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Audit Committee

Date: **WEDNESDAY 29 SEPTEMBER 2021**

Time: **5.10 PM**

Venue: **COMMITTEE ROOM 5 - CIVIC CENTRE, HIGH STREET, UXBRIDGE**

Meeting Details: Members of the Public and Media are welcome to attend this meeting

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Members of the Committee

John Chesshire (Chairman)
Councillor Duncan Flynn (Vice-Chairman)
Councillor Tony Eginton (Opposition Lead)
Councillor Raymond Graham
Councillor John Morgan

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Putting our residents first

Lloyd White
Head of Democratic Services
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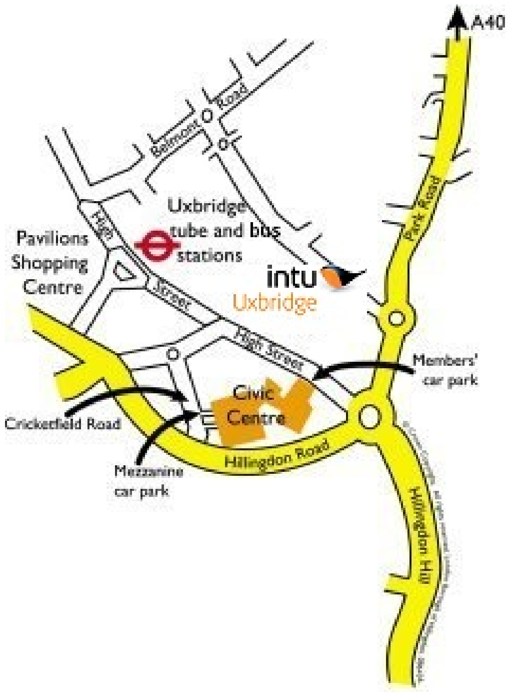

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Terms of Reference

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.

Agenda

PART I

Minutes

AUDIT COMMITTEE

29 July 2021

Meeting held at Committee Room 5 - Civic Centre, High Street, Uxbridge

	Committee Members Present: John Chesshire (Chairman) Councillors Tony Eginton (Opposition Lead), Raymond Graham and John Morgan **LBH Officers Present**: Sarah Hydrie, Head of Internal Audit & Risk Assurance James Lake, Head of Finance – Statutory Accounting & Pension Fund Muir Laurie, Deputy Director of Exchequer Services & Business Assurance Stephanie Rao, Internal Audit Manager Alex Brown, Head of Counter Fraud Nick Cutbill, Principal Internal Auditor Kevin Westbrook, Interim Counter Fraud Manager Anisha Teji, Democratic Services Officer
124.	**APOLOGIES FOR ABSENCE** *(Agenda Item 1)* Apologies were received from Councillor Duncan Flynn.
125.	**ELECTION OF VICE - CHAIRMAN** *(Agenda Item 2)* **RESOLVED: That Councillor Duncan Flynn be elected as Vice–Chairman of the Audit Committee for the municipal year 2021/22.**
126.	**DECLARATIONS OF INTEREST** *(Agenda Item 3)* None.
127.	**TO CONFIRM THAT ALL ITEMS MARKED PART I WILL BE CONSIDERED IN PUBLIC AND THAT ANY ITEMS MARKED PART II WILL BE CONSIDERED IN PRIVATE** *(Agenda Item 4)* It was confirmed that agenda items 1-13 were marked as part I and would be considered in public, while agenda item 14 was marked part II and would therefore be considered in private.
128.	**MINUTES OF THE MEETING HELD ON 20 APRIL 2021** *(Agenda Item 5)* **That the minutes of the meeting held on 20 April 2021 be approved as a correct record.**
129.	**EXTERNAL AUDIT UPDATE** *(Agenda Item 6)* The Committee was provided with an external audit update, setting out details for Public Sector Audit Appointments (PSAA), Ernst & Young LLP (EY) partner update and the Value for Money (VFM) audit process. The Head of Finance – Statutory Accounting

