidence to support pricing (such as Market data, broker quotes or Bloomberg pricing, as well as latest financials and capital structure; and any other adjustments to value) was evidenced.
- That the valuations are prepared in a consistent manner with previous valuations and that any changes in methodology or valuation are clearly explained; and valuations are derived using methodology consistent with the IPEV guidelines.

Infrastructure: Macquarie
Valuations are calculated by the individual asset teams on a quarterly basis. The valuation process follows the British Venture Capital Association (BVCA) guidelines and is compliant with International Financial Reporting Standards (IFRS). The most generally accepted methodology of valuing infrastructure assets is by way of a discounted cash flow (DCF) analysis.

DCF-Based Market Valuation Process
Financial Model
The acquisition financial models of all the Fund's underlying investments will be externally audited prior to financial close. They will be used as the initial base financial models for the DCF analysis.

Update for Economic, Operational and Financial Assumptions
The economic assumptions in the financial models are adjusted every three months to reflect current market conditions. The main economic variables relate to interest rates, exchange rates and inflation.

The initial operational assumptions in each of the financial models are the acquisition forecasts. Any historical information (e.g., distributions received in an intervening period and year-to-date performance) will be updated within the model. In relation to forward-looking assumptions, the acquisition assumptions will continue to be used unless there is a material inconsistency between these assumptions and:

- The actual operational results to date
- The revised forecasts provided by management or approved by the board.

The financial assumptions in the model (e.g., cost of debt and capital structure) are also updated to reflect the actual debt put into place, current base rates and any material change in outlook with regards to future leverage.

Discount Rate
Equity cash flows are discounted at the acquisition internal rate of return, which is adjusted for changes in the relevant risk-free rate. The acquisition internal rate of return is the return, which is forecast under the acquisition case and price, reflecting the risks inherent in each of the investments. The difference between the acquisition internal rate of return and the risk-free rate at the date of acquisition equates to the risk premium, which is the risk compensation to equity holders.

Most of the Fund's assets are likely to see some decrease in the risk premium as assets are de-risked following acquisition. Such projects may have a changing risk "life-cycle", whereby the risk changes as the asset matures. In addition, if there is a change in the inherent risk of an investment, then the risk premium may need to be reconsidered.

Pooled Property: AEW, UBS Property & LGIM LPI
Pooled properties have been valued in accordance with RICS valuation – Professional Standards VPS4 (7.1) fair value and VPGA 1 valuations for inclusion in financial statements, which adopts the definition of fair value used by the International Accounting Standards Board:

"The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date."

The properties are valued individually, and the details of tenure, tenancies and floor area are considered for valuation purposes.

Narrative and Quantitative description of sensitivity to changes in valuation methods and market conditions:

Private Equity
Market valuation method applied to investments is sensitive to four main components:
i) changes in actual market prices.
ii) interest rate risk;
iii) foreign currency movements; and

iv) other price risks

Private Finance (M&G)
The only possible sensitivity associated with private finance valuations and methodology is credit rating. This may result in an analyst impairing an asset if there is a change in the asset's credit rating.

Infrastructure: Macquarie
The economic assumptions in the financial models are adjusted every three months in order to reflect current market conditions. The main economic variables relate to interest rates, exchange rates and inflation.

Infrastructure: LCIV
See Direct Lending, LCIV Private Debt below

Direct Lending: Permira
The yield analysis methodology used to value the level 3 assets are sensitive to the following inputs:

- EURIBOR swap rates (up to 7 years)
- LIBOR swap rates (up to 7 years)
- ELLI (3 year discounted spread data)

These inputs are sourced directly from Bloomberg feeds or independently from Duff & Phelps (ELLI data) relevant to each period end date.

These inputs impact on: (1) the implied IRR calculations at the period end valuation date; (2) the forecast cash and/or PIK yields that track LIBOR or EURIBOR; and (3) ultimately the implied asset price calculated from these inputs as the period end to determine the valuation price.

Direct Lending: LCIV Private Debt
Investments are initially recognized at cost and subsequently measured at fair value. Investments are valued on a basis that the Manager considers fair and reasonable having considered the latest available valuation provided by the investment entity. The level of estimation uncertainty is significant and actual values may differ significantly from estimates.
Purchases and sales are recognised when a legally binding and unconditional right to obtain, or an obligation to deliver, an asset or liability arises. All realised and unrealised gains and losses on investments are recognized as net capital gains/(losses) in the Statement of Total Return. Unrealised gains and losses comprise changes in the fair value of investments for the period.

Pooled Property – AEW, UBS Property & LGIM LPI
Prevalent economic conditions may affect occupancy rate or possible default in rent payments and conversely affecting transaction values. Local authority intentions, planning proposals and onerous restrictions are some of the other factors to which Pooled Property assets transactions may be sensitive towards. These are:

i) Market price risk: Future values of investments in direct property and related property investments will fluctuate due to changes in market prices.
ii) Real Estate valuation changes: Property investments are illiquid assets and valuing is difficult.
iii) Credit risk: counterparty (to a financial instrument) or tenant (of a property) will cause a financial loss to the Fund by failing to meet a commitment it has entered into with the Fund.

15. CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

	Designated as fair value through P&L	Assets at amortised cost	Financial Liabilities at Amortised Cost	Total	Designated as fair value through P&L	Assets at amortised cost	Financial Liabilities at Amortised Cost	Total
	31 March 2023 £'000	31 March 2023 £'000	31 March 2023 £'000	31 March 2023 £'000	31 March 2022 £'000	31 March 2022 £'000	31 March 2022 £'000	31 March 2022 £'000
Financial Assets								
Equities	29			29	29	0	0	29
Pooled Investments	962,935			962,935	1,011,872	0	0	1,011,872
Pooled property investments	194,436			194,436	231,826	0	0	231,826
Private Equity	6,346			6,346	8,545	0	0	8,545
Cash		16,510		16,510	0	11,821	0	11,821
Other Investment balances		140		140	0	107	0	107
	1,163,746	**16,650**	**0**	**1,180,396**	**1,252,272**	**11,928**	**0**	**1,264,200**
Total	**1,163,746**	**16,650**	**0**	**1,180,396**	**1,252,272**	**11,928**	**0**	**1,264,200**

15A. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

	31 March 2023 £000's	31 March 2022 £000's
Financial Assets		
Designated at Fair Value through profit and loss	(81,851)	102,033
	(81,851)	**102,033**

16. NATURE & EXTENT OF EXPOSURE TO 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. 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, and interest rate risks) 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.

Responsibility for the Fund's risk management strategy rests with the Pensions Committee. Risk management policies are established to identify and analyse the risks faced by the Council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

Market risk

The risk that the fair value of cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks. To mitigate against market risk the Pension Fund invests in a diversified pool of assets to ensure a reasonable balance between different categories. The management of the assets are placed with a number of fund managers with different performance targets and investment strategies. Each fund manager is expected to maintain a diversified portfolio in each asset class. Risks associated with the strategy and investment returns are included as part of the quarterly reporting to Pensions Committee where they are monitored and reviewed.

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 instruments 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. The potential losses from shares sold short are unlimited. The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the Fund Investment Strategy Statement.

Other price risk - Sensitivity Analysis

Following analysis of historical data and expected investment return movement during the financial year, the Fund has determined that the following potential change in market price risk are reasonably possible for the relevant reporting periods.

Potential price changes are determined based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds as an example, so the overall outcome will depend largely on Fund asset allocations. The potential volatilities are consistent with one standard deviation movement of the change in value of assets over the last three years. This can then be applied to period end asset mix.

Had the market price of the Fund investments increased or decreased in line with the percentage change below, the change in the net assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown below).

Asset Type	Value as at 31 March 2023 £'000	Percentage Change %	Value on Increase £'000	Value on Decrease £'000
Global Equity	609,526	13.10%	689,374	529,678
UK Equity	29	13.10%	33	25
Bonds	222,601	6.70%	237,515	207,687
Alternatives	137,134	3.60%	142,071	132,197
Property	194,458	8.20%	210,404	178,512
Total	**1,163,748**		**1,279,396**	**1,048,100**

Note: Bonds valuation in the table above includes pooled fund held bonds.

Asset Type	Value as at 31 March 2022 £'000	Percentage Change %	Value on Increase £'000	Value on Decrease £'000
Global Equity	632,167	15.00%	726,992	537,342
UK Equity	29	15.00%	33	25
Bonds	268,297	6.60%	286,005	250,589
Alternatives	119,931	3.50%	124,129	115,733
Property	231,848	5.50%	244,600	219,096
Total	**1,252,272**		**1,381,758**	**1,122,786**

Note: Bonds valuation in the table above includes pooled fund held bonds.

Interest Rate Risk - The risk to which the Pension Fund is exposed to changes in interest rates and relates to its holdings in bonds and cash. Based on interest received on fixed interest securities, cash, and cash equivalents.

The Fund's direct exposure to interest rate movements as of 31 March 2023 and 31 March 2022 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest Rate Risk Sensitivity Analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of net assets available to pay benefits. A 120 basis points (1.2%) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

Notes to the Pension Fund Account

The analysis that follows assumes that all other variables, in particular exchange rates remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates.

	Value as at 31 March 2023	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
Assets exposed to interest rate risks	**£'000**	**£'000**	**£'000**	**£'000**
Cash balances	16,510	165	16,675	16,345
Bonds - pooled funds	222,601	2,226	224,827	220,375
Total change in assets available	**239,111**	**2,391**	**241,502**	**236,720**

	Value as at 31 March 2022	Potential movement on 1.2% change in interest rates	Value on increase	Value on decrease
Assets exposed to interest rate risks	**£'000**	**£'000**	**£'000**	**£'000**
Cash balances	11,821	142	11,963	11,679
Bonds - pooled funds	268,297	3,220	271,517	265,077
Total change in assets available	**280,118**	**3,361**	**283,479**	**276,757**

Currency Risk - The risk to which the pension fund is exposed to fluctuations in foreign currency exchange rates.

The Pension Fund has the ability to set up a passive currency hedge where these risks are perceived to be adverse. As of 31 March 2023, the Fund had no currency hedge in place for those managers who do not hedge their own portfolios. The following table summarises the fund's currency exposure as of 31 March 2023 and as at the previous period ending 31 March 2022.

Currency exposure by asset type

Currency risk sensitivity analysis

Following analysis of historical data in consultation with PIRC Ltd, the Funds data provider, the Fund considers the likely volatility associated with foreign exchange rate movements to be 6.70%, based on the data provided by PIRC. A 6.70% fluctuation in the currency is considered reasonable based on PIRC's analysis of historical movements in month end exchange rates over a rolling twelve-month period. This analysis assumes that all variables, in particular interest rates, remain constant. Managers that hedge against currency risk are not included in this sensitivity analysis. A 6.70% strengthening/weakening of the pound against various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Assets exposed to currency risk	**Asset Value 31 March 2023**	**Potential market movement**	**Value on increase**	**Value on decrease**
	£'000	**£'000**	**£'000**	**£'000**
Pooled Funds	508,725	34,085	542,810	474,640
Private Equity/Infrastructure	61,283	4,106	65,389	57,177
	570,008	**38,191**	**608,199**	**531,817**

Assets exposed to currency risk	**Asset Value 31 March 2022**	**Potential market movement**	**Value on increase**	**Value on decrease**
		5.30%		
	£'000	**£'000**	**£'000**	**£'000**
Pooled Funds	521,174	27,622	548,796	493,552
Private Equity/Infrastructure	51,753	2,743	54,496	49,010
	572,927	**30,365**	**603,292**	**542,562**

Notes to the Pension Fund Account

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

The Pension Fund's entire investment portfolio is exposed to some form of credit risk, except for the derivative position, where the risk equates to the net market value of a positive derivative position. Credit risk can be minimised through careful selection of high-quality counterparties, brokers, and financial institutions. The Pension Fund is also exposed to credit risk through Securities Lending, Forward Currency Contracts, and its daily treasury activities. The Securities Lending programme is run by the Fund's custodian Northern Trust which assigns four different risk management oversight committees to control counterparty risk, collateral risk, and the overall securities lending programme. The minimum level of collateral for securities on loan is 102%, however more collateral may be required depending on the type of transaction. To further mitigate risks, the collateral held on behalf of the pension fund is ring fenced from Northern Trust. Securities lending is capped by investment regulations and statutory limits are in place to ensure no more than 25% of eligible assets can be on loan at any one time.

The prime objective of the Pension Fund treasury management activity is the security of principal sums invested. As such it will take a prudent approach to organisations employed as the banker and deposit taker. The Pension Fund will ensure it has adequate but not excessive cash resources in order to meet its objectives. The bank accounts are held with NatWest Bank, which holds an S&P long-term credit rating of A. Deposits are placed in the AAAm rated Northern Trust Money Market Fund which is ring fenced from the administering company. Credit ratings, market indicators and media coverage are monitored to ensure credit worthiness is maintained. The Fund's cash holding under its treasury management arrangements on 31 March 2023 was £19,593k (31 March 2022: £14,196k) and this was held with the following institutions:

Summary	**Rating S&P**	**Balances as at 31 March 2023 £'000**	**Rating S&P**	**Balances as at 31 March 2022 £'000**
Money market funds				
Northern Trust	AAAm	16,510	AAAf S1+	11,821
Bank current accounts				
NatWest	A	3,083	A	2,375
Total		**19,593**		**14,196**

Liquidity Risk - The risk the Pension Fund will have difficulties in paying its financial obligations when they fall due.

The Pension Fund holds a working cash balance in its own bank accounts with NatWest as well as Money Market Funds to which it has instant access to cover the payment of benefits and other lump sum payments (£3,083k). At an investment level the fund holds a large proportion of assets in instruments which can be liquidated at short notice, normally three working days. As of 31 March 2023, these assets totalled £832,051k, with a further £16,510k held in cash in the Custody accounts at Northern Trust.

Refinancing risk

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

17. FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a revaluation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last valuation took place as of 31 March 2022 setting rates for the period April 2023 to March 2026. The next triennial valuation will take place as of 31 March 2025.

In line with the triennial valuation the Fund updates its Funding Strategy Statement every three years. The key elements of the funding strategy are:

1. to ensure the long-term solvency of the fund, i.e., that sufficient funds are available to meet all pension liabilities as they fall due for payment.
2. to ensure that employer contribution rates are as stable as possible.
3. to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return.
4. to reflect the different characteristics of employing bodies in determining contribution rates where it is reasonable to do so.
5. to use reasonable measures to reduce the risk to other employers and ultimately to the Council taxpayer from an employer defaulting on its pension obligations.

The funding level is the ratio of assets to liabilities at the valuation date. A funding level of less/more than 100% implies that there is a deficit/surplus in the Fund at the valuation date against the funding target. Funding plans are set to eliminate any deficit (or surplus) over the set time horizon and therefore get back to a funding level of 100%. To do so, additional contributions may be required to be paid into the Fund; these contributions are known as the "secondary rate".

At the 2022 actuarial valuation, the Fund was assessed as 88% funded (87% at the March 2019 valuation). This corresponded to a deficit of £181m (2016 valuation: £161m) at that time. The slight improvement in funding position between 2019 and 2022 is mainly due to investment performance over the inter-valuation period. The liabilities have also increased due to a reduction in the future expected investment return, although this has partially been offset by lower-than-expected pay and benefit growth (both over the inter-valuation period and forecast to continue into the long term). A new actuarial valuation will be carried out based on assets and liabilities value as of 31 March 2023, with the results expected to be published later in the year.

Significant events

The figures in this report are based on our understanding of the benefit structure of the LGPS in England and Wales as of 31 March 2022. Details can be found at http://www.lgpsregs.org/.

Contribution rates

The table below summarises the whole Fund Primary and Secondary Contribution rates at this triennial valuation. These rates are the payroll weighted average of the underlying individual employer primary and the total of employer secondary rates expressed as a monetary amount, calculated in accordance with the Regulations and CIPFA guidance.

Primary Rate (%)	Secondary		
1 April 2023 - 31 March 2026	2023/24	2024/25	2025/26
19.60%	£6,682,000	£6,897,000	£7,120,000

The Primary rate above includes an allowance for administration expenses of 0.8% of pay. The employee average contribution rate is 6.7% of pay.
At the previous formal valuation on 31 March 2019, a different regulatory regime was in force. Therefore, a contribution rate that is directly comparable to the rates above is not provided.

The valuation of the Fund has been undertaken using a risk-based approach, this approach recognises the uncertainties, and risks posed to funding and follows the process outlined below:

Step 1: The Fund sets a funding target (or funding basis) which defines the target amount of assets to be held to meet the future cash flows. The assumptions underlying the funding target are discussed further in the next section. A measurement is made at the valuation date to compare the assets held with the funding target.

Step 2: The Fund sets the time horizon over which the funding target is to be reached.

Step 3: The Fund sets contributions that give a sufficiently high likelihood of meeting the funding target over the set time horizon.

Assumptions

Due to the long-term nature of the Fund, assumptions about the future are required to place a value of the benefits earned to date (past service) and the cost of benefits that will be earned in the future (future service). Assumptions fall into three categories when projecting and placing a value on the future benefit payments and accrual – financial, demographic and Commutation.

Financial Assumptions

A summary of the financial assumptions underpinning the target funding basis and adopted during the assessment of the liabilities of the Fund as of 31 March 2022 (alongside those adopted at the previous valuation for comparison) are shown below.

Description	31 March 2022	31 March 2019
Funding Basis Discount Rate	4.1%	4.0%
Benefit Increases (CPI)	2.7%	2.3%
Salaries Increases	3.2%	2.6%

Demographic Assumptions

The main demographic assumption to which the valuation results are most sensitive is that relating to the longevity of the Fund's members. The longevity assumptions result in the following typical future life expectancies from age 65. For this valuation, the Fund has adopted assumptions which give the following sample average future life expectancies for members:

Description		31 March 2022	31 March 2019
Male			
	Pensioners	22.3 years	22.1 years
	Non- Pensioners	23.0 years	22.8 years
Female			
	Pensioners	24.8 years	24.3 years
	Non- Pensioners	26.0 years	25.5 years

Commutation assumptions

An allowance is included for future retirements to elect to take 65% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 85% of the maximum tax-free cash for post-April 2008 service.

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 using the same base data as the funding valuation rolled forward to the current financial year taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting Fund contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

Notes to the Pension Fund Account

The IAS19 balance sheet is based on financial market values and future market expectation indicators as of 31 March 2022 to comply with the accounting standard.

Description	31 March 2023 % per annum	31 March 2022 % per annum
Inflation /Pensions Increase Rate	3.0%	3.2%
Salary Increase Rate	3.5%	3.7%
Discount Rate	4.8%	2.7%

An IAS 19 valuation was carried out for the Fund as of 31 March 2023 by Hymans Robertson with the following results:

Description	31 March 2023 £m	31 March 2022 £m
Present Value of Promised Retirement Benefits	1,457	1,965
Active Members	426	787
Deferred Members	371	530
Pensioners	660	648

Incorporates an allowance for the potential increase in liabilities arising from the McCloud judgement and GMP indexation

These figures are presented as required by IAS 26. They are not relevant for the calculations undertaken for funding purposes or other statutory purposes under UK pension legislation. This item is not recognised in the Net Asset Statement, hence is considered not to be in opposition to the assertion included in the Net Asset Statement surrounding future liabilities of the Fund.

The promised retirement benefits on 31 March 2022 have been projected using a roll forward approximation from the latest formal funding valuation as of 31 March 2019. The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value.

Note that the above figures on 31 March 2022 (and 31 March 2021) include an allowance for the "McCloud ruling", i.e., an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes.

Net Liability

The table below shows the total net liability of the Fund as of 31 March 2022. The figures have been prepared by Hymans Robertson, the Fund's actuary, only for the purposes of providing the information required by IAS26. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pension's legislation. In calculating the required numbers, the actuary adopted methods and assumptions that are consistent with IAS19.

Description	31 March 2023 £m	31 March 2022 £m
Present Value of Promised Retirement Benefits	(1,457)	(1,965)
Fair Value of Scheme Assets (bid value)	1,180	1,261
Net Liability	**(277)**	**(704)**

19. Going Concern

The Pension Fund accounts, and Notes have been prepared on a going concern basis. The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code (Code of Practice on Local Authority Accounting in the United Kingdom 2022/23) in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

The Fund's triennial valuation on 31 March 2022 reported a funding level of 88%. Currently, contributions and investment income are sufficient to fund benefits as they fall due without the need to liquidate investments. The Fund is currently operating with a cash flow surplus. If a need to obtain liquidity arises, approximately 71% of the Fund's assets are held in liquid investments.

A cash flow forecast covering a 12-month period has been produced to confirm the solvent position and outlook of the Pension Fund over the period stated above.

20. RELATED PARTY TRANSACTIONS

It is required under IAS 24 "Related Party Disclosures" that material transactions with related parties which are not disclosed elsewhere should be included in a note to the financial statements. The London Borough of Hillingdon is a related party to the Pension Fund, represented by the Pensions Committee members. The committee is responsible for management of fund assets, including investment directions and administration of the fund. List of committee members may be found in Note 1C. The revenue contributions the Council has made into the Pension Fund are set out in note 4 to the Pension Fund accounts. No senior officer or Pension Committee member had any interest with any related parties to the Pension Fund.

Key Management Personnel

Three employees of the London Borough of Hillingdon held key positions in the financial management of the London Borough of Hillingdon Pension Fund. These employees are the Section 151 officer, the Deputy Director, Corporate Finance, and the Head of Statutory Accounts & Pensions. Total remuneration payable to key management personnel is set out below:

	31 March 2023 £'000	31 March 2022 £'000
Short term benefits	92	94
Post employment benefits	141	155
	233	**249**

The Pensions Committee of the London Borough of Hillingdon Pension Fund ("the Fund") has prepared an Investment Strategy Statement (ISS) in accordance with the MHCLG Guidance on Preparing and Maintaining an Investment Strategy Statement.

As set out in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the Pensions Committee will review this Statement from time to time, but at least every three years, and revise it as necessary. Also, in the event of a significant change, changes will be reflected within three months of the change occurring. The current version of the ISS is available on the pension fund pages of the Council's website: www.hillingdon.gov.uk and included in the Annual Report.

21. BULK TRANSFER

There were no bulk transfers in 2022-23.

22. CONTRACTUAL COMMITMENTS

Outstanding capital commitments (investments) as of 31 March 2023 totalled £56,803k (£85,428k on 31 March 2022).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the Private Equity, Infrastructure, Property and Private Credit parts of the portfolio. The amounts called by these funds vary both in size and timing over a period of up to six years from the date of each original commitment.

23. CONTINGENT ASSETS

Six admitted body employers in the London Borough of Hillingdon Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default. Total value of bonds held come to £244,000.00.

24. POST BALANCE SHEET EVENTS

Events taking place after the 31st of March 2023 are not reflected in the financial statements or notes, unless they are of such importance that non-disclosure would affect the ability of users to make proper evaluations and decisions. Where events taking place before this date provided information about conditions existing on 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no events to report after the Balance Sheet date that deem adjustment or disclosure in the accounts.

Hillingdon Council
Annual Governance Statement 2022/23

1. Introduction

1.1 The Hillingdon Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and resources are used economically, efficiently and effectively. In discharging this overall responsibility, Hillingdon Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions that include arrangements for the management of risk.

1.2 Hillingdon Council follows an approach to corporate governance which is in accordance with the principles of the CIPFA/SOLACE 2016 Framework and guidance '*Delivering Good Governance in Local Government*'*.* This statement meets the requirements of Regulation 6 (1)(a) of the Accounts and Audit (Amendment) Regulations 2021 which require an authority to conduct a review at least once a year of the effectiveness of its system of internal control and to include a statement reporting on the review with the published Statement of Accounts. Regulation 6(1)(b) requires that the statement is an Annual Governance Statement (AGS) which must be prepared in accordance with proper practices in relation to the accounts.

1.3 The Council is committed to improving governance on a continuing basis through a process of evaluation and review and delivering the seven principles of good governance as identified in Delivering Good Governance in Local Government Framework 2016. These principles are:

2. Purpose of the Governance Framework

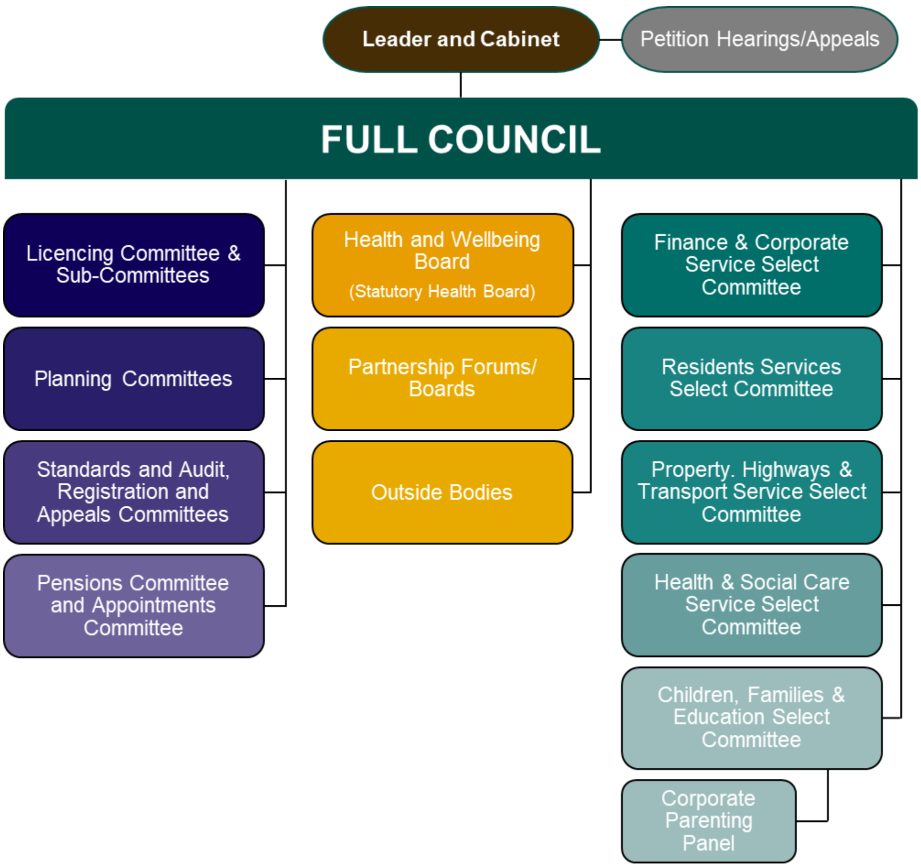
2.1 The governance framework comprises the systems, processes, culture and values by which the authority is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and consider whether those objectives have led to the delivery of appropriate, cost-effective services.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives. The embedded process evaluates the likelihood of those risks and the impact should they be realised in order to manage them efficiently, effectively and economically.

3. Governance Framework

3.1 Hillingdon Council has brought together the underlying set of statutory obligations, management systems and principles of good governance to establish a formal governance framework. The governance framework has been in place at Hillingdon Council for the year ended 31st March 2023 and up to the date of approval of the 2022/23 Statement of Accounts.

3.2 The diagram below outlines the democratic governance process and structure:



3.3 The key elements outlined in the table overleaf demonstrate how Hillingdon Council maintains effective internal controls and an effective governance system and aligned to the seven principles of the CIPFA/SOLACE 2016 Framework and guidance '*Delivering Good Governance in Local Government'.*

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.	
Council Strategy	✓ Our vision and priority commitments underpin everything the Council does, including how it makes decisions, serves communities, works with partners, and facilitates our ambitions for residents.
Constitution	✓ Rather than adopting a formal Code of Corporate Governance, the Council ensures that Hillingdon Council's governance structure, decision-making process and areas of responsibility are covered in the Council's Constitution and Schemes of Delegation.
Committee Standing Orders	✓ Committee Standing Orders, Procurement & Contract Standing Orders & Scheme of Delegation to Officers are incorporated in the Constitution and reviewed annually. The Public Services (Social Value) Act 2012 is considered by Procurement during every tender.
Codes of Conduct	✓ . This Code governs the behaviour and actions of all Council Members, co-opted members and Council officers and requires that any allegations of misconduct are investigated. There is a separate 'Code of Conduct for Employees', which applies to all Council officers and is part of their contract of employment. ✓ Guidance is in place regarding the acceptance of Gifts and Hospitality detailed in the Gifts and Hospitality Policy, Golden Rules for Employees and the Constitution. Gifts and/or hospitality where either the value attached or opportunity afforded makes acceptance inappropriate are refused and the refusal recorded on the Gifts and Hospitality Register.
Standards Committee	✓ Hillingdon's Standards Committee sits outside of the Cabinet and reports directly to Full Council. It promotes and maintains high standards of conduct across the Council and oversee the respective Codes of Conduct which apply to both Councillors and Officers.
Counter Fraud Strategic Plan	✓ The Council sets out its approach in relation to fraud and corruption in the Council's Counter Fraud Strategic Plan. This is underpinned by the ongoing development of the Fraud Universe and a full range of investigative policies and procedures.
Whistleblowing Policy	✓ This policy sets out how the Council complies with the Public Interest Disclosure Act 1998, allows Council staff, contractors and residents to raise complaints regarding any behaviour or activity connected to the authority, ranging from unlawful conduct to fraud or corruption.
Member Register of Interests	✓ The Register records the pecuniary and non-pecuniary interests of Members and co-opted members of Hillingdon Council. There is a separate 'Related Parties' register that all Members and a selection of senior officers are required to complete each year.
Legal & regulatory powers	✓ There are measures to address breaches of its legal and regulatory powers. The Council's Monitoring Officer has statutory reporting duties in respect of unlawful decision making and maladministration.
Role of the Chief Finance Officer	✓ The Council ensures that it complies with CIPFA's Statement on the Role of the Chief Finance Officer in Local Government (2016), the Role of Head of Internal Audit in Public Service Organisations (2019) and has statutory reporting duties in respect of unlawful and financially imprudent decision making.
B. Ensuring openness and comprehensive stakeholder engagement	
Council's website	✓ The Council's website has been redeveloped to improve functionality and content for visitors and is set out in a clear and easily accessible way using plain language. The information which residents use most, such as Council Tax, and Waste and Recycling can be accessed easily from the main page.
Council and Committee meetings	✓ All Council and Committee meetings are held in public (other than limited circumstances where consideration of confidential or exempt information means that the public are excluded), with agenda and reports available on the Council's website. Key Council meetings are broadcast live on YouTube including full Council, Cabinet, Planning Committees and Licensing Sub Committees.
Consultation/ Engagement Standards	✓ These standards demonstrate and support the Council's commitment to transparency, to engage, consult and respond to the views of local communities, and to build strong relationships with residents, visitors and businesses. All feedback supports and informs the Council's corporate intelligence, which drives business planning, policy, decision-making including commissioning and procurement.

Hillingdon Partners	✓ This voluntary body brings together the key local, public, private, voluntary and community sector organisations to work as a local strategic partnership to improve the quality of life for all those who live in, work in and visit Hillingdon. The Partnership seeks to promote the interests of Hillingdon Council with external organisations, regional bodies and central government.
Council's Policy Overview, Scrutiny and Select Committees	✓ These committees engage local stakeholder and expert witness participation in their reviews, to deliver added value findings to Cabinet. Exercising its statutory Health and Crime & Disorder responsibilities, the External Services Select Committee regularly scrutinises the work of the local NHS, Police and other public agencies with their most senior representatives attending. Corporate parenting responsibilities have been integrated within the Council's overview and scrutiny arrangements to provide stronger oversight and directly engage children in care and care leavers.
Hillingdon Foster Carers	✓ Regular virtual and face to face meetings are taking place between the Hillingdon Foster Carers and the Director of Children's Services and relevant Heads of Service, to discuss and consult on issues pertinent to our Hillingdon foster carers who are corporate parents for our most vulnerable children.
Tenant and Resident Associations	✓ There are well established Tenant and Resident Associations in the Borough as well as Council tenant forum groups (e.g. sheltered housing forum) which provide valuable opportunities to discuss important service developments and to receive and listen to resident feedback. The Council is now in the process of bringing forward a new Tenant & Leaseholder Engagement Strategy which will reshape its approach to hearing and acting upon the voice of its tenants and leaseholders.
Petition Scheme	✓ There is a well-established Petition Scheme, including e-Petitions which is widely used by residents in the people in the borough to submit their views on local matters directly to decision-makers.
Joint Strategic Needs Assessment	✓ The Joint Strategic Needs Assessment (JSNA) is continuously updated to outline the current and future health and wellbeing needs of the population over 3 to 5 years. It informs the Council's service planning, commissioning strategies and links to strategic plans such as LBH's Joint Health and Wellbeing Strategy.
Hillingdon Youth Council	✓ This forum provides a voice for young people who live, study or work in the borough and is made up of a variety of people from different ethnic and cultural backgrounds between the ages of 11 to 19 (or up to 25 years with Special Educational Needs and Disability).
Children in Care Council	✓ This forum enables children in care to express how they are being cared for by Hillingdon. They regularly meet virtually with managers in children's services and councillors to discuss changes we would like to make to practices and procedures which are affecting them.
Youth Voice	✓ This monthly forum gives young people involved with children's social care an opportunity to have their voice heard about the services that support them, to discuss changes they would like to make to social work practice and procedures which affect them.
C. Defining outcomes in terms of sustainable economic, social and environmental benefits	
Hillingdon Improvement Programme	✓ Hillingdon Improvement Programme (HIP) is the Council's strategic improvement programme which drives cross-cutting change programmes to ensure the Council is meeting the needs of residents in the most effective and efficient way. The programme is jointly led by the Leader of the Council and the Chief Executive with full engagement of Directors and Cabinet Members.
Performance Management Framework	✓ The Performance Management Framework requiring all teams to set annual service delivery plans, targets, identify risk and report performance against Council priorities. Key aspects of performance are monitored on a regular basis through a combination of reporting against service targets and performance scorecards, the results of which are regularly presented to Senior Management Teams and reported quarterly to the Corporate Management Team (CMT).

Medium-Term Financial Forecast	✓ The Medium-Term Financial Forecast (MTFF) is the Council's key process for service and corporate financial planning, providing a forward view of the Council's financial position over the forthcoming five years and a framework to develop savings proposals to manage emerging budget gaps. This follows an annual cycle from initial scoping in February/ March through a robust challenge process involving both Senior Managers and Members to deliver a consultation budget in December before Council Tax setting for the subsequent financial year in February. ✓ A budget consultation report is also produced for each Policy Overview, Scrutiny & Select Committee for discussion at the January round of meetings with any comments added to the final budget report in February. ✓ The Council also undertakes the statutory budget consultation process with business ratepayers and residents in the Borough across December and January with the responses included as an appendix to the final budget report. Throughout this process updates are communicated through key officer forums, such as CMT and Business Transformation Board, with regular monthly updates through the Corporate Finance work stream.
Health and Wellbeing Board	✓ The Health and Wellbeing Board seeks to improve the quality of life of the local population and provide high-level collaboration between Hillingdon Council, the NHS and other agencies to develop and oversee the strategy and commissioning of local health and social care services. In 2021, the Council made an interim joint appointment to a new Director of Public Health with LB Hounslow and the Terms of Reference of the Board were updated following a review with the LGA and partner organisations to improve effectiveness. One of the outcomes was that the Board is now co-chaired by the relevant Cabinet Member and the Managing Director, Hillingdon Health and Care Partners
Safer Hillingdon Partnership (SHP)	✓ The SHP is the statutory Community Safety Partnership for the borough established under the Crime and Disorder Act 1998, the Police and Justice Act 2006 and Police and Crime Act 2009. The SHP has a duty to conduct an annual strategic assessment of community safety trends and agree key community safety priorities for implementation across the partnership. Performance and progress made against the annual plan is monitored and scrutinised by the SHP Board at every meeting.
Air Quality Action Plan	✓ The Council has introduced a significant number of measures to improve air quality in the borough as set out in the Air Quality Action Plan.
Hillingdon Housing Strategy	✓ This Hillingdon Housing Strategy 2021 – 2026 identifies key challenges and sets out our key aims and priorities for housing over the next five years. The council has responsibilities for housing both as a landlord and in relation to its strategic housing role. This includes assessing needs, identifying priorities and planning for the delivery of affordable housing; standards of housing and management across both the social sector and the private rented sector; homelessness and housing advice; housing support and aids and adaptations. It takes account national policy and legislation and the London Housing Strategy 2018: Homes for London.
Public Sector Equality Duty	✓ The Council is on track to achieve its equality-related objectives as part of the Council's Public Sector Equality Duty set out in the Equality Act 2010.
D. Determining the interventions necessary to optimise the achievement of the intended outcomes	
Constitution	✓ The Constitution sets out how the authority operates, how decisions are made, and the procedures that are followed to ensure that they are efficient, transparent and accountable to local people. ✓ The Constitution also sets out the Cabinet and Officer Scheme of Delegations which govern the allocation of responsibilities and the discharge of executive functions by the Leader, the Cabinet, individual Cabinet Members and officers to perform the authority's activities. This is regularly updated to reflect changes to Cabinet Member portfolios and to reflect changes to Corporate Directors' responsibilities in line with business priorities. ✓ Each Directorate has individual Schemes of Delegations, setting out how Corporate Directors' responsibilities are sub-delegated.
Business Performance	✓ Decision makers receive accurate, relevant and timely performance and intelligence to support objective and analysis of options, financial impact and associated risks informing service delivery. ✓ The effectiveness of the Council's interventions and the quality of its services is monitored through the provision of regular performance reports showing progress towards goals and targets set in the budget and business plans.