	& Pension Fund and EY took the Committee through the report and provided a summary of the key issues. The Committee noted the Council's intention to opt into the PSAA procurement service. The Committee was advised that this was the best route for ease of access, quality appraisal, oversight, value for money and procurement efficiency. A formal request would be made by the PSAA in September with subsequent Council approval being sought ahead notifying the PSAA in January 2022. It was explained that opting into the PSAA's national scheme put the Council in a better position and most London Boroughs were joining the scheme. The PSAA had its own process for ensuring that declarations of interest were identified and recorded. Members were advised that Council approval was required rather than Audit Committee, but the Committee had the opportunity to provide their views. The Committee was informed that Suresh Patel, from EY would be leaving in August 2021 and Helen Thompson had been assigned as Associate Partner for Hillingdon and lead on the 20/21 audit. The draft accounts had been handed to EY on 1 July 2021, a month ahead of schedule and this was a great achievement for the team. The audit itself was progressing with no issues at this stage. The VFM was now with EY for review. EY confirmed that they were happy with the level of information provided and progress was being made. It was confirmed that Hillingdon First Ltd would form a separate disclosure within the Council's accounts, however due to it being non-material, no group accounts were due to be produced for 20/21. Following the last meeting, it was queried whether auditors would be examining a council tax discount given to elderly residents of the Borough. EY confirmed that they had not yet seen the values. It was confirmed that the council tax fell under the Business Assurance service and appropriate assessments had been undertaken. In addition the value in question also fell below EY's audit materiality level. **RESOLVED:** **That the Committee:** 1. **Noted the rationale, timeline and intention to opt into the Public Sector Audit Appointments procurement scheme.** 2. **Noted appointment of the new EY audit lead.** 3. **Noted Value for Money update.** 4. **Noted verbal update on audit progress.**
130.	**2020/21 REVIEW OF THE EFFECTIVENESS OF THE AUDIT COMMITTEE** *(Agenda Item 7)* The Committee received a report on the Review of the Effectiveness of the Audit Committee 2020/21. The review had been given a reasonable assurance, with seven low risk recommendations for best practice and one notable practice observation identified. Results of Audit Committee bench marking exercises were also highlighted to the

	Committee noting that the London Borough of Hillingdon's Audit Committee was one of four out of seven Audit Committees that had co-opted Members. It was also noted that more questions were asked at two other Audit Committee in other councils in comparison to Hillingdon. It was reported that out of 12 councils reviewed, 11 councils published their corporate risk registers as public documents. Members welcomed moving to the corporate risk register to part I and applying redactions where necessary. It was agreed that this would provide transparency. The Committee endorsed the CIPFA best practice guidance that audit committees must be in a position to challenge Directors and the Cabinet and draw attention to any governance weaknesses. It was discussed whether the Audit Committee membership could be increased given that many other audit committees had five elected Members. Bitesize training sessions were provided for all newly elected Members and training sessions from the Member skills matrix had begun for Audit Committee Members and substitutes. The importance of the Audit Committee playing a scrutiny role was discussed and some concern was raised with a chief whip being on the Committee. The Committee discussed the renumeration for the Independent Chairman and noted that this was different in comparison to other Select Committee chairmen. It was considered that renumeration was an important factor in securing a good chair. It was noted that Members were keen to ensure that recommendations were actioned, and it was agreed that officers would investigate this further. **RESOLVED:** **1) That the findings, recommendations and management action proposed in the Effectiveness of the Audit Committee final report be reviewed by the Committee and Democratic Services to discuss their implementation (where practicable).** **2) That the remuneration for the Chairman of the Audit Committee be discussed with the Leader of the Council.**
131.	**ANNUAL REPORT OF THE AUDIT COMMITTEE 2020/21** *(Agenda Item 8)* The Committee received a report detailing the information proposed to be presented to Council as the Audit Committee's Annual Report for 2020/21. Members were satisfied that the Audit Committee had discharged its duties under its Terms of Reference. **RESOLVED: That the Audit Committee noted the report and information provided.**
132.	**ANNUAL INTERNAL AUDIT REPORT & OPINION STATEMENT 2020/21** *(Agenda Item 9)* The Committee considered the Annual Internal Audit Report and Opinion Statement 2020/21, which highlighted matters arising from the work of Internal Audit during 2020/21.