Business Improvement Delivery (BID)	✓ The Business Improvement Delivery (BID) programme is a key part of HIP and has been designed to fundamentally transform the way the Council operates without reducing service delivery to residents. The BID programme delivery and expenditure is overseen by the Leader of the Council, the Chief Executive, the Corporate Director of Finance and is embedded within the MTFF process.
E. Developing the entity's capacity, including the capability of its leadership and the individuals within it	
Member Training	✓ A training programme for Members is conducted annually and all new Members are trained on the Code of Conduct. Complaints about alleged breaches of the Code are handled in accordance with the requirements of the Localism Act 2011. The Standards framework includes a 'Whips Protocol' which complainants are expected to make use of first, with complaints only escalated to the Monitoring Officer and Standards Committee if they cannot be resolved through this process.
Training and Development Programme	✓ Council staff are required to complete a range of learning through the internal intranet. Training includes induction programmes, e-learning packages and vocational development courses under the Qualifications and Credit Framework. ✓ The Executive Coaching and the Masters in Business Administration (MBA) programme for managers is a leadership programme aimed at providing the Council's future leaders, offering staff the opportunity to achieve professional qualifications and meet their Continuing Professional Development (CPD) requirements. In addition, the Council runs an all-age apprenticeship programme, where apprentices help deliver our vision of 'putting our residents first' while gaining essential vocational skills and qualifications.
Performance Appraisal	✓ The Performance and Development Appraisal process requires all staff to record employees' key objectives and tasks, set targets for when these must be delivered and identify staff learning and development needs. Performance reviews are required to be completed on a bi-annual basis against the relevant competency framework.
Wellbeing	✓ The Council is committed to promoting the physical and mental health and wellbeing of the workforce through specific interventions and as a central part of the role of all managers. There is a dedicated programme with a range of support and guidance for employees and their managers covering mental health in the workplace, wellbeing initiatives and a 24/7 Employee Assistance Programme. This offer was extended in 2022 to include a dedicated clinically led mental health and wellbeing app for staff to download on their personal devices to engage with in their own time.
F. Managing risks and performance through robust internal control and strong public financial management	
Risk Management Framework	✓ Council has processes in place to identify and manage risks to the achievement of its objectives, as set out in the Risk Management Policy and Guidance 2020-23. The Corporate Risk Register is a part of this framework and is used to inform decision making, provide assurance over actions being taken to manage key risks, and to inform risk management planning and mitigation activities. ✓ Effective risk management helps to mitigate against the financial and reputation risks arising from the broad range of insurable risks to which LBH is exposed. The Council's insurance contracts support the transfer of financial risk through a mixed portfolio of suppliers specialising in specific insurance sectors, alongside actions by the Insurance Team to raise awareness of such risks.
Health and Safety	✓ The Council's health and safety management system assists in managing health and safety incidents and integrating health and safety risk assessments into daily business.
Counter Fraud	✓ Hillingdon Council maintains policies and arrangements to effectively manage both the internal and external risks of fraud and corruption against the Council. These include the Counter Fraud Strategic Plan, Whistleblowing, Anti Money Laundering and Anti Bribery Policies.
Expenditure Controls	✓ Robust expenditure controls in place to facilitate compliance with Standing Orders and financial regulations. This includes a comprehensive capital release process for the approved MTFF Capital Programme and wider expenditure control processes ✓ An established, rigorous process for developing the budget through the Medium Term Financial Forecast (MTFF) process. This includes close alignment with the service planning process and the Transformation Programme, with the overall approach to managing the Council's finances within the framework established in CIPFA's Financial Management Code

Managing data	✓ Personal data is processed in accordance with the General Data Protection Regulations (GDPR) and the Data Protection Act 2018. GDPR training forms part of the mandatory induction process and refresher e-learning training was rolled out to all staff in March 2022. ✓ The Hillingdon Information Assurance Group (HIAG), chaired by the Senior Information Risk Owner, meets quarterly to review updated information governance policies, procedures, assess the Council's effectiveness in complying with data protection and information security legislation, and to mitigate organisation-wide information governance risks. Individual data protection incidents are reviewed to ensure that appropriate action is taken to reduce the impact of the event and likelihood and recurrence, with any learning requirements identified and addressed.
Caldicott Guardian	✓ The Executive Director for Adult Social Care & Health and the Executive Director for Children's Services are the jointly appointed Caldicott Guardian and play a key role in ensuring the highest practical standards for handling person identifiable information and embedding the Principles within practice.
Data Security	✓ The Council is compliant with the Data Security and Protection Toolkit requirements in order to access systems and data provided by the NHS, and meet the requirements of the Public Services Network (PSN) by ensuring our ICT Infrastructure is secure. The PSN enables specific teams across the Council to directly access Government data which includes high risk data about individuals, such as social care issues.
G. Implementing good practices in transparency, reporting and audit to deliver effective accountability	
Transparency and Publishing of Finance Data	✓ The Council follows the Local Government Transparency Code 2015, which includes requirements and recommendations for local authorities to publish certain types of data. In accordance with this code, financial information about projected and actual income and expenditure, procurement, contracts and financial audit is published on the Council's website.
Privacy Notices	✓ The Council has published Privacy Notices, which are transparency requirements under the GDPR as individuals have the right to be informed about the collection, type and use of their personal data. ✓ Information is made available to the public via the information access regimes provided for by the Freedom of Information Act 2000 and the Environmental Information Regulations 2004. Individuals may access their own personal data by exercising the right of subject access under the Data Protection Act 2018.
Internal Audit & Audit Committee	✓ An assessment of the overall effectiveness of the framework of governance, risk management and control is provided by the Council's Internal Audit in the Head of Internal Audit's Annual Opinion. ✓ An Independently Chaired Audit Committee operates to oversee financial reporting, provide scrutiny of the financial and non-financial systems, and provide assurance on the effectiveness of risk management procedures and the control environment. The Audit Committee has been set up with terms of reference consistent with CIPFA's 'Audit Committees – Practical Guidance for Local Authorities and Police 2018'.
Scrutiny via Select Committees	✓ Select Committees undertake regular monitoring of services, performance, the budget and an annual programme of Member-led service reviews involving witness testimony aimed at influencing Executive policy. Statutory scrutiny of health and police bodies is undertaken annually. Regulatory decisions on planning, licensing and related matters are undertaken judiciously by experienced and trained elected Councillors, in accordance with the Council's ethical standards.

4. Review of Effectiveness

4.1 The Council has a statutory responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of senior managers within the authority who have responsibility for the development and maintenance of the governance environment. It is also informed by the Annual Internal Audit Report and Head of Internal Audit Opinion Statement, as well as comments and observations made by the Council's independently appointed external auditors (Ernst & Young), other review agencies and inspectorates.

4.2 The review of effectiveness has also been informed by a range of management information and improvement action, including:

4.4 During the period there has been a restructure of the senior management and directorate structure, and corresponding changes to governance arrangements. This includes the development of the Council's Strategy (2022-2026), which was presented to Cabinet in July 2022, and the Council's Constitution has been modernised to meet changing local needs and new national legislation. The Council's Strategy outlines the council's vision of putting residents first, and its ambition statement for residents that Hillingdon is a safe, inclusive, more digital borough with a strong economy. In addition, from May 2022 the number of Councillors reduced from 65 to 53 and as a result of this, a number of ward boundaries changed, including the number of Councillors who now represent these wards.

4.5 Hillingdon Council continues to operate in an environment of static financial support from government against a backdrop of rising inflation costs and significant demographic changes (i.e. there are an increasing number of children in the borough and people are living longer). As a result, this presents the Council with the challenge of managing the greater demand for its broad range of services, which in the absence of any response would result in a rising annual deficit. However, Hillingdon Council continues to review and transform services to drive improvement and efficiency through initiatives such as the successful BID programme. This proven successful approach is set to be continued beyond 2022/23, enabling the Council to continue to strive to be an efficient, well-run, digital-enabled council working with partners to deliver services to improve the lives of all our residents despite the increasingly challenging financial conditions, cost of living crisis and demographic pressures.

4.6 The Head of Internal Audit (& Risk Assurance) has provided a '**REASONABLE**' level of assurance on the Council's internal control environment for 2022/223. In forming this view, they considered the following:

- 58% of the reports finalised in the period were given a Reasonable assurance opinion, and 31% were given Substantial assurance. These included key governance areas such as IT Governance, Fraud Prevention in Procurement and Members' Gifts, Hospitality and Declarations of Interest.
- Three reviews were given No or Limited assurance (Crematorium, Service Accommodation and Payroll Rent Payments, and Purchase Cards). However, Internal Audit were specifically directed to these areas by management to help improve the control environment.
- The Council has a good record of engaging with Internal Audit and proactively discussing plans to address the risks identified in the 2022/23 audits.

4.7 The Corporate Director of Finance is also able to give surety on the robustness of the estimates in general for the coming year. This view is supported by an established, rigorous process for developing the budget through the Medium Term Financial Forecast (MTFF) process. This includes close alignment with the service planning process and the Transformation Programme, with the overall approach to managing the Council's finances within the framework established in CIPFA's Financial Management Code. The Code outlines seventeen financial management standards, bringing together all statutory requirements, regulation and professional standards which govern local government finance to provide a single view of what constitutes Sound Financial Management and to assist local authorities in demonstrating their financial sustainability.

5. Significant Governance Issues

5.1. Hillingdon Council has implemented a range of improvement actions, as part of its overall continuous improvement programme, to strengthen governance arrangements and control systems. All governance issues reported in the **2021/22 AGS** and in previous years have been addressed.

5.3 Following a review of the effectiveness of the system of internal control including the Council's risk management framework and its corporate governance arrangements, the following significant governance issues have been identified in **2022/23**:

- Housing and Planning Services: During the year increased demand and regulatory requirements within the Council's Housing and Planning Services, coupled with UK macro-economic circumstances, led to significant pressures within the two services. Operational staff prioritised providing front line services to meet the increased demands, impacting on key governance arrangements. Developing a robust action plan to address the pressures facing the services, and implementing a strong governance framework to monitor any new emerging risks are key priorities for 2023/24.
- Dedicated Schools Grant (DSG): Rising costs (inflationary pressure) and increased demand for High Needs funding to support students with Special Education Needs and Disabilities have consistently impacted the Council's ability to manage within the government funding for this area. During the year it was recognised the Council would face significant challenges to implement the planned reforms, and the savings targets required to function sustainably in future. The Council is working with the Department for Education during 2023/24 to develop new approaches to address this.
- By being home to Heathrow Airport the Council has a longstanding disproportionate responsibility to support unaccompanied asylum seeking children (UASC). However, this has been further compounded by the high number of asylum seekers placed in Hillingdon by the Home Office, either into hotels or dispersed accommodation. As this occurs in an unplanned way, it is difficult to manage the impact of this through routine governance arrangements. The impact is on the statutory responsibilities the Council and other agencies have, and on local charities and volunteering, all of which receive no additional financial support, which then has an impact on the ordinarily available support services in the borough for residents. The council is in regular discussion with the Home Office and Department of Levelling Up Communities and Housing to address the financial impact.

6. Conclusion

6.1 The review of effectiveness has concluded that internal control and governance systems were in place and remain largely unchanged for the financial year ended 31st March 2023 and, except where identified in Section 5 above, the Council's management and control systems are operating effectively in accordance with good practice. The Council will continue the operation of its governance framework and take steps to carry out the actions for improvement identified in the review of effectiveness to further strengthen its governance arrangements.

Tony Zaman
Chief Executive

XX XXX 2023

Cllr Ian Edwards
Leader of the Council

XX XXX 2023

Glossary

ACCRUAL - A sum included in the final accounts to cover income or expenditure attributable to an accounting period for goods received or work done, but for which payment has not been received/made by the end of the period.

ACCUMULATED ABSENCES ACCOUNT - Absorbs the differences arising from the statutory requirement to neutralise the impact on the General Fund Balance of accruing for compensated absences earned but not taken in year.

ACTUARIAL VALUATION - A valuation of assets held, an estimate of the present value of benefits to be paid, and an estimate of required future contributions, by an actuary, on behalf of a pension fund.

ACTUARY - An independent professional who advises on the financial position of the pension fund.

AGENCY SERVICES - The provision of services by one body (the agent) on behalf of another that is legally responsible for providing the service.

AMORTISED COST - The initial measurement will be at fair value, normally the amount of the originating transaction such as the receipt or loan advance less transaction costs. The effective interest rate is then calculated to the amount in the balance sheet at initial measurement. The result in the balance sheet carrying amount (the amortised cost) and a profile of interest charges that might be different from the amounts specified in the contract as being for interest and principal.

ASSET - Something that will be used by the Council over a long period of time and has a lasting value (e.g. land, buildings, and roads). See also **COMMUNITY ASSETS, NON-CURRENT ASSET, INFRASTRUCTURE ASSETS, ASSETS HELD FOR SALE, NON-OPERATIONAL** and **OPERATIONAL ASSETS**.

ASSETS HELD FOR SALE - Assets that are being actively marketed for sale and are expected to be sold within the next financial year.

BAD DEBT PROVISION – See “Impairment Allowance” below.

BALANCES - Unallocated reserves held to resource unpredictable expenditure demands.

BUDGET - A statement of the Council's plans for services expressed in money shown over one or a number of years.

CAPITAL ADJUSTMENT ACCOUNT - The Capital Adjustment Account represents the balance of capital resources set aside to finance capital expenditure awaiting the consumption of those resources (i.e. depreciation or impairment).

CAPITAL CHARGE - A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

CAPITAL EXPENDITURE - Spending on assets (e.g. land, buildings, roads etc.) that adds to and not merely maintains the value of an existing fixed asset.

CAPITAL RECEIPTS - The proceeds from the sale of land, buildings or other assets. Capital receipts can be used to pay for new capital expenditure, within rules set down by the Government, or to repay outstanding loans.

CASH EQUIVALENT - Amounts held as short-term deposits which are readily convertible into cash.

CIPFA - The Chartered Institute of Public Finance and Accountancy is the professional accounting body that specialises in the public services.

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. Examples of community assets are parks and historic buildings.

CONTINGENCY - Money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income.

CONTINGENT ASSET - A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council’s control.

Glossary

CONTINGENT LIABILITY - A contingent liability is either:

a) A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or

b) Past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

COUNCIL TAX - The local tax based on relative market values of residential property, which helps to fund local services.

CREDITORS / PAYABLES - Amounts owed by the Council for goods and services received where payment has not been made at the date of the balance sheet.

CREDIT RISK - Risk that other parties might fail to pay amounts due to the Council

CURRENT ASSET - An asset held, which will be consumed or cease to have value within the next financial year; examples are stocks and debtors.

CURRENT LIABILITY - An amount which will become payable or could be called in within the next accounting period; examples are creditors and cash overdrawn.

CURRENT SERVICE COST - The increase in the present value of Pension Fund Liabilities expected to arise from current year service.

DEBTORS / RECEIVABLES - Amounts owed to the Council for goods and services provided but not received at the date of the balance sheet.

DEDICATED SCHOOLS GRANT - A specific grant for the funding of schools and which is ring fenced to the Schools Budget.

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

DIRECT REVENUE FINANCING (revenue contributions to capital) - Resources provided from the Council's revenue budget to finance the cost of capital projects.

DISTRICT AUDITOR - An auditor employed directly by the Audit Commission to audit the accounts of local authorities.

EARMARKED RESERVES - Amounts set aside for a specific purpose or a particular service or type of expenditure.

EFFECTIVE INTEREST RATE - The rate of interest that will discount the estimated cash flows that take place over the life of the instrument.

EMOLUMENTS - All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

EXCEPTIONAL ITEMS - Material items that fall within the ordinary activities of the Council that need to be disclosed in order to present the accounts fairly.

EXTRAORDINARY ITEMS - Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur.

FAIR VALUE - the price at which an asset could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

FEES AND CHARGES - Income raised by charging users of services.

Glossary

FINANCE LEASE - A method of paying for capital expenditure where a rent is paid for an asset during its useful life. Finance Leases are treated as capital. See **OPERATING LEASE**.

FINANCIAL YEAR - The period covered by a set of financial accounts - the Council's financial year commences 1 April and finishes 31 March the following year.

GENERAL RESERVE - amounts remaining unspent on revenue account after taking account of all expenditure and income for the year. The General Reserve is required to enable the Council to meet potential business risks in the future so that services will not be affected financially should unexpected events occur.

GOING CONCERN - The concept that an entity will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assumes no intention to significantly curtail the scale of operations.

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

GROSS EXPENDITURE - The total cost of providing the Council's services before taking into account income from government grants and fees and charges for services.

IMPAIRMENT - A reduction in the value of a fixed asset below its previously assessed value in the balance sheet.

IMPAIRMENT ALLOWANCE - Amounts set-aside in the accounts towards potentially irrecoverable debts. This amount reduces the value of the Debtors in the Consolidated Balance Sheet (previously known as "Bad Debt Provision").

INCOME - Amounts due that has been or is expected to be received.

INFRASTRUCTURE ASSETS - Fixed assets that have no alternative use and are intended to be held in perpetuity. Examples of infrastructure assets are highways and footpaths.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) - Statutory guidelines by which the accounts have to be prepared, implemented for the first time in the 2010/11 accounts.

INVENTORIES - The amount of unused or unconsumed stocks held in expectation for future use.

INVESTMENT PROPERTIES - Assets held solely for capital appreciation or to earn rental and not to meet service objectives.

INVESTMENTS - Short-term investments are those maturing within one year if the balance sheet date, any investments maturing more than one year after the balance sheet date are treated as long-term investments.

LOANS AND RECEIVABLES - Financial assets (excluding derivatives) that have fixed or determinate payments and that are not quoted in any in any active market. Loans and receivables are carried at amortised cost. The income and expenditure account is charged with interest receivable, impairment losses and any gain or loss on "de-recognition". Movements in fair value during the life of the asset are not recognised.

LIABILITIES - Money owed to individuals or organisations that will be paid at some time in the future.

LIQUIDITY RISK - The risk that the Council might not have funds available to meet its commitments to make payments.

MARKET RISK - The risk that the Council will loss out financially as a result in market factors such as interest rates or stock market movements.

MINIMUM REVENUE PROVISION - (MRP) - The minimum amount, which must be charged each year to the Council's revenue account to set aside funds to repay the principal sum of borrowing for capital purposes.

Glossary

NATIONAL NON-DOMESTIC RATE (NNDR) - A levy on businesses based on a national rate in the pound multiplied by the ratable value of the premises occupied. NNDR is redistributed among all local authorities and police authorities on the basis of population.

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.

NET EXPENDITURE - Gross expenditure less specific service income but before deduction of revenue support grant.

NET CURRENT REPLACEMENT COST - The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

NET REALISABLE VALUE - The open market value of the asset in its existing use (open market value in the case of non-operational assets), or sale proceeds for stocks and stores less the expenses to be incurred in realising the asset.

NON-CURRENT ASSET - An asset that has value beyond one financial year.

NON-DISTRIBUTABLE COST - These include overheads for which no user now benefits and should not be apportioned to services. Examples are spare computer capacity and empty offices. These also include pension costs in relation to scheme members' past service.

NON-OPERATIONAL ASSETS - Non-Current assets held by the Council not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties, assets under construction and assets that are surplus to requirements, pending sale or redevelopment.

OPERATIONAL ASSETS - Non Current Assets held, occupied, used or contracted to be used on behalf of the Council or consumed by the Council in the direct delivery of the services for which it has a responsibility, whether statutory or discretionary or for the service or strategic objectives of the Council.

OPERATING LEASE - A lease under which the asset can never become the property of the lessee.

OUTTURN - Actual income and expenditure for a financial year.

PAST SERVICE COST - The increase in present value of Pension Fund liabilities arising in the current year from previous years' service.

PENSION FUND - The Fund for staff in the Local Government Pension Scheme, maintained on an actuarial basis, which makes pension payments on retirement of participants; it is financed by contributions from the employer and employees and from investment income.

PENSION INTEREST COSTS - Expected increases in present value of Pension Fund liabilities because benefits are due one year sooner.

POST BALANCE SHEET EVENTS - Those events, both favorable and unfavorable, which occur between the balance sheet date and the date on which the Director of Finance signs the Statement of Accounts.

PRECEPT - The charge made by one authority on another to finance its net expenditure.

PRIOR YEAR ADJUSTMENTS - Material adjustments applicable to prior years arising from changes in accounting policies or to correct errors.

PRIVATE FINANCE INITIATIVE (PFI) - A central government initiative that aims to increase the level of funding available for public services by attracting private involvement. The Council has one such scheme relating to the provision of Barnhill school. The school has been developed and its ancillary services are provided by a private company with which the Council has a long-term contract.

Glossary

PROVISION FOR DISCOUNT AND PREMIUMS ON LOAN REDEMPTION - A provision to spread over an appropriate period discounts received and premiums paid when loans from the Public Works Loan Board are prematurely repaid.

PROVISION - An amount, set-aside in the accounts, for liabilities that have to be met but where timing is uncertain.

PRUDENCE - The concept that revenue is not anticipated but is recognised only when realised in the form of cash or other assets and full and proper allowance is made for all known and foreseeable losses and liabilities.

PUBLIC WORKS LOAN BOARD (PWLB) - A government agency that provides long term and medium-term loans to local authorities at interest rates only slightly higher than those at which the government itself can borrow.

RELATED PARTY - Relationships between a senior officer or elected member or their families with another body that has, or might develop, a business relationship with the Council.

RESERVES - Money set aside by the authorities to meet particular expenditure in future years, which do not fall within the definition of provisions.

REVALUATION RESERVE - a new account opened on 1st April 2007 that records all accumulated gains from fixed assets held by the Council offset by that part of depreciation relating to the revaluation.

REVENUE EXPENDITURE - The day-to-day running costs incurred by the Council in providing services, for example payment of salaries to employees or purchase of materials.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE - A charge arising from capital expenditure but where there is no tangible asset. An example is grants given for private property improvement. The Council is permitted to borrow for such expenditure

REVENUE SUPPORT GRANT - A grant paid by central government to aid local authority services in general, as opposed to specific grants, which may only be used for a specific purpose.

SOLACE - Society of Local Authority Chief Executives

SPECIFIC GRANTS - These are grants paid by various government departments outside the main formula. They include ring-fenced grants and specific formula grants.

SURPLUS ASSETS - Assets which are no longer in use by the Council, but which are not being actively marketed and are not expected to be sold within the next financial year.

TAXBASE - The number of Band D equivalent properties in a local authority's area. An authority's tax base is taken into account when it calculates its Council Tax, and when central government calculates entitlement to Formula Grant.

TRANSFER VALUE - A payment one superannuation fund makes to another when a member changes employment.

TRUST FUNDS - Money held in trust by the Council for a specified purpose.

USABLE RESERVES - Balances held by the Council which can be used to meet service expenditure.

UNUSABLE RESERVES - Balances held by the Council which cannot be used to meet service expenditure

USEFUL LIFE - The period over which the Council will derive benefits from the use of a fixed asset.

VIREMENT - The permission to spend more on one budget head when this is matched by a corresponding reduction on some other budget head, i.e. an authorised switch of resources between budget heads.

WORKS IN PROGRESS - Cost of work done on an uncompleted project at the balance sheet date.

YIELD - The amount of cash (in percent terms) of the return on investing activities

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London Borough of Hillingdon
Completion Report for Those Charged with Governance

Year ended 31 March 2023

13 November 2024

EY
Building a better working world

Audit Committee
London Borough of Hillingdon
Hillingdon Civic Centre
225-226 High St
Uxbridge UB8 1UW

13 November 2024

Dear Audit Committee

Completion Report for Those Charged With Governance

Attached is our Completion Report for Those Charged With Governance. The purpose of this report is to provide the Audit Committee of the London Borough of Hillingdon (the Council) with a detailed completion report covering our approach and outcomes of the 2022/23 audit.

Given that Statutory Instrument (2024) No. 907 "The Accounts and Audit (Amendment) Regulations 2024" (the SI) imposes a backstop date of 13 December 2024 by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK). This decision is in line with ISA 200: Failure to Achieve an Objective 24.

If an objective in a relevant ISA (UK) cannot be achieved, the auditor shall evaluate whether this prevents the auditor from achieving the overall objectives of the auditor and thereby requires the auditor, in accordance with the ISAs (UK), to modify the auditor's opinion or withdraw from the engagement (where withdrawal is possible under applicable law or regulation). Failure to achieve an objective represents a significant matter requiring documentation in accordance with ISA (UK) 230 (Revised June 2016) (Ref: Para. A77 & A78).

Taking the above into account, for the year ended 31 March 2023 we have determined that we cannot meet the objectives of the ISAs (UK) and we anticipate issuing a disclaimed audit report.

In completing our work for this audit year we have taken into account Statutory Instrument (2024) No. 907 "The Accounts and Audit (Amendment) Regulations 2024" and Local Authority Reset and Recovery Implementation Guidance (LARRIGs). We have also taken into account the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

The Audit Committee, as the Authority's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit.

We will consider and report on the adequacy of the Council's external financial reporting arrangements and the effectiveness of the Audit Committee in fulfilling its role in those arrangements as part of our assessment of value for money arrangements, and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so.

We draw Audit Committee members' and officers' attention to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly set out what is expected of audited bodies in preparing their financial statements.

This report is intended solely for the information and use of the Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

Yours faithfully

Stephen Reid

Partner

For and on behalf of Ernst & Young LLP

Enc.

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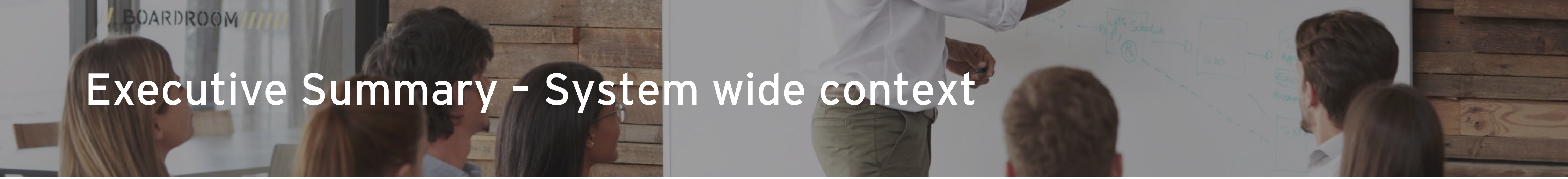
Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website. The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (https://www.psaa.co.UK/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of the London Borough of Hillingdon. Our work has been undertaken so that we might state to the Audit Committee and management of the London Borough of Hillingdon those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of the London Borough of Hillingdon for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

01 Executive Summary



Executive Summary – System wide context

Context for the audit – Ministry for Housing, Communities and Local Government (MHCLG) and Financial Reporting Council (FRC) measures to address local audit delays

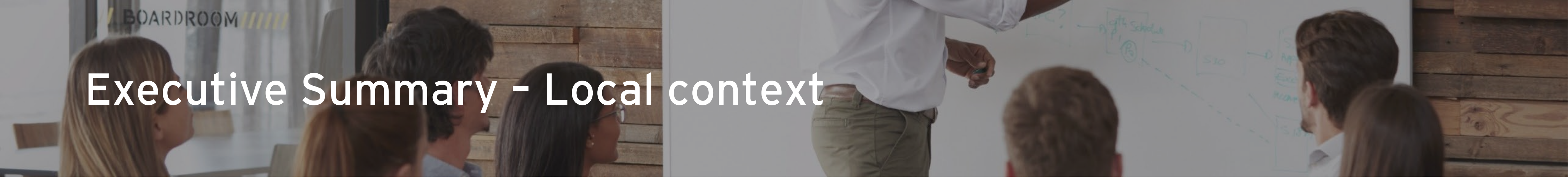
Timely, high-quality financial reporting and audit of local bodies is a vital part of the democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector need to work together to address this. Reasons for the backlog across the system have been widely reported and include:

- Lack of capacity within the local authority financial accounting professions
- Increased complexity of reporting requirements within the sector
- Lack of capacity within audit firms with public sector experience
- Increased regulatory pressure on auditors, which in turn has increased the scope and extent of audit procedures performed.

DLUHC (now MHCLG) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners to develop and implement measures to clear the backlog. Statutory Instrument (2024) No. 907 "The Accounts and Audit (Amendment) Regulations 2024" (the SI), together with the updated NAO Code of Audit Practice 2024 and the Local Authority Reset and Recovery Implementation Guidance, which have all been developed to ensure auditor compliance with International Standards on Auditing (UK) (ISAs (UK)), consist of three phases:

- Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024.
- Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.
- Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

As a result of the system wide implementation of backstop dates we anticipate issuing a disclaimed audit opinion on the Council's 2022/23 financial statements. The proposed disclaimer of the Council's 2022/23 financial statements impacts the audit procedures that we have planned and undertaken to gain assurance on the 2022/23 financial statements and the form of the audit report.



Executive Summary – Local context

Local Background and Context

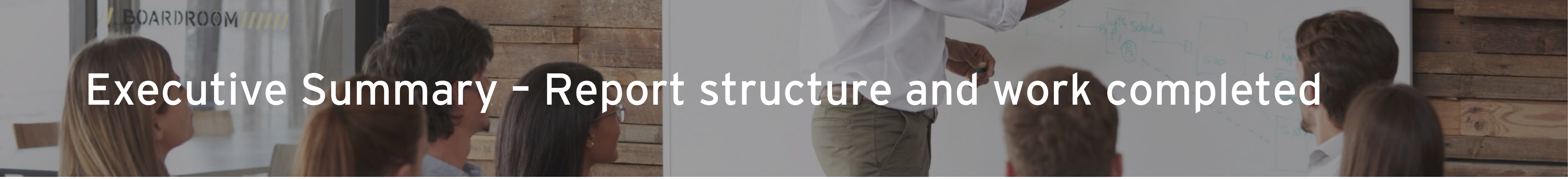
The position at this Council has developed over recent years, with increasing delays to the publication of unaudited and audited financial statements.

The main reasons for the Council's financial statements not being prepared, audited and signed to date include:

- The post pandemic timelines resulted in audit teams trying to move delayed audits on to completion, whilst finance teams were trying to catch up, deal with current priorities and plan for the future. This used a significant amount of our finite audit resource, leading to a lack of capacity to move onto the 2022/23 audit year;
- In addition, there were a number of new technical issues and challenges to address during this period including accounting for infrastructure assets and taking into account the results of the 2022 triennial valuation of the Hillingdon Pension Fund which led to delays in the completion of the 2021/22 audit.

The statutory deadline by which local authorities were required to publish draft 2022/23 financial statements for public inspection under the Accounts and Audit Regulations 2015 was 31 May 2023. The Council did not meet this deadline, commencing the inspection period for its draft 2022/23 financial statements on 10 November 2023. As explained by management, the Council made a conscious decision not to finalise and publish the draft 2022/23 financial statements until the audit of the 2021/22 financial statements was concluded. The audit report on the 2021/22 financial statements was issued on 28 September 2023.

Due to the timing of completion of the 2021/22 audit and delayed publication of the draft 2022/23 financial statements, we assessed that we did not have the audit resources necessary to perform the 2022/23 audit before the anticipated backstop date.



Executive Summary – Report structure and work completed

Report structure and work completed

This report covers the work we have completed to meet the requirements of the International Standards on Auditing (ISAs) UK and the Local Audit Reset and Recovery Implementation Guidance (LARRIGs) along with the National Audit Office' Code of Audit Practice (NAO Code). It has been split into the following sections.

Section 1 – Executive Summary – this section setting out the national and local context and the structure of our report.

Section 2 – Work Plan – We have completed the following planning tasks:

- Required independence procedures;
- Set a level of materiality;
- Issued letters of inquiry to Management, Those Charged with Governance, the Head of Internal Audit and the Monitoring Officer;
- Updated our understanding of the business, including through review of responses to inquiry letters, minute review and in discussion in our internal planning meeting;
- Identified significant, inherent and other areas of higher risk or focus;
- Considered any other matters that may require reporting to regulators or which may result in a modification to the audit report e.g. non-compliance with laws and regulations, objections, significant weaknesses in arrangements for value for money or any matters that may result in the use of the auditor's powers.

Section 3 – Results and findings - Work completed to issue the disclaimer, findings and results:

- Review of the financial statements;
- Consideration of any matters that came to light during our planning and review procedures in relation to laws and regulations, fraud, related parties, litigation and claims, significant changes to contracts and systems or service organisations, which we report as appropriate;
- Reporting on any other matters that may require the use of the auditor's powers, formal reporting or a modification to the auditor's report e.g. non-compliance with laws and regulations, objections, significant weaknesses in arrangements for value for money or any matters that may result in the use of the auditor's powers.

Section 4 – Value for money reporting

- The value for money commentary covering the year to 31 March 2023.

Section 5 - Appendices

02 Work Plan

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Work Plan – Audit Scope

Audit scope

This Completion Report covers the work that we performed in relation to:

- Our audit opinion on whether the financial statements of the Council give a true and fair view of the financial position as at 31 March 2023 and of the income and expenditure for the year then ended; and
- Our commentary on your arrangements to secure value for money in your use of resources for the year to 31 March 2023. We include further details on value for money in Section 4.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

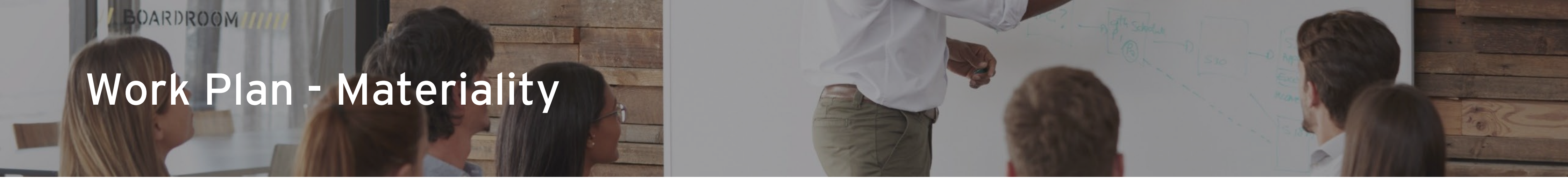
When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of the Council's systems and processes;
- Changes in the business and regulatory environment; and
- Management's views on all of the above.

Given that Statutory Instrument (2024) No. 907 "The Accounts and Audit (Amendment) Regulations 2024" imposes a backstop date of 13 December 2024 by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK). This decision is in line with ISA 200: Failure to Achieve an Objective 24.

If an objective in a relevant ISA (UK) cannot be achieved, the auditor shall evaluate whether this prevents the auditor from achieving the overall objectives of the auditor and thereby requires the auditor, in accordance with the ISAs (UK), to modify the auditor's opinion or withdraw from the engagement (where withdrawal is possible under applicable law or regulation). Failure to achieve an objective represents a significant matter requiring documentation in accordance with ISA (UK) 230 (Revised June 2016) (Ref: Para. A77 & A78).

Taking the above into account, for the year ended 31 March 2023 we have determined that we cannot meet the objectives of the ISAs (UK) and we anticipate issuing a disclaimed audit report.



Work Plan - Materiality

Materiality

Planning materiality

£15.6m

Materiality for the year ended 31 March 2023 has been set at £15.6m, which represents 1.8% of 2022/23 gross expenditure on provision of services.

Performance materiality

£7.8m

Performance materiality for the year ended 31 March 2023 has been set at £7.8m, which represents 50% of planning materiality.

Audit differences

£0.78m

We will report all uncorrected misstatements relating to the primary statements greater than £0.78m for the year ended 31 March 2023. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit Committee.

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In order to ascertain the significance of issues in the draft financial statements we have set materiality based on the 2022/23 financial year. We considered updating this materiality for any key changes or known factors from that year but did not identify any. We determined that our audit procedures would be performed using a materiality of £7.8m. This level of materiality remains appropriate for the actual results for the financial year.

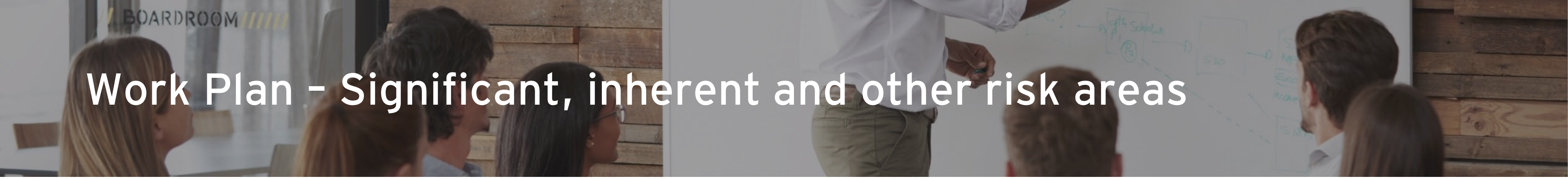
These materiality levels have been set based on the Council's financial statements. These levels are being used to assess our response to any issues identified in the Council's financial statements.