	It was reported that, 2021 had been an unprecedented year with the global Coronavirus pandemic. Between March and June 2021, many staff members had been involved with the Council's Food Delivery Services (FDS). The team returned to work in June 2020 and despite the disruptions to IA work in 2019/20 Quarter 4 and 2020/21 Quarter 1, the 2020/21 IA plan was 98% complete to final report stage by 31 May 2021. 41 pieces of IA work had been delivered as part of the 2020/21 IA plan, and this included 27 assurance reviews, 2 follow up reviews, 4 consultancy reviews and 8 grant claim audits. The Committee discussed the IA assurance reviews where a no assurance opinion had been awarded. The follow up processes were explained including the different actions that had been undertaken to implement recommendations. The concerns in relation to the Dedicated Schools Grant pressure on the Dedicated Schools Budget was also discussed with Members noting that the deficit was increasing. Members thanked officers for the comprehensive report and commended officers for their achievement during the pandemic. **RESOLVED: That the Audit Committee reviewed and noted the Annual IA Report and Opinion Statement 2020/21.**
133.	**INTERNAL AUDIT PROGRESS REPORT FOR 2021/22 QUARTER 1 (INCLUDING THE QUARTER 2 INTERNAL AUDIT PLAN)** *(Agenda Item 10)* Members requested that the 17 pieces of 2020/21 work was summarised for them, which the IA team agreed to do. The Committee was informed thematic reviews in schools received limited assurance opinions in respect of purchasing and payments in schools and governance & financial management in schools. Further it was reported that the implementation of previous IA recommendations had not been actioned. The IA team had begun to review the progress of high and medium risk recommendations (in schools) as part of its IA follow up work. It was noted that 1 assurance audit, ICT Service Desk, was at the planning stage where the draft terms of reference were with management for review and agreement. Members discussed the importance of having a strong IT systems and strong levels of security given the nature of sensitive and confidential information handled. **RESOLVED:** **1) That the Audit Committee noted the IA Progress Report for 2021/22 Quarter 1 and approval be given to the Quarter 2 Internal Audit Plan.** **2) That the Committee noted the coverage, performance and results of Business Assurance Internal Audit activity within this quarter.** **3) That the IA team produce a summary of outstanding 2020/21 work.**
134.	**2020/21 COUNTER FRAUD ANNUAL REPORT** *(Agenda Item 11)* The Committee considered the 2020/21 Counter Fraud Annual Report that provided an overview of all Counter Fraud work carried out in relation to 2020/21 and assurance in this respect. It was reported that the Business Assurance Counter Fraud Team (BACFT) had

	achieved a number of successful outcomes despite unprecedented challenges. This included a delivery of a total of £1.04m in loss prevention savings within Council services. The team had been redeployed to the Food Delivery Services during the pandemic. It was reported that during quarter 3 there had been a major restructure with three new investigation units being established including the Housing Investigations Unit, Revenues Investigations Unit and Special Investigations Unit. Since the restructure, the team had improved financial outcomes across social care and revenues although it was noted that more work still needed to be done to provide coverage of all key fraud risks within these areas. The total value of the services of the Immigration Enforcement Officer savings were in excess of 385k and the majority of these savings were in housing. The team had also continued to deliver a programme of Fraud Awareness through the pandemic although this had been done virtually. The Committee welcomed the clear well written report and congratulated the team on the work undertaken. **RESOLVED: That the Audit Committee noted the Counter Fraud Annual Report for 2020/21.**
135.	**2021/22 QUARTER 1 COUNTER FRAUD PROGRESS REPORT** *(Agenda Item 12)* The Committee received a report detailing the work undertaken by the Business Assurance Counter Fraud Team (BACFT) in relation to 2021/22 Quarter 1 and assurances in this respect. It was noted that compared to previous lockdowns the BACFT had managed to maintain a higher level of operation activity, successfully generating financial savings of £308k. The BACFT had recovered 10 properties due to illegal subletting and non-occupation and made a loss prevention saving of over £57k in the social care areas. It was reported that following the decrease in immigration referrals, the resource for the Immigration Enforcement Officer (IEO) had reduced for quarter one. Nonetheless, as a result of proactive work within social care, the IEO had identified a financial loss prevention saving of over £200k. It was also highlighted that during this quarter an investigator and lead investigator had both achieved their accredited professional certification in investigative practices. It was noted that there were currently two direct payments cases under investigation and there had been discussions with senior officers and fraud awareness training to increase proactiveness in this area. Fraud Awareness Sessions had been delivered to different departments including Social Care, Legal Services and Technical Admin. The Committee discussed the BACFT's social media campaign #FraudAwarenessFriday and noted that there had been a mixed response. The campaign was used to raise awareness of fraud. **RESOLVED: That the Audit Committee noted the Counter Fraud Progress Report for 2021/22 Quarter 1.**

136.	**AUDIT COMMITTEE FORWARD PROGRAMME 2021/22** *(Agenda Item 13)* Consideration was given to the Forward Work Programme for the Committee. The following amendments were agreed: • Internal Audit Strategy would be considered at the November 2021 meeting. • Counter Fraud Strategy 2022-25 would be considered at the February 2022 meeting. • Q4 Counter Fraud Progress Report would be considered at the April 2022 meeting • Counter Fraud Annual 2021/22 Report and the Internal Audit Annual 2021/22 Report would be considered at the July 2022 meeting. • Counter Fraud Annual 2022/23 Plan and Internal Audit Annual 2022/23 Plan would both be considered at the April 2022 meeting. **RESOLVED: That the Audit Committee noted the Forward Work Programme for 2021/22 and amendments.**
137.	**2020/21 QUARTER 4 CORPORATE RISK REGISTER** *(Agenda Item 14)* *This item was discussed as a Part II item without the press or public present as the information under discussion contained confidential or exempt information as defined by law in the Local Government (Access to Information) Act 1985. This was because it discussed 'information relating to the financial or business affairs of any particular person (including the authority holding that information)' (paragraph 3 of the schedule to the Act).* The Corporate Risk Register for Quarter 4 report was presented to Members. The report provided evidence about how identified corporate risks were being managed and the actions which were being taken to mitigate those risks. **RESOLVED: That the Committee reviewed the Corporate Risk Register for Quarter 4 as part of the Committee's role to independently assure the Council's corporate risk management arrangements.**
	The meeting, which commenced at 5.10 pm, closed at 6.56 pm.