Work Plan – Significant, inherent and other risk areas

The following ‘dashboard’ summarises the significant accounting and auditing matters identified as part of our planning work. It seeks to provide Those Charged with Governance with an overview of our initial risk identification for the year.

Audit risks and areas of focus

Risk/area of focus	Risk identified	Change from PY	Details
Misstatement due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Risk of inappropriate capitalisation of revenue expenditure	Fraud Risk	No change in risk or focus	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.
Valuation of land and buildings valued under the depreciated replacement cost (DRC) method and the existing use value (EUV) method	Significant Risk	No change in risk or focus	As at 31 March 2023, the Council has significant DRC and EUV assets. Valuation of these assets involves higher risk estimates due to the significant assumptions and judgments involved in their valuation, which triggers the use of experts by management and EY likewise. These estimates give scope for material errors, thus we identified a significant risk on the valuation of these assets.
Valuation of Council dwellings	Inherent risk	No change in risk or focus	The carrying amount of Council dwellings represents a significant balance in the Council’s accounts and it is being revalued by management’s external specialists on an annual basis. The valuation approach for social housing involves estimates and assumptions, which has led us to identify an inherent risk on the valuation assertion.
Derecognition of infrastructure assets upon subsequent expenditure/ replacement	Inherent risk	Changed from significant to inherent risk	We identified this as a significant risk in the 2021/22 audit due to the issue raised by the NAO Local Government Technical Group that some local authorities were not writing out the gross cost and accumulated depreciation on highways infrastructure when a major component had been replaced or decommissioned. The CIPFA Code has since been amended to incorporate a temporary relief for certain reporting on infrastructure assets, which can be applied from the 2021/22 Code up to and including the 2024/25 Code. The Council applied this relief in 2021/22, and although we did not report any findings in this respect, we do consider that there is a remaining inherent risk as this is an issue that the Council needs to remain focussed on to ensure proper arrangements are in place when the temporary relief is discontinued.



Work Plan – Significant, inherent and other risk areas

Risk/area of focus	Risk identified	Change from PY	Details
Pension liabilities and the IAS 19 valuations	Inherent risk	No change in risk or focus	The Local Authority Accounting Code of Practice and IAS 19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Work Plan - Independence

The FRC Ethical Standard 2019 and ISA (UK) 260 ‘Communication of audit matters with those charged with governance’, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	**Final stage**
▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; and ▶ Information about the general policies and process within EY to maintain objectivity and independence	▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit/additional services provided and the fees charged in relation thereto; ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▶ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner; ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Work Plan - Independence

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Stephen Reid, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in your company. Examples include where we have an investment in your company; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC ES and the services have been approved in accordance with your policy on pre-approval. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you.

At the time of writing, the current ratio of non-audit fees to audit fees is expected to be well below a 1:1 ratio, see Appendix B. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your company. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Work Plan - Independence

EY Transparency Report 2024

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 30 June 2024:

EY UK 2024 Transparency Report | EY UK

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03 Results and findings

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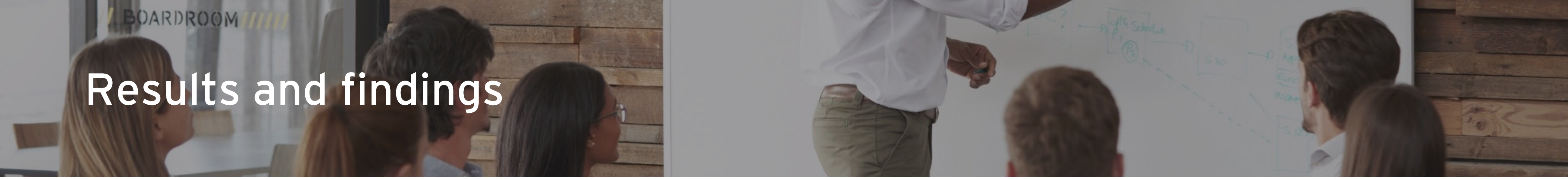


Results and findings

Status of the audit

Our audit work is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report:

- Completion of subsequent events procedures; and
- Receipt of a signed management representation letter.

Given that the audit process is still ongoing, we will continue to consider existing and new information which could influence our final audit opinion, a current draft of which is included at the end of this section.

Value for Money

Our value for money (VFM) work is complete and reported in Section 4 of this report. We identified no risks of significant weaknesses in arrangements.

Audit differences

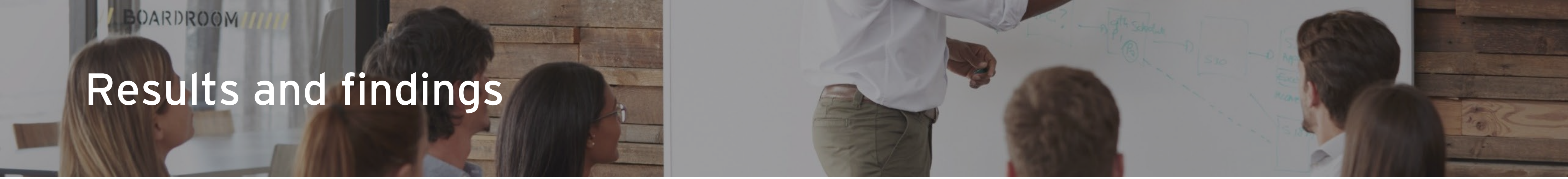
We identified three audit differences which remain uncorrected within the 2022/23 financial statements:

- Field End Junior School and Hermitage Primary School converted from authority-maintained schools to academies during 2021/22. Land and buildings associated with these schools should have been derecognised at the point of conversion, however the Council did not record these disposals until 2023/24. As a result, PPE is overstated at 31 March 2023 by £28.5m due to the incorrect inclusion of these schools within the Council's assets. Management have indicated this matter will be corrected within the 2023/24 financial statements currently being audited.
- Note 14 to the financial statements provides details on the Council's financial instruments. Within this note, the Council discloses lease receivable balances of £13.6m as at 31 March 2022. The corresponding amounts within the audited 2021/22 statements total £0.3m, therefore there is a £13.3m variance between the comparators included in the 2022/23 financial statements and the amounts disclosed in the prior period. There is no variance on the amounts reported on the Balance Sheet or in other supporting notes.
- Note 42 to the financial statements includes details of the timing of the repayments of the Council's borrowings. Within this disclosure, the amounts repayable within 12 months as at 31 March 2022 are stated as £97.6m. The corresponding amount within the audited 2021/22 statements was £96.4m, therefore there is a £1.2m variance between the comparator included in the 22/23 financial statements and the amount disclosed in the prior period. There is no variance on the amounts reported on the Balance Sheet or in other supporting notes.

Other Reporting Issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

We have completed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts. We have no matters to report as a result of this work.



Results and findings

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest").

We did not identify any issues which required us to issue a report in the public interest.

Areas of audit focus

In our audit planning we identified a number of key areas of focus for our audit of the financial statements of the London Borough of Hillingdon We concluded we would disclaim the audit and therefore have not completed detailed audit testing on these areas but instead have reported any matters that came to light from the work we did complete.

We request that you review these and other matters set out in this report to ensure:

- There are no further considerations or matters that could impact these issues;
- You concur with the resolution of the issue; and
- There are no further significant issues you are aware of to be considered before the financial report is finalised

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee.

Control observations

During the audit, we did not identify any significant deficiencies in internal control.

In addition, we have not identified any observations or improvement recommendations in relation to management's financial processes and controls to bring to the Audit Committee's attention.

Independence

Further to our review of independence in section 2 of this report we have not identified any issues to bring to your attention..

Results and findings

Other matters

As required by ISA (UK) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Council's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

Other than the matters reported elsewhere in this report, we have no matters to bring to your attention.

Results and findings - Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LONDON BOROUGH OF HILLINGDON

Disclaimer of opinion

We were engaged to audit the financial statements of the London Borough of Hillingdon for the year ended 31 March 2023. The financial statements comprise the:

- Movement in Reserves Statement,
- Movement in Unusable Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement,
- the related notes, including The Statement of Accounting Policies, the Expenditure and Funding Analysis and Notes to the Main Financial Statements 1 to 45,
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, and the related notes 1 to 8,
- Collection Fund Account, and the related notes 1 to 3

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

We do not express an opinion on the accompanying financial statements of the London Borough of Hillingdon. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) which came into force on 30 September 2024 requires the accountability statements for this financial year to be approved not later than 13th December 2024.

We completed the audit of the financial statements for the year ended 31 March 2022 in September 2023 and issued our audit opinion on 28 September 2023.

The backstop date and the wider requirements of the local audit system reset meant we did not have the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the 2022/23 financial statements. Therefore, we are disclaiming our opinion on the financial statements.

Matters on which we report by exception

Notwithstanding our disclaimer of opinion on the financial statements, performed subject to the pervasive limitation described above, we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority.

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)

Results and findings - Audit Report

Draft audit report

Our opinion on the financial statements

- we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in these respects.

Responsibility of the Corporate Director of Finance

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 15, the Corporate Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Corporate Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporate Director of Finance is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or has no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Authority's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in January 2023, as to whether the London Borough of Hillingdon had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the London Borough of Hillingdon put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the London Borough of Hillingdon had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Results and findings - Audit Report

Draft audit report

Our opinion on the financial statements

Certificate

We certify that we have completed the audit of the accounts of the London Borough of Hillingdon in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of the London Borough of Hillingdon, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Stephen Reid (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

London

Date

The following footnote does not form part of our Auditor's Report.

Additional information related to the disclaimer of opinion is set out in our Completion Report for Those Charged with Governance dated 13 November 2024, available on the Authority's website, which includes further explanations about the implementation of the statutory instrument which led to the disclaimer of our opinion on the financial statements.

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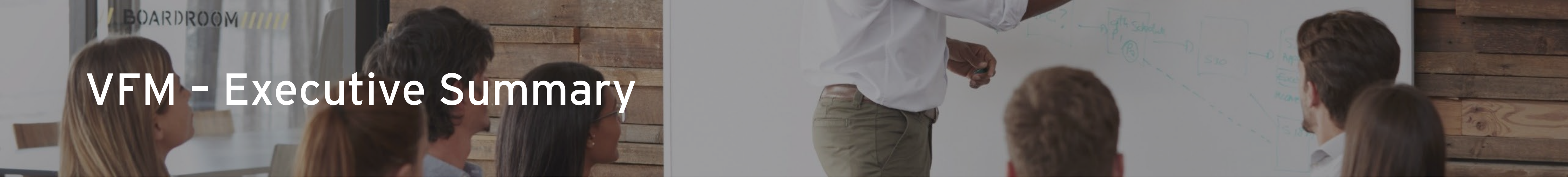
04 Value for Money



VFM – Executive Summary

Risks of Significant Weakness

In undertaking our procedures to understand the Council's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of the Council's committee reports;
- meetings with key officers;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with the Council's management and the finance team.

We completed our risk assessment procedures and did not identify any significant weaknesses in the Council's VFM arrangements.

As a result, we have no matters to report by exception in our audit report.

VFM – Executive Summary

Reporting

Our value for money commentary for 2022/23 is set out over the following pages. Our commentary summarises our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2022/23.

In accordance with the NAO's 2020 Code, we are required to report a commentary against the three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures, and whether we have concluded that there is a significant weakness in the body's arrangements.

Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weakness identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weakness identified
Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weakness identified

Value for Money Commentary

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

No significant weakness identified

The Council is required to have arrangements to ensure proper resource management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement rests with management.

The Council identifies all the significant financial pressures that are relevant to its medium term plans through its Medium Term Financial Forecast ('MTFF'), which is the financial plan for the Council and it contains the funding strategy for delivering the Council's objectives for a forward looking period of four years. As part of the MTFF process, the Council engages with its directorates and bodies outside of the organisation, such as the Society of London Treasurers (SLT), the Deputy Treasurers Group (DTG) and the Association of Directors of Adult Services (ADASS), where regular discussion, information sharing and benchmarking supplements local intelligence.

Monthly budget monitoring reports are used to identify and address short term financial pressures. This is the process of comparing actual and forecast expenditure and income throughout the financial year, both through budget monitoring and at the point of committing expenditure. It involves identifying variances, pressures and risks while taking prompt action to prevent budget pressures or to bring pressures that have arisen back under control by identifying savings and income opportunities.

As noted in the 2022/23 budget outturn report, £11.8 million of the £13.4 million savings planned for 2022/23 were banked in full by 31 March 2023 and no savings were reported as being at risk of non-delivery over the medium term. The February 2023 MTFF shows a savings proposal of £20.8 million for 2023/24, a significant increase from the £9.6 million which was identified in February 2022. The increase is driven by inflation, along with other updates on demand-led growth and corporate items.

As per the 2023/24 budget outturn report at month 10, there are a number of potential risk areas and pressures which need to be managed to deliver the planned outturn. The current year position is reliant on a number of one-off mitigations and balance sheet measures, such as the release of £3,622k from specific Earmarked Reserves projected to meet this potential pressure. This reflects the significant demand-led pressures which are being experienced across the sector.

As at February 2023, a total of £24.9 million of savings measures were planned for the period 2024/25 until 2027/28, which increased by 25% to £31.3 million for the same period in the February 2024 MTFF. This increase in the savings requirements year on year shows the continuously increasing pressures on the Council's finances in the context of a challenging economic environment both in terms of exceptional cost inflation pressures, the impact of cost-of-living pressures and the continuing legacy of COVID-19. In this context, the elected members need to consider their priorities and objectives in decision making and to ensure that these drive the budget process and support the Council in achieving its efficiency targets and in delivering required savings.

Value for Money Commentary

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services (continued)

No significant weakness identified

The Dedicated Schools Grant ('DSG') had a £23.5 million deficit brought forward from 2021/22, which only reduced slightly to £21.9 million by the end of 2022/23. The DSG monitoring position reported for 2023/24 Month 9 is an in-year overspend of £12.8 million when compared to the budgeted position, which reflects the ongoing pressures of High Needs placements. As per the March 2024 update from the Department for Education ('DfE'), the Council's Dedicated Schools Grant 'Safety Valve' Agreement was placed 'under review' and it confirms that no DSG funding was paid by the DfE to the Council in 2023/24. Based on current reserve level forecasts, the Council is reliant on maintenance of the statutory override until a new deficit funding plan is agreed and in place.

The identified financial risks, along with the Council's broader operations risks, are summarised in a corporate risk register ('CRR'), which is updated on a continuous basis and it is discussed at the Council meetings. The Audit Committee monitors and reviews, but not directs, the Council's risk management arrangements, including regularly reviewing the corporate risk register (giving reference to the directorate risk registers) and seeking assurances that action is being taken on strategic risk related issues. As at February 2024, the Head of Internal Audit was in the process of developing a Strategic Risk Report to align the risks from the CRR to the Strategic Objectives within the Council's 2022-2026 Strategy.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services

Value for Money Commentary

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

No significant weakness identified

The Council is required to have arrangements in place to ensure proper risk management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement rests with management.

The Council published their draft 2022/23 financial statements for audit on 10 November 2023, which is not in line with the Accounts and Audit Regulations 2015 (i.e. 31 May 2023). It did, however, publish a notice advising the reason for non-publication, which was in line with the aforementioned regulations. The Council advertised and held an inspection period for members of the public from 10th of November 2023 until the 21st of December 2023. The Annual Governance Statement was published alongside the accounts on 10 November 2023 and it was available throughout the inspection period. As explained by management, the Council made a conscious decision not to finalise and publish the draft 2022/23 accounts until the 2021/22 accounts had been audited and fully signed off. CIPFA recognised the significant challenges CFOs and their finance teams were facing with regards to publishing the 2022/23 accounts by the 31st of May and encouraged senior leaders to take a considered and transparent approach. Management explained that the delay in publication of the 2022/23 accounts was due to the timing of completing the 2021/22 audit (28 September 2023) and published this on their website, thus we do not consider this to be a significant weaknesses in proper arrangements for supporting its statutory reporting requirements.

We validated that the 2022/23 draft financial statements were arithmetically correct, agreed to the data in the general ledger, and prepared in line with the content required by the CIPFA Code. The Council has carried out bank reconciliations during the year. Therefore, based on these procedures appropriate arrangements for financial reporting were in place during 2022/23.

During our 2021/22 audit, we identified and reported within our Audit Results Report a number of adjusted and unadjusted errors across the financial statements. We considered whether this represents a risk of significant weakness in the proper arrangements to ensure there are proper processes in place to have relevant, accurate and timely information to support statutory financial reporting requirements. The Council accepted that improvements were needed in those areas and this was reported to the Audit Committee. We did not consider those findings to indicate a weakness in the proper arrangements at the Council and we will revisit those recommendations during our 2023/24 audit of the financial statements.

The Council maintains a Corporate Risk Register ('CRR'), which summarises operational and financial risks and is presented to the Audit Committee on a quarterly basis. It also maintains an adequate and effective internal audit function as required by the Accounts and Audit Regulations 2015. A risk based internal audit plays a central and essential role in maintaining a sound system of internal control at the Council. Chief officers are required to give proper consideration to internal audit recommendations and to respond, accordingly. The Counter Fraud Team ('CFT') at the Council undertakes regular activities to detect and resolve external fraud against the Council.

Value for Money Commentary

Governance: How the Council ensures that it makes informed decisions and properly manages its risks (continued)

No significant weakness identified

Through the monthly budget monitoring process, the financial position of each department is reviewed in detail by the Corporate Director of Finance with dedicated monthly meetings with each Corporate Director to ensure that issues and actions emerging from the monitoring process are dealt with and reflected in the MTFF as appropriate. The outputs from this process are presented to Cabinet on a monthly basis, alongside informal briefing to the Cabinet Member for Finance and other portfolio members as appropriate.

During January 2024, the Council embarked on a corporate wide Zero Based Budgeting ('ZBB') exercise. Senior managers, along with budget managers, are reviewing their services in detail to create alternative and improved options for operational delivery. This review will seek feedback from services across the Council following the Zero Based Budgeting process, and confirm whether services have any further concerns in relation to achieving their 2024/25 budget and what actions have been put in place to monitor and mitigate these concerns. The ZBB will also inform the CFT for the upcoming financial year and highlight any opportunities within other service areas for CFT activity.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2022/23 to make informed decisions and properly manage its risks.

Value for Money Commentary

Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

No significant weakness identified

The Council is required to have arrangements in place to ensure proper governance and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement rests with management.

We have held regular (at least monthly) meetings with management throughout the audit process, reviewed minutes of key meetings and attended most Audit Committees, during the period since our initial assessment of the proper arrangements for informed decision making. There have been no indications of fundamental failures in the proper arrangements considered in our initial risk assessment.

The effectiveness of the Council's interventions and the quality of its services is monitored through the preparation of regular performance reports showing progress towards goals and targets set in the budget and business plans. Key areas are highlighted for decision-makers to take corrective action if necessary.

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The Council puts in place key performance indicators ('KPIs') to monitor internally and externally produced services. Reports compiling KPIs are submitted to the Senior Management Teams, the Corporate Management Team and members to support transparency and resource allocation to address challenges. The Council ensures that external companies who deliver services have an understanding of expected contract performance and monitoring takes place throughout the contract period.

Alongside the governance structures, the Council's monthly budget monitoring processes and the MTFF process provide a level of challenge to drive out further improvements to services, alongside feedback mechanisms such as members' enquiries and customer complaints. The Council has complaints procedures for members of the public, Council employees and employees and organisations who deliver services on behalf of the Council. These are published on the Council's website: https://www.hillingdon.gov.uk/complaints. The policy and procedures allow managers to address issues of unsatisfactory service and seek improvements in service delivery.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

05 Appendices

Appendix A – Management representation letter

Management representation letter

This is the draft management letter template which Management will tailor and send back signed and dated prior to the opinion being issued.

Management Rep Letter

Date

Ernst & Young

1 More London Place

SE1 2AF

This letter of representations is provided connection with your audit of the Authority financial statements of the London Borough of Hillingdon ("the authority") for the year ended 31 March 2023. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the authority's financial statements give a true and fair view of (or 'present fairly, in all material respects,') the authority's financial position as of 31 March 2023 and of its financial performance and its cash flows for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist. Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

2. We acknowledge, as members of management of the Authority, our responsibility for the fair presentation of the Authority's financial statements. We believe the Authority's financial statements referred to above give a true and fair view of the financial position, financial performance and cash flows of the Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and are free of material misstatements, including omissions. We have approved the financial statements.

3. The significant accounting policies adopted in the preparation of the Authority's financial statements are appropriately described in the Authority's financial statements.

4. As members of management of the Authority, we believe that the Authority has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)) that are free from material misstatement, whether due to fraud or error.

5. We confirm the Authority does not have securities (debt or equity) listed on a recognised exchange.

Management representation letter

Management Rep Letter

6. We have confirmed to you any changes in service organizations within the Authority since the last audited financial year.

B. Non-compliance with laws and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Authority's business activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws or regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.

3. We have disclosed to you the results of our assessment of the risk that the Authority's financial statements may be materially misstated as a result of fraud.

4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud, that may have affected the Authority (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

- Involving financial improprieties
- Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements
- Related to laws or regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Authority's business, its ability to continue in business, or to avoid material penalties
- Involving management, or employees who have significant roles in internal control, or others
- In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

3. We have made available to you all minutes of the meetings of shareholders, directors and committees of directors (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date: 26 November 2024.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

Appendix A – Management representation letter

Management representation letter

Management Rep Letter

6. We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the Authority's financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

7. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

8. We have disclosed to you, and provided you full access to information and any internal investigations relating to, unauthorized access to our information technology systems that has a material effect on the financial statements, including disclosures.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.

E. Going Concern

1. The Statement of Accounting Policies discloses all the matters of which we are aware that are relevant to the Authority's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. Other than the events described in Note 39 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the consolidated and parent Authority financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the information contained within the Narrative Statement and also the Annual Governance Statement.

2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered and the Authority have reflected these in the financial statements.

Yours faithfully,

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Corporate Director of Finance

____

Chairman of the Audit Committee

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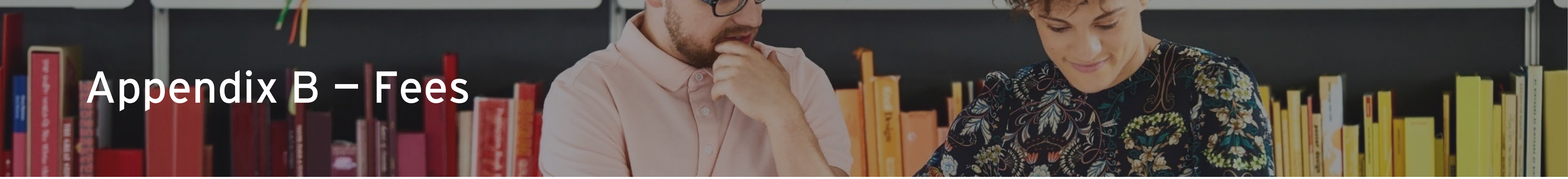


Appendix B – Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

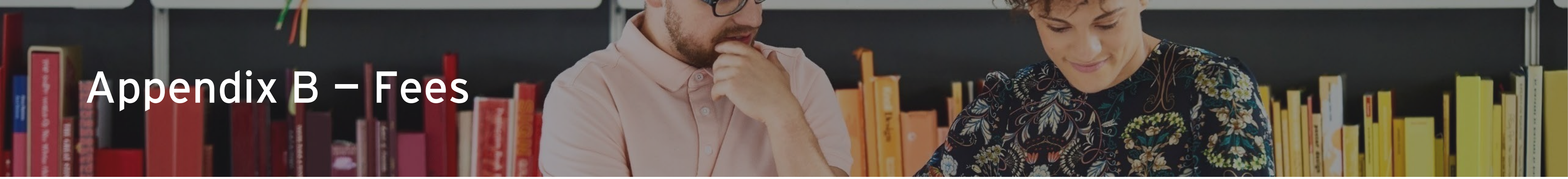
The original fees for these years were based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our financial statement opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council;
- The Council has an effective control environment; and

The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See https://www.psaa.co.UK/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/. In particular the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. See Appendix E.

	Current year	Scale fee	Prior year
	£	£	£
Scale fee - Council (1)	142,846	142,846	121,096
Scale fee - Pension Fund (1)	24,954	24,954	16,170
Scale fee variation – Council (2)	TBC	N/A	117,215
Scale fee variation – Pension Fund (3)	TBC	N/A	17,719
IAS 19 procedure fees – Pension Fund (4)	8,700	N/A	6,000
Total audit	**TBC**	**167,800**	**278,200**
Non-Audit Fee – Housing Benefit certification work (5)	TBC	N/A	54,175
Non-Audit Fee – Teachers' Pension certification work	9,500	N/A	8,500
Non-Audit Fee – Housing capital receipts certification work	15,500	N/A	14,500
Total other non-audit services	**TBC**	**N/A**	**77,175**
Total fees	**TBC**	**167,800**	**355,375**

All fees exclude VAT, notes overleaf



Appendix B — Fees

Notes

1) We do not believe that the current scale fee reflects the changes in the audit market and increases in regulation since the PSAA tender exercise for the periods 2018/19 to 2022/23. For 2022/23, PSAA increased the base scale fee but in our view this still does not fully cover the additional work required to deliver a high quality audit. For reference, the scale fees for the 2023/24 audits of the Council and Pension Fund under the new PSAA contract have been set at £403,723 and £81,688 respectively.

2) As set out in the joint statement on update to proposals to clear the backlog and embed timely audit issued by MHCLG and the FRC, PSAA will use its fee variation process to determine the final fee the Council have to pay for the 2022/23 audit. In doing so, PSAA will apply the principles that where auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted (and have reported on work that is no longer required), then they are due the appropriate fee for the work done, including where their procedures were necessary to conclude the audit by the legislatively imposed backstop date by way of a modified or disclaimed opinion and the body is due to pay the applicable fee.

3) The scale fee variation for the 2022/23 audit of the Pension Fund is subject to determination by PSAA. As previously reported in the separate Audit Results Report for the audit of the Pension Fund, the amount we have requested from PSAA will include £8,874 in relation to changes in work required to address professional and regulatory requirements and scope associated with risk and an amount in the range £20,000 to £30,000 in relation to additional audit procedures necessary to respond to specific audit findings during the delivery of the audit.

4) The prior year fees in relation to IAS 19 procedures relate to work required to respond to IAS 19 assurance requests from admitted body auditors for 2021/22. Due to the reset of local audit no such requests have been received for the current year, however work has been performed with respect to detailed testing of the triennial membership submission to the actuary which will support actuarial valuations until the next triennial valuation as at 31 March 2025.

5) Delivery of the 2022/23 Housing Benefit certification work is ongoing. A detailed fee proposal has been shared with management but is yet to be agreed.

Appendix C – Required communications with the Audit Committee

We have detailed the communications that we must provide to the audit committee.

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of: ► The planned scope and timing of the audit ► Any limitations on the planned work to be undertaken ► The planned use of internal audit ► The significant risks identified When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	This Completion report for Those Charged with Governance
Significant findings from the audit	► Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ► Significant difficulties, if any, encountered during the audit ► Significant matters, if any, arising from the audit that were discussed with management ► Written representations that we are seeking ► Expected modifications to the audit report ► Other matters if any, significant to the oversight of the financial reporting process ► Findings and issues regarding the opening balance on initial audits (delete if not an initial audit)	This Completion report for Those Charged with Governance

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Appendix C — Required communications with the Audit Committee

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements	This Completion report for Those Charged with Governance
Misstatements	▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management	This Completion report for Those Charged with Governance
Fraud	▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud ▶ Any other matters related to fraud, relevant to Audit Committee responsibility	This Completion report for Those Charged with Governance

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Appendix C – Required communications with the Audit Committee

Our Reporting to you

Required communications	What is reported?	When and where
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity	This Completion report for Those Charged with Governance
External confirmations	▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures	This Completion report for Those Charged with Governance
Consideration of laws and regulations	▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of	This Completion report for Those Charged with Governance
Internal controls	▶ Significant deficiencies in internal controls identified during the audit	This Completion report for Those Charged with Governance
Representations	Written representations we are requesting from management and/or those charged with governance	This Completion report for Those Charged with Governance
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	This Completion report for Those Charged with Governance
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	This Completion report for Those Charged with Governance
Auditors report	▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report	This Completion report for Those Charged with Governance

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Appendix C – Required communications with the Audit Committee

Our Reporting to you

Required communications	What is reported?	When and where
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence ► Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ► The principal threats ► Safeguards adopted and their effectiveness ► An overall assessment of threats and safeguards ► Information about the general policies and process within the firm to maintain objectivity and independence Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place. For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019: ► Relationships between EY, the company and senior management, its affiliates and its connected parties ► Services provided by EY that may reasonably bear on the auditors' integrity, objectivity and independence ► Related safeguards ► Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ► A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ► Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy ► Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ► The audit committee should also be provided an opportunity to discuss matters affecting auditor independence	This Completion report for Those Charged with Governance

Appendix D - Non-Compliance with Laws and Regulations (NOCLAR)

Non-Compliance with Laws and Regulations includes:

Any act or suspected act of omission or commission (intentional or otherwise) by the entity (including any third parties under the control of the entity such as subsidiaries, those charged with governance or management or an employee acting on behalf of the company), either intentional or unintentional, which are contrary to the prevailing laws or regulations

Management Responsibilities:

"It is the responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in an entity's financial statements."

ISA 250A, para 3

"The directors' report must contain a statement to the effect that… so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information."

ISA 250A, para 3

"Management is responsible for communicating to us on a timely basis, to the extent that management or those charged with governance are aware, all instances of identified or suspected non-compliance with laws and regulations …"

Audit Engagement Letter

Management's responsibilities are also set out in the International Ethics Standard Board of Accountants' International Code of Ethics (IESBA Code) Para 360.08

Auditor Responsibilities

The International Ethics Standard Board of Accountants' International Code of Ethics (IESBA Code) section 360 sets out the scope and procedures in relation to responding to actual or suspected non-compliance with laws and regulations.

Professional accountancy organisations who are members of the International Federation of Accountants (IFAC), such as the Institute of Chartered Accountants in England and Wales (ICAEW) are required to adopt the IESBA Code of Ethics.

We as your auditor are required to comply with the Code by virtue of our registration with ICAEW.

"If the auditor becomes aware of information concerning an instance of non-compliance or suspected non-compliance with laws and regulations, the auditor shall obtain:

An understanding of the nature of the act and the circumstances in which it has occurred; and

Further information to evaluate the possible effect on the financial statements

The auditor shall evaluate the implications of the identified or suspected non-compliance in relation to other aspects of the audit, including the auditor's risk assessment and the reliability of written representations, and take appropriate action."

ISA 250A, paras 19 and 22

Examples of Non-Compliance with Laws and Regulations (NOCLAR)

Matter	Implication
Suspected or known fraud or bribery	Potential fraud/breach of anti-bribery legislation
Health and Safety incident	Potential breach of section 2 of the Health and Safety at Work Act 1974
Payment of an unlawful dividend	Potential breach of Companies Act 2006
Loss of personal data	Potential GDPR breach
Allegation of discrimination in dismissal	Potential non-compliance with employment laws
HMRC or other regulatory investigation	Suspicion of non-compliance with laws/regulations
Deliberate journal mis-posting or allegations of financial impropriety	Potential fraud / breach of Companies Act 2006
Transacting business with sanctioned individuals	Potential breach of sanctions regulations

Appendix D - Non-Compliance with Laws and Regulations (NOCLAR)

What are the implications of NOCLAR matters arising?

Depending on the nature and significance of the NOCLAR matter the following steps are likely to be required, involving additional input from both management and audit.

This can have an impact on overall achievability of audit timeline and fees.

Across our portfolio of audits we have seen a steady increase in NOCLAR matters that need to be addressed as part of the audit over the past 3 years

Management response:	Audit response:
Timely communication of the matter to auditors (within a couple of days)	Initial assessment of the NOCLAR matter and its potential impact
Determine who will carry out any investigation into the matter - in-house or external specialists or mix of both	Initial consultation with risk team to determine responsive procedures and the involvement of specialists
Scope the investigation, in discussion with the auditors	Understand and agree scope of management's investigation with support from specialists as needed
Evaluate findings and agree next steps	Evaluate findings and undertake appropriate audit procedures
Determine effect on financial statements including disclosures	Determine audit related impact including accounting and disclosure and audit opinion implications
Prepare a paper, summarising the outcome of the investigation and management's conclusions	Document and consult on the outcome of our procedures
Communicate the outcome to Those Charged With Governance (TCWG) and to us as your auditors. Report to regulators where required.	Communicate the outcome with management, TCWG and where necessary other auditors within the group or regulators

Key Reminders:

- Make sure that all areas of the business are aware of what constitutes actual or potential non-compliance and associated requirements
- Communicate with us as your auditors on a timely basis - do not wait for scheduled audit catch-ups
- Engage external specialists where needed
- Ensure that your investigation assesses any wider potential impacts arising from the matter, not just the matter itself.
- Plan upfront and consider any impact on overall accounts preparation and audit timeline - discuss the implications with us as your auditor

Appendix E - PSAA Statement of Responsibilities

As set out in Appendix B our fee is based on the assumption that the Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. In particular the Council should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

Preparation of the statement of accounts

26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.

27. In preparing their statement of accounts, audited bodies are expected to:

- *prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;*
- *ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.*
- *assign responsibilities clearly to staff with the appropriate expertise and experience;*
- *provide necessary resources to enable delivery of the plan;*
- *maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;*
- *ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;*
- *ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and*
- *during the course of the audit provide responses to auditor queries on a timely basis.*

28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable and the start date of the audit will be delayed.

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Hillingdon Pension Fund
Final Audit Results Report

Year ended 31 March 2023

12 November 2024

Building a better working world

Hillingdon Pension Fund

12 November 2024

Dear Audit Committee/Pension Committee Members,

2022/23 Final Audit Results Report

We are pleased to attach our Final Audit Results Report, summarising the status of our audit and the remaining steps to the issue of our final opinion for the forthcoming meeting of the Audit Committee. This report provides an update to our Provisional Audit Results Report presented to the Committee at its meeting on 30 April 2024.

The audit is designed to express an opinion on the 2022/23 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Hillingdon Pension Fund's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge, the exercise of professional judgement and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process.

This report is intended solely for the information and use of the Pension Committee, Audit Committee and management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 20 November 2024.

Yours faithfully

Debbie Hanson

Debbie Hanson

Partner

For and on behalf of Ernst & Young LLP

Encl

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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/psaa-statement-of-responsibilities-of-auditors-and-audited-bodies-upto-2022-23/). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance from July 2021" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of London Borough of Hillingdon Council and Hillingdon Pension Fund in accordance with our engagement letter. Our work has been undertaken so that we might state to the Audit Committee and management of Hillingdon Pension Fund those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of London Borough of Hillingdon Council and Hillingdon Pension Fund for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

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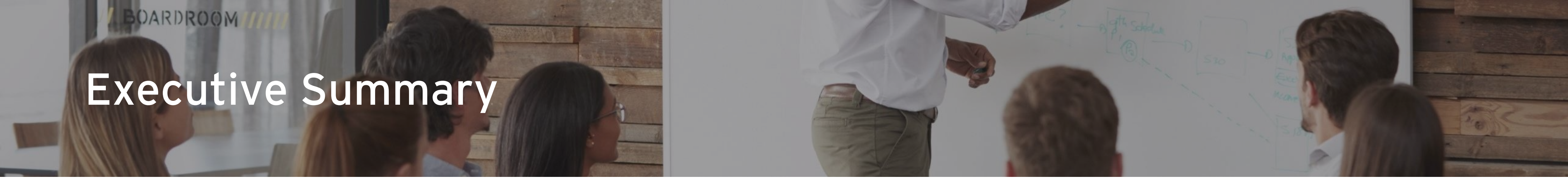
01 Executive Summary



Executive Summary

Scope update

In our Provisional Audit Planning Report presented to the 30 April 2024 Audit Committee meeting, we provided you with a overview of our update to audit scope and approach for the audit of the financial statements.

There have been no other changes in scope of the audit subsequent to the issue of our previous report.

Status of the audit

In our Provisional Audit Results report presented to the 30 April 2024 Audit Committee meeting, we indicated that the testing of membership numbers was still outstanding.

All the evidence to support the completion of this testing has subsequently been received and we have been able to conclude our testing. Our conclusions in relation to this testing are on page 20 of this report.

The following items relating to the completion of our audit procedures remain outstanding at the date of this report:

- Completion of subsequent events procedures up to the date of our audit report;
- Receipt and check of a signed accounts and a signed letter of management representation.

A current draft of our audit opinion is included in Section 03 of this report.

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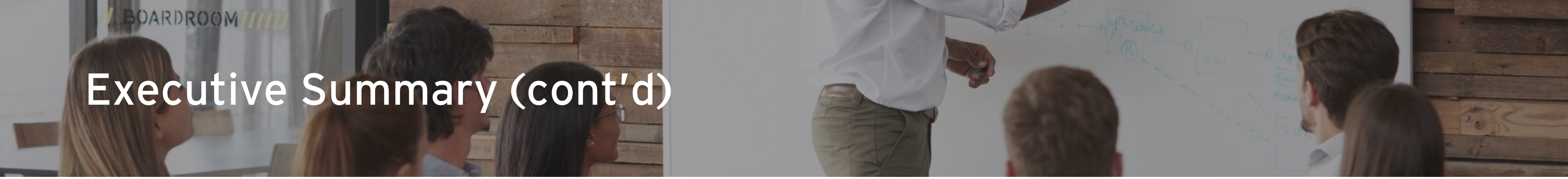
Audit differences

We have identified the following audit differences which have been adjusted. There are no changes to the differences previously reported in our Provisional Audit Results Report in April 2024:

- Understatement of investment asset valuations in the financial statements of £2.7 million, due to the provision of more up to date valuations.
- A misstatement between investment income and profit and loss on disposal of investments and changes in market value of £4.3 million. This was mainly due the fact that the distribution by LCIV MAC Fund was processed as a cash distribution rather than a re-investment of dividends. Management did not identify this error because the year-end valuation matched that of the fund manager.
- Differences in relation to the fair value hierarchy classification of investments. The classification was based on previous year's (2021/22) classification. The fund manager had not informed management of any changes in valuation techniques from the previous year and as a result management did not make any changes to the classification. There was no net impact on the financial statement investment disclosures as the two differences between level 2 and level 3 netted to zero. The gross adjustment is £64.3 million.
- Other minor audit differences in the financial statement disclosures.

For further information on audit differences refer to Section 04 of this report.



Executive Summary (cont'd)

Areas of audit focus

In our Provisional Audit Plan, we identified a number of key areas of focus for our audit of Hillingdon Pension Fund. This report sets out our observations and the status of our work in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is explained within the 'Areas of Audit Focus' section of this report and summarised below.

Fraud risks	Findings & conclusions
Misstatements due to fraud or error (management override)	We carried out procedures to address this risk as set out in our Provisional Audit Plan, including identifying risks, considering controls and their effectiveness, testing journal entries and testing estimates for evidence of management bias. We have completed our work in this area and have no matters to bring to your attention.
Misstatement due to fraud or error (incorrect posting of investment valuation journals)	We carried out our planned audit procedures to address the risk related to incorrect posting of investment valuation journals. This included a reconciliation between the fund manager reports and the custodian reports to address the risk of manipulation of investment asset valuations. We have completed our audit procedures and have identified an audit difference of £2.7 million that understated the investment asset valuations as reported in the Pension Fund's Financial Statements compared to the value reported by the fund manager. This misstatement was due to more up to date valuations by the fund managers, as noted below, and is not an indication of fraud.

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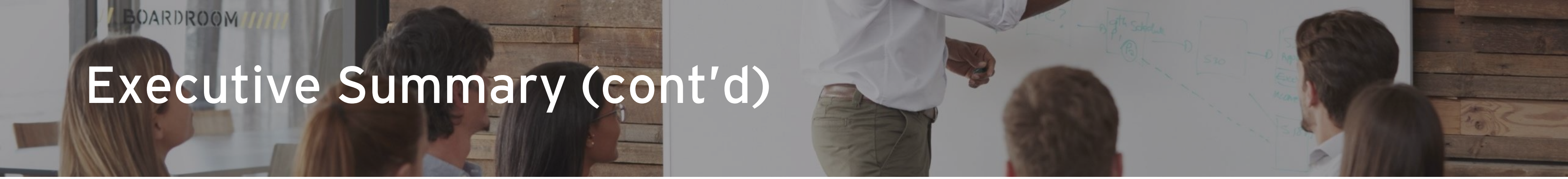
Significant risk	Findings & conclusions
Incorrect valuation of unquoted (Level 3) investments	We undertook additional procedures, as described more fully in Section 02 of this report, to gain assurance over the material accuracy of the year-end valuation of the Pension Fund's Level 3 complex investments, which are inherently more difficult to value. We have completed our work in this area. We identified an understatement of £2.7 million in the valuation of investment assets. This is due to differences in values reported by the fund managers compared to the figures included in the financial statements. This was due to the fund managers having more up to date information on the asset valuations compared to the custodian at the time the Pension Fund prepared its financial statements.
Higher inherent risk	**Findings & conclusions**
IAS26 disclosure – Actuarial present value of promised retirement benefits	We carried out procedures to address this risk as set out in our Provisional Audit Plan. We have completed these procedures and have no matters to bring to your attention.



Executive Summary (cont'd)

Control observations

During the course of the audit we have identified the following control observations which we wish to bring to your attention:

- Weakness in the review controls with regards to disclosure of membership numbers as a result of the processing of the backlog unprocessed records, which led to the incorrect disclosure in the Pension Fund accounts submitted for audit. There remains a backlog in processing new members and therefore we recommend that management undertake a detailed review of the new joiners listing to ensure members are disclosed in the correct category going forward. We would also recommend that management review year-end membership numbers to ensure movements in numbers can be explained relative to the contributions received for the year.

- Our audit of fair value hierarchies of the Pension Fund's assets which are measured at fair value identified a re-classification of investments from level 2 to level 3 of £62.3 million. Although there is an element of judgment in the fair value hierarchies classification, strengthening controls around the identification and documentation of observable and unobservable inputs used in valuations would minimise the risk of such audit findings in the future.

- Weaknesses in the procedures in place for the Pension Fund to obtain declarations of interests from Members of the Pensions Committee and the Audit Committee. Two out of the five required declarations were not initially obtained by management and were also not on the Pension Fund/Council website. Although these were subsequently provided, the failure to obtain such declarations on a timely basis exposes the Pension Fund to the risk that they may not be able to obtain the required declarations retrospectively, for example If a member resigns before the declaration is received. In this situation, management would not have sufficient audit evidence to confirm if the member engaged in related party transactions and alternative audit procedures would need to be performed.

Further detail on control observations is included in Section 06

Independence

Please refer to Section 07 for our update on Independence.

02 Areas of Audit Focus

Areas of Audit Focus

Misstatements due to fraud or error

What is the risk?

There is a risk that the financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

We have considered where this risk specifically manifests itself and this is in the posting of investment valuation journals. This consideration is set out on the next page.

What judgements we focused on?

The risk of management override at Hillingdon Pension Fund is mainly through the possibility that management could override controls and manipulate financial transactions which intend to adjust the Pension Fund's Fund Account or Net Asset Statement.

This could be done through manipulation of manual adjustments, including via manual journals, in the preparation of financial statements or through management bias in accounting estimates.

Our response to the key areas of challenge and professional judgement

- We enquired of management about risks of fraud and the controls put in place to address those risks.
- We gained an understanding of the oversight given by those charged with governance of management's processes over fraud.
- We considered the effectiveness of management's controls designed to address the risk of fraud.
- We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements.
- We reviewed accounting estimates for evidence of management bias.
- We evaluated the business rationale for any significant unusual transactions.
- We utilised our data analytics capabilities to assist with our work, including journal entry testing. We assessed journal entries for evidence of management bias and evaluated for business rationale.

What are our conclusions?

Our procedures to address this risk are complete.

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any evidence of management bias in relation to accounting estimates.

Our journal testing did not identify any journal entries without a valid business purpose.

We did not identify any other transactions during our audit which appeared unusual or outside Hillingdon's Pension Fund's normal course of business.

Areas of Audit Focus

Misstatements due to fraud or error: Incorrect posting of investment valuation journals

What is the risk?

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

We have considered the key areas where management has the opportunity and incentive to specifically override controls that could affect the Pension Fund's Financial Statements. We have identified the main risk to be the incorrect posting investment valuation journals.

What are the key judgement?

The posting of incorrect investment valuation journals at year end to the Pension Fund's general ledger would impact the performance and funding level of the Pension Fund's investment assets as reported in the Net Asset Statement.

Our response to the key areas of challenge and professional judgement

- We performed a reconciliation to test the agreement of the Pension Fund's investment asset holdings as at 31 March 2023, including asset values, to source reports from the Pension Fund's custodian and individual fund managers.
- We tested any significant reconciling amounts between the investment asset valuations as reported in the Pension Fund's Net Asset Statement compared to the custodian's investment report as of 31 March 2023.

What are our conclusions?

We have completed our procedures in relation to investment valuation journals.

We have not identified any indication of management override in relation to investment journals

Refer to Section 04 for more detail on audit differences.

Areas of Audit Focus

Valuation of complex investments (including level 3 investments)

What is the risk?

The Fund's investments include unquoted investment vehicles such as private equity and pooled property funds. We have identified the valuation of these investments, which are classified as complex investments, as an area of specific risk.

Judgements are taken by the Fund Managers to value those investments whose prices are not publicly available. The material nature of the investments means that any error in judgement could result in a material valuation error. Market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could have a material impact on the financial statements. These investment types made up 15% of the fund's total net assets as per the 2022/23 draft account. As these investments are more difficult to value, we have assessed the valuation of these investments as a significant risk, as even a small movement in the assumptions could have a material impact on the financial statements

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What judgements are we focused on?

Level 3 investment asset valuations, including the net asset values of each of the individual underlying investments funds. We also considered the potential changes in values where the date of valuation information where is not coterminous with the Pension Fund's year end date of 31 March 2023.

Our response to the key areas of challenge and professional judgement

For a sample of Level 3 investments we:

- Reviewed the basis of valuation for property investments and other unquoted investments and assessed the appropriateness of the valuation methods used;
- Where available, reviewed the latest audited accounts for the relevant fund managers and ensured there are no matters arising that highlight material differences in the reported funds valuation within the financial statements;
- If the latest audited accounts are issued at a different date compared to the reporting date of the Pension Fund, we performed a roll forward procedures to support the valuation of the investments as of 31 March 2023. These included benchmark indexation for similar assets and analysis of cash movements in the gap period as well as gaining an understanding of what the Pension Fund has done to assess how the valuations are still materially correct as at 31 March 2023
- Performed analytical procedures and checked the valuation output for reasonableness against our own expectations;
- Obtained and reviewed internal control reports for fund managers to identify any internal control issues which could impact on valuations and assessed whether these would have an impact on the valuations provided by the fund managers;
- Reviewed investment valuation disclosures to verify that significant judgements supporting the valuation of level 3 investments have been disclosed in the Pension Fund's financial statements.

What are our conclusions?

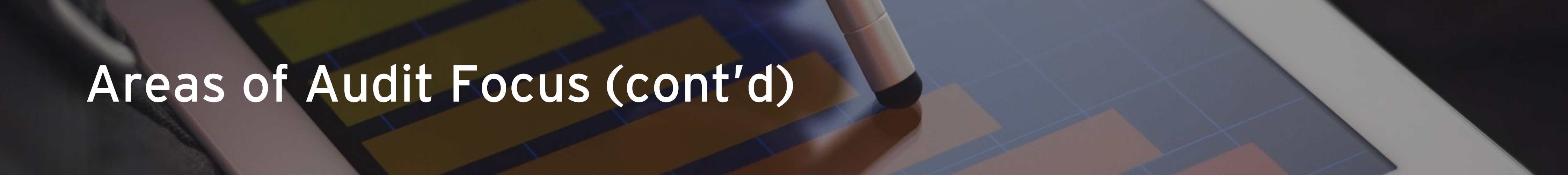
We have completed our audit procedures related to this risk.

We identified audit differences in the valuation of Level 3 investment assets. In total, these audit differences understate the Pension Fund's investment asset value by £2.7 million. These differences were identified based on more up to date valuation reports from the investment fund managers that were not available to the Pension Fund at the time of preparation the draft financial statements.

In addition, we identified a reclassification misstatement between Level 2 and Level 3 investment of £64,3 million.

We were satisfied that the Pension Fund's disclosures of significant judgements surrounding the valuation of Level 3 investments were appropriate

Refer to Section 04 for more detail on audit differences.



Areas of Audit Focus (cont'd)

IAS 26 disclosure – Actuarial present value of promised retirement benefits

What is the risk/area of focus

The Fund's IAS 26 calculation shows that the present value of promised retirement benefits amount to £1,457 million as at 31 March 2023 (£1,965 million as at 31 March 2022).

The figure is subject to complex estimation techniques and judgements by the Actuary, Hymans Robertson. The estimate is based on a roll-forward of data from the previous triennial valuation in 2022, updated where necessary, and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation and investment yields when calculating the liability.

There is a risk that the valuation uses inappropriate assumptions to value the liability as at the 31 March 2023.

What did we do?

We have:

- Evaluated whether the IAS26 disclosure is in line with the relevant standards and consistent with the valuation provided by the Actuary.
- Engaged EY Pensions to review the roll forward procedures associated with the IAS 19 reports for the London Borough of Hillingdon which makes up 84% of the total pension fund asset and supports the our IAS 26 disclosures work.
- Evaluated and placed reliance on EY Pension's and PwC's review of the underlying pension IAS19 assumptions used by the actuary, which also support the IAS26 figures.
- Assessed the competence of management experts, Hymans Robertson as the Pension Fund's actuary.
- Performed audit procedures to assess the accuracy of membership numbers provided to the actuary and included in the 31 March 2022 Triennial Report

We have not identified any issues from these procedures.

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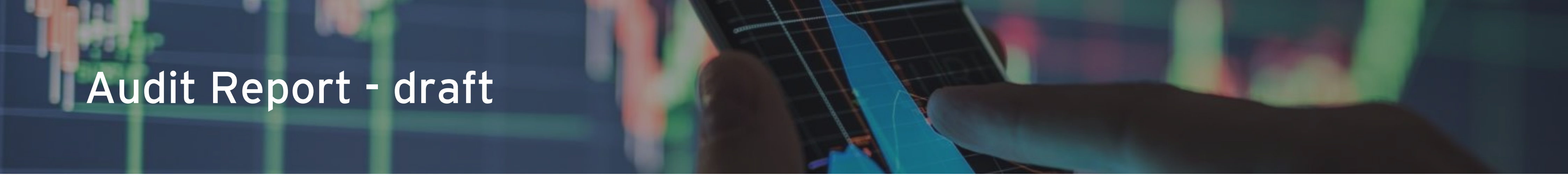
03 Audit Report



Audit Report - draft

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF HILLINGDON ON THE PENSION FUND'S FINANCIAL STATEMENTS - DRAFT

Opinion

We have audited the Pension Fund ("the Fund") financial statements for the year ended 31 March 2023 under the Local Audit and Accountability Act 2014 (as amended). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 24.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2023 and the amount and disposition at that date of its assets and liabilities; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Council as administering authority for the Pension Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Corporate Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern to [insert date - at least 12 months from the date of the audit report].

Our responsibilities and the responsibilities of the Corporate Director of Finance with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

Other information

The other information comprises the information included in the Statement of Accounts 2022/23, other than the financial statements and our auditor's report thereon. The Corporate Director of Finance is responsible for the other information contained within the Statement of Accounts 2022/23.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Audit Report (cont'd)

Please note our opinion could be affected by items still pending as noted in section 1

Our opinion on the financial statements

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Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended);
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended); or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended).

We have nothing to report in these respects

Responsibility of the Corporate Director of Finance

As explained more fully in the Statement of Corporate Director of Finance's Responsibilities set out on page 50, the Corporate Director of Finance is responsible for the preparation of the Council's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, and for being satisfied that they give a true and fair view.

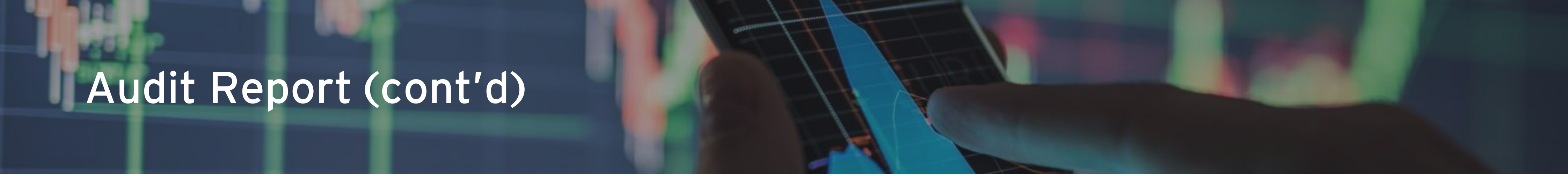
The Corporate Director of Finance is also responsible for such internal control as the Corporate Director of Finance determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporate Director of Finance is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Administering Authority either intends to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with Corporate Director of Finance .



Audit Report (cont'd)

Please note our opinion could be affected by items still pending as noted in section 1

Our opinion on the financial statements

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant are the Local Government Pension Scheme Regulations 2013 (as amended), and The Public Service Pensions Act 2013.
- We understood how the Fund is complying with those frameworks by making enquires of the management. We corroborated this through our reading of the Pension Board minutes, through enquiry of employees, and through the inspection of other information.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of the management for their awareness of any non-compliance of laws or regulations, inspecting correspondence with the Pensions Regulator and review of minutes.
- We assessed the susceptibility of the Fund's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements and documenting the controls that the Fund has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk.
- In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- To address our fraud risk we tested the consistency of the investment asset valuations from the independent sources of the custodian and the fund managers to the financial statements.
- The Fund is required to comply with The Local Government Pensions Scheme regulations, other legislation relevant to the governance and administration of the Local Government Pension Scheme and requirements imposed by the Pension Regulator in relation to the Local Government Pension Scheme. As such, we have considered the experience expertise of the engagement team including the use of specialists where appropriate, to ensure that the team had an appropriate understanding of the relevant pensions regulations to assess the control environment and consider compliance of the Fund with these regulations as part of our audit procedures.

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A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of London Borough of Hillingdon, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the London Borough of Hillingdon and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Debbie Hanson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Luton
Date

04 Audit Differences

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Audit Differences (cont'd)

Summary of audit differences

We have detailed in this section the identified audit differences which has been adjusted by management

Identified audit differences 31 March 2023 (£'000)	Effect on the current period:		Net assets (Decrease)/Increase			
	OCI Debit/(Credit)	Fund Account Debit/(Credit)	Assets current Debit/ (Credit)	Assets non-current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non-current Debit/ (Credit)
Errors						
Known differences:						
► **Investment assets:** Understatement of level 3 investment valuation due to timing difference compared to investment fund manager reports		(2,684)		2,684		
► **Investment income:** Recognition of investment income incorrectly accounted for as a profit on loss on disposal of investment		4,285				
► **Profit and losses on disposal of investments and changes in market value of investments** as noted above		(4,285)				
Overall financial statement impact:		(2,684)		2,684		
Disclosure misstatements						
Note 14: Fair value investment disclosures; Misclassification of £0.985 million relating to level 2 assets (Nuveen Retail Warehouse Fund) which should be classified as level 3. Misclassification of £63.290 million relating to level 2 assets (AEW UK Core Property Fund Plus) which should be classified as level 3.						
Note 14: Realised loss of £4.333 million relating to private equity was incorrectly accounted for as an unrealised loss						
Membership disclosure						

05 Other Reporting Issues

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Other Reporting Issues

Consistency of other information published with the financial statements

We must give an opinion on whether other information published in the Pension Fund Annual Report together with the audited financial statements is consistent with the financial statements We have no inconsistencies to draw to your attention.

In addition, we also perform procedures to ensure the consistency of the Pension Fund accounts with the version presented in the full Annual Statement of Accounts of the London Borough of Hillingdon. We have no inconsistencies to draw to your attention.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014.

We had no reason to exercise these duties in relation to Hillingdon Pension Fund.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must inform you of significant findings from the audit and other matters if they are significant to your oversight of the Fund's financial reporting process.

We have undertaken additional testing this year to provide assurance on the Pension Fund membership data that was submitted to the actuary for the 31 March 2022 triennial valuation of the Pension Fund. In total, we sample tested 25 member records, checking information back to source evidence to verify the data points contained in the Pension Fund's membership system were accurate.

Based on the testing performed we are satisfied that:

- The control environment and quality of membership data is satisfactory based on the testing we performed.
- We have only identified one actual data point error out of 25 items tested as part of work (where we could not confirm the date of birth to external evidence)
- Where complete evidence could not be provided, we are satisfied that further compensatory checks have been undertaken by the actuary and it would not be reasonable to conclude that the data point could not be supported.

We are only required to conduct procedures on the triennial membership submission once every three years. Therefore, there is an additional fee this year for completion of these procedures. This is set out in Section 07 of this report.

Other Reporting Issues

Other matters (Continued)

There have been delays in the completion of the audit this year due to issues with the reconciliation of membership numbers, mainly related to the processes related to the clearing of the historical backlog. This impacted the audit of membership contributions, as the difference between our expectation and the amount recorded in the Pension Fund accounts exceeded our allowable threshold. We performed additional testing on the unprocessed leavers which resulted in the reclassification of members from active to deferred. Management have correctly updated the disclosure for membership numbers. There will be an additional audit fee associated with the additional time it has taken the audit team to progress the audit as the result of these issues. This additional audit fee is set out in Section 07 of this report.

Except for our observations on the control environment, as set out in Section 06 of this report, we have no other matters to report.

Other Reporting Issues

ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material Misstatement

ISA 315 revised is effective from financial year 2022/23 onwards and is the critical standard which drives the auditor's approach to the following areas:

- Risk assessment
- Understanding the entity's internal control
- Significant risks
- Approach to addressing significant risk (in combination with ISA 330)

The International Auditing & Assurance Standards Board (IAASB) concluded that whilst the existing version of the standard was fundamentally sound, feedback determined that it was not always clear, leading to a possibility that risk identification was not consistent. The aims of the revised standard is to:

- Drive consistent and effective identification and assessment of risks of material misstatement
- Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities ('scalability')
- Modernise ISA 315 to meet evolving business needs, including:
    - how auditors use automated tools and techniques, including data analytics to perform risk assessment audit procedures; and
    - how auditors understand the entity's use of information technology relevant to financial reporting.
- Focus auditors on exercising professional scepticism throughout the risk identification and assessment process.

We set out the findings and conclusions from our work to implement ISA 315 in the table below.

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Audit Procedures	Audit findings and conclusions
We obtained an understanding of the IT processes related to the IT applications of the Fund. The Fund has two relevant IT applications for the purposes of ISA 315 risk assessment. We performed procedures to determine if there are typical controls missing or control deficiencies identified and evaluated the consequences for our audit strategy. When we have identified controls relevant to the audit that are application controls or IT-dependent manual controls, where we do not gain assurance substantively, we performed additional procedures to assess: • Manage entity-programmed changes IT process • Manage vendor supplied changes • Manage security settings • Manage user access • Job scheduling and managing IT process.	Our work in this area is complete. Based on the procedures performed, no significant issues were identified in our review of the various processes, including the design and implementation effectiveness of relevant controls around the financial statement close process. We have not tested the operation of any controls through this review.

06 Assessment of Control Environment

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Assessment of Control Environment

Financial controls

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control.

During the course of the audit we have identified three areas of weakness in relation to the Pension Fund's control environment. We have summarised these weakness and associated recommendations (along with the risk rating) below:

1) Weakness in the review controls with regards to the disclosure of membership numbers in relation to the capturing of information related to the backlog of unprocessed records. (Moderate). *Recommendations*

- Management should review the membership numbers provided by the administrator for reasonableness in comparison to prior year.
- Management should ensure the correct categorisation of members captured in the current year relating to the backlog of unprocessed records.
- As part of management's quality review process for the preparation of the financial statements, management should review the relationship between the movement in membership numbers and contributions and have supporting working papers explaining where there are disparities.

2) Weakness in the identification and documentation of observable and unobservable inputs used in valuations of level 2 and Level 3 investments. This was also reported in the prior year. (Moderate) *Recommendations*

- Management should strengthen controls around the identification and of observable and unobservable inputs used in valuations. This would minimise the risk of such audit findings in the future.

3) Weaknesses in the procedures in place for the Pension Fund to obtain declarations of interests from Members of the Pensions Committee and the Audit Committee. (Low) *Recommendations*

- Management should review the processes it has in place to obtain declarations of interest from members.

The table below provides an overview of the 'high' 'moderate' and 'low' rated observations we have from the 2022/23 audit.

	High	Moderate	Low	Total
Open at beginning of 2022/23	0	1	0	1
New points raised in 2022/23	0	1	1	2
Total open recommendations	0	2	1	3

Key:

- A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6-12 months.
- Matters and/or issues are considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should be taken within six months.
- Matters and/or issues are considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within three months.

07 Independence

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Independence, Relationships, services, related threats and safeguards

Confirmation

We are not aware of any inconsistencies between Ernst & Young (EY)'s policy for the supply of non-audit services and FRC Ethical Standard. We are not aware of any apparent breach of that policy.

We confirm that, in our professional judgment, EY is independent, our integrity and objectivity is not compromised, and we have complied with the FRC Ethical Standard.

We confirm that your engagement team (partners, senior managers, managers and all others involved with the audit) and others within the firm, the firm and network firms have complied with relevant ethical requirements regarding independence.

Relationships

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Fund, and its members and senior management and its affiliates, including all services provided by us and our network to the Fund, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2022 to the date of this report which we consider may reasonably be thought to bear on our independence and objectivity.

EY Transparency Report 2024

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 28 June 2024: and can be found here: EY UK 2024 Transparency Report.

Independence, Relationships, services, related threats and safeguards

Services provided by Ernst & Young

There are no services provided by EY from 1 April 2022 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

The table includes a summary of the fees due to EY in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided, and the related threats and safeguards are included below.

We highlight in the table below the most significant services that may be reasonably considered to bear upon our integrity, objectivity and independence.

	Current Year 2022/23	Current Year 2022/23	Prior Year 2021/22
	Proposed fee £	Planned fee £	Proposed fee £
Scale Fee – Code work	24,954	24,954	16,170
Additional fees for changes in work required to address professional and regulatory requirements and scope associated with risk and specific in year risks – Note 1	30,000 to 40,000	8,784	29,322
Additional fee for the provision of IAS19 assurance letters (2021/22) - Note 2	NA	N/A	6,000
Additional fee with respect to testing of triennial membership data submissions – Note 3	8,700	5,500	0
Total fees	**63,654 to £73,654**	**39,238**	**51,492**

Independence, Relationships, services, related threats and safeguards

Note 1 – We do not believe that the current scale fee reflects the changes in the audit market and increases in regulation since the most recent PSAA tender exercise. For 2021/22 and 2022/23, we have therefore proposed increases to the scale fee to take into account a number of risk factors including: Procedures performed to address the risk profile of the Pension Fund; Additional work to address increase in Regulatory Standards; Client readiness and IT support for data analytics.

For 2022/23 PSAA have increased the base scale fee, but in our view, this still does not fully cover the additional work required and we will therefore be submitting a further proposed increase for 2022/23 for determination by PSAA. The fee variation (excluding the fee for IAS19 assurances) for 2021/22 has been determined by PSAA as £29,322. For reference, the scale fee for the 2023/24 Hillingdon Pension Fund audit, as set by PSAA under the new local government sector audit contract, is £81,688.

The proposed additional fee range for 2022/23, includes additional procedures in relation to the following areas:

- additional testing of level 3 investment valuations,
- review by EY Pensions team to support procedures performed on the IAS 26 (actuarial present value of promised retirement benefits) disclosure
- Additional work by EY Pensions on the roll forward estimate of the net pension liability for 2022/23. We leverage this work, which is normally undertaken as part of the Council audit, to gain assurance over the IAS 26 processes and resulting disclosures.
- Going concern assessment and disclosures,
- Work to meet the requirements of the revised auditing standard ISA 540 (going concern) and ISA 240 (fraud assessment)
- Additional work to meet the requirements of ISA 315 (audit risk assessment, including IT risks). We have to perform additional risk assessment procedures to understand the Pension Fund's use of IT applications and controls. The estimated fee for this work is between £4,000 and £6,000
- Inefficiencies in the execution of the audit due to incorrect membership numbers,
- Additional audit procedures on investment disclosures as the result of identified audit differences

As the 2022/23 audit is in not yet fully concluded, we are not yet able to confirm the final fee for the specific additional procedures and identified risk areas as noted above. Our estimated additional fee with respect to the above areas is between £30,000 and £40,000. The final audit fee will be submitted to management and determined by PSAA.

Note 2 – We planned to charge an additional fee of to take into account the work required to respond to IAS19 assurance requests from admitted body auditors for 2021/22. As the audit of the London Borough of Hillingdon for 2022/23 is not being undertaken, we have not been asked to provide similar assurances for 2022/23.

Note 3 - We will charge an additional fee of £8,700 with respect to detailed testing of the triennial membership submission to the actuary. We perform this testing on a triennial basis based on when the actuary conducts a full valuation of the Pension Fund. This work supports the assurance we need to obtain in relation to the IAS26 disclosures in the pension fund accounts, as well as any IAS19 assurance letters. The fee for this will be finalised now the work is complete. We expect the final fee to be higher than planned due to additional work we have had to undertake in this area. Fees for the membership testing are not subject to determination by PSAA.

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08 Appendices

Appendix A - Required communications with the Audit Committee

Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK entities. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report 7 November 2023
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit planning report 7 November 2023
Significant findings from the audit	‣ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ‣ Significant difficulties, if any, encountered during the audit ‣ Significant matters, if any, arising from the audit that were discussed with management ‣ Written representations that we are seeking ‣ Expected modifications to the audit report ‣ Other matters if any, significant to the oversight of the financial reporting process	Audit planning report 7 November 2023

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Appendix A - Required communications with the Audit Committee (cont'd)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty related to going concern ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The appropriateness of related disclosures in the financial statements	Provisional Audit results report – 19 April 2024 Final Audit Results Report – November 2024
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Material misstatements corrected by management	Provisional Audit results report – 19 April 2024 Final Audit Results Report – 12 November 2024

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Appendix A - Required communications with the Audit Committee (cont'd)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Fraud	▸ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▸ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▸ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▸ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud ▸ Any other matters related to fraud, relevant to Audit Committee responsibility.	Provisional Audit results report – 19 April 2024 Final Audit Results Report – 12 November 2024
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures ▸ Non-compliance with laws and regulations ▸ Difficulty in identifying the party that ultimately controls the entity	Provisional Audit results report – 19 April 2024 Final Audit Results Report – 12 November 2024

Appendix A - Required communications with the Audit Committee (cont'd)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place. For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019: ▶ Relationships between EY, the company and senior management, its affiliates and its connected parties ▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence ▶ Related safeguards ▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ▶ Details of any inconsistencies between the Ethical Standard and Fund's policy for the provision of non-audit services, and any apparent breach of that policy ▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence	Audit planning report 7 November 2023 and Provisional Audit results report - 19 April 2024 Final Audit Results Report - 12 November 2024
External confirmations	▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures.	We have received all requested confirmations

Appendix A - Required communications with the Audit Committee (cont'd)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Consideration of laws and regulations	▸ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▸ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations
Significant deficiencies in internal controls identified during the audit	▸ Significant deficiencies in internal controls identified during the audit.	Provisional Audit results report – 19 April 2024 Final Audit Results Report – 12 November 2024
Written representations we are requesting from management and/or those charged with governance	▸ Written representations we are requesting from management and/or those charged with governance	Provisional Audit results report – 19 April 2024 Final Audit Results Report – 12 November 2024
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	▸ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Provisional Audit results report – 19 April 2024 Final Audit Results Report – 12 November 2024
Auditors report	▸ Key audit matters that we will include in our auditor's report ▸ Any circumstances identified that affect the form and content of our auditor's report	Provisional Audit results report – 19 April 2024 Final Audit Results Report – 12 November 2024

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Appendix B – Management representation letter

Management representation letter

The management representation letter as shown below is draft and may be subject to change

Management Rep Letter

Debbie Hanson
Ernst & Young
400 Capability Green
Luton
LU1 3LU

This letter of representations is provided in connection with your audit of the financial statements of Hillingdon Pension Fund ("the Fund") for the year ended 31 March 2023. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Fund during the period from 1 April 2022 to 31 March 2023, and of the amount and disposition at that date of its assets and liabilities as at 31 March 2023, other than liabilities to pay pensions and benefits after the end of the year, in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

We understand that the purpose of your audit of the Fund's financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK) , which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and for keeping records in respect of contributions received in respect of active members of the Fund.

2. We confirm that the Fund is a Registered Pension Fund. We are not aware of any reason why the tax status of the Fund should change.

3. We acknowledge, as members of management of the Fund, our responsibility for the fair presentation of the financial statements and the Summary of Contributions. We believe the financial statements referred to above give a true and fair view of the financial transactions and the financial position of the Fund in accordance with the applicable law and CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, and are free of material misstatements, including omissions. We have approved the-financial statements.

4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

5. As members of management of the Fund we believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with applicable law and CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that are

Management representation letter

Management Rep Letter

free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic and the effects of the conflict and related sanctions in Ukraine, Russia and/or Belarus on our system of internal controls.

6. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Non-compliance with laws and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Fund's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

4. We have not made any reports to the Pensions Regulator, nor are we aware of any such reports having been made by any of our advisors.

5. There have been no other communications with the Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of noncompliance with any legal duty.

6. We confirm that we are not aware of any breaches of the Payment Schedule/Schedule of Contributions or any other matters that have arisen which we considered reporting to the Pensions Regulator.

7. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Fund (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
   - Involving financial improprieties
   - Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Fund's financial statements
   - Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Fund's business, its ability to continue in business, or to avoid material penalties
   - Involving management, or employees who have significant roles in internal control, or others
   - In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

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C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters.
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. You have been informed of all changes to the Fund rules.

3. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic and including those related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.

4. We have made available to you all minutes of the meetings of members of the management of the Fund and committees of members of the management of the Fund (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date: *[list date]*

5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Fund's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.

6. We confirm the completeness of information provided regarding annuities held in the name of the members of management of the Fund.

7. We have disclosed to you, and the Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

8. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.

9. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

Appendix B – Management representation letter

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10. From 27 September 2023 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 23 to the financial statements all guarantees that we have given to third parties.

E. Going Concern

1. Note 19 to the financial statements discloses all the matters of which we are aware that are relevant to the Fund's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans. We do not intend to wind up the Fund. We are satisfied that the use of the going concern basis of accounting is appropriate in the preparation and presentation of the financial statements.

F. Subsequent Events

1. There have been no events, including events related to the COVID-19 pandemic, and including events related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the statement of accounts 22/23, other than the financial statements, the auditor's report and the statement about contributions.

2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Independence

1. As members of management of the Fund, we are not aware of any matters which would render Ernst & Young LLP ineligible to act as auditor to the Fund.

Appendix B – Management representation letter

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I. Derivative Financial Instruments

1. We confirm that the Fund has made no direct investment in derivative financial instruments.

J. Pooling investments, including the use of collective investment vehicles and shared services

1. We confirm that all investments in pooling arrangements, including the use of collective investment vehicles and shared services, meet the criteria set out in the November 2015 investment reform and criteria guidance and that the requirements of the LGPS (Management and Investment of Funds) Regulations 2016 in respect of these investments has been followed.

K. Actuarial valuation

The latest report of the actuary Hyman Robertson as at 31 March 2023 and dated 15 September 2023 has been provided to you. To the best of our knowledge and belief we confirm that the information supplied by us to the actuary was true and that no significant information was omitted which may have a bearing on his report.

L. Estimates

Level 3 Investment Asset Valuation Estimate and Actuarial Present Value of Promised Retirement Benefits Estimate

1. We confirm that the significant judgments made in making the level 3 investment asset valuation estimate and actuarial present value of promised retirement benefits estimate have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the level 3 investment asset valuation estimate and actuarial present value of promised retirement benefits estimate.
3. We confirm that the significant assumptions used in making the level 3 investment asset valuation estimate and actuarial present value of promised retirement benefits estimate appropriately reflect our intent and ability to continue to maintain the pension fund investments for the purpose of management of the fund and payment of future benefits on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s), including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 22/23.
5. We confirm that appropriate specialized skills or expertise has been applied in making the level 3 investment asset valuation estimate and actuarial present value of promised retirement benefits estimate.
6. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements, including due to the COVID-19 pandemic.

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Management representation letter

Management Rep Letter

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M. Use of the Work of a Specialist

1. We agree with the findings of the specialist, Hymans Robertson as the Pension Fund's actuary, that we have engaged to value fund assets and liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

N. Climate-Related Matters

1. Whilst recognising that the Climate Change Governance and Reporting Regulations do not cover the Local Government Pension Scheme, we confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered in the financial statements.

2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of United Kingdom Generally Accepted Accounting Practice aligned with the statements we have made in the other information or other public communications made by us.

Yours faithfully,

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S151 Officer & Audit Committee Chair

Date

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