These are the minutes of the above meeting. For more information on any of the resolutions please contact Anisha Teji on 01895 277655. Circulation of these minutes is to Councillors, Officers, the Press and Members of the Public.

APPROVAL OF THE 2020/21 STATEMENT OF ACCOUNTS AND DRAFT EXTERNAL AUDIT REPORT FOR THE YEAR ENDED 31 MARCH 2021

Committee name	Audit Committee
Officer reporting	James Lake, Head of Finance - Statutory Accounts & Pension Fund
Papers with report	Draft EY London Borough of Hillingdon Audit Results Report Draft EY Pension Fund Audit Results Report Draft Statement of Accounts 31 March 2021
Ward	All

HEADLINES

The attached two results reports summarise the findings of EY, the External Auditor, on the audit of the 2020/21 Statement of Accounts including the Pension Fund Accounts. The first report summarises the Council's main financial statements and the second the Pension Fund accounts.

At the time of writing it is unlikely the audit will be complete at the 29 September 2021 Committee date as there are several outstanding pieces of audit work, one of which is a national issue relating to IAS19 pension fund estimates.

Currently there are no unadjusted differences and once the audit is complete, it is expected EY will be able to issue an unqualified opinion and that the Statement of Accounts give a 'true and fair' view.

The statement of accounts is inclusive of the Pension Fund accounts; the Pension Fund accounts are audited separately due to the specialist nature. Completion of the Pension Fund Accounts is also unlikely.

Again, currently there are no unadjusted differences and once the audit is complete, it is expected EY will be able to issue an unqualified opinion and that the Statement of Accounts give a 'true and fair' view.

EY is aiming to complete the audit before the end of October 2021.

The report also addresses key audit risks that were identified prior to audit and reported to Audit Committee on 20 April 2021.

RECOMMENDATIONS:

That the Committee:

1. **Note the progress of 2020/21 external annual audit.**

2. **Subject to no material change in the attached draft accounts, delegate authority for the Audit Committee Chair to approve the audited 2020/21 Annual Statement of Accounts.**

SUPPORTING INFORMATION

The arrangements for keeping and publishing the Council's accounts are set out in the Accounts and Audit (England) Regulations 2015. Under these regulations the Corporate Director of Finance is responsible for determining the Council's accounting system, form of accounts and supporting accounting records.

In accordance with the requirements of the Accounts and Audit (England) Regulations 2015 and subsequently the Accounts and Audit (Coronavirus) Amendments Regulations 2021 which extended the requirement for draft accounts to be published by 31 July 2021, the Corporate Director of Finance approved the Statement of Accounts on 30 June 2021 prior to the accounts release to the Council's external auditor, EY.

Once the accounts are audited, the 2021 Coronavirus amended regulations require the Audit Committee consider and approve the audited Statement of Accounts by 30 September 2021 and for these accounts to be signed and dated by the Committee Chairman and Corporate Director of Finance.

If the audit is not complete by the 30 September 2021 the Council is required to instead publish a notice with supported evidence.

Scope of external audit

The Council's auditor, EY, is responsible for undertaking an audit of the Statement of Accounts. The outcome of the audit is set out in the attached reports.

The International Standard on Auditing Report 260 (ISA 260) requires that auditors should communicate to elected members matters of governance that arise from the audit of the financial statements. These include, but are not limited to:

- Significant qualitative aspects of accounting practices including accounting policies and financial reporting
- Any significant difficulties encountered during the audit
- Any significant matters arising from the audit
- Written representations requested by the auditor
- Expected modifications to the audit report
- Consideration of laws and regulations

- Going concern, external confirmations, and related parties
- Any other matters significant to overseeing the financial reporting process

At this stage EY have nothing they need to bring to the attention of the Audit Committee which is not included elsewhere in their reporting.

In addition, the Auditor requires a “Management Representation Letter” to be signed by management. Examples of these letters are set out at Appendix D of both EY audit reports. The letters must include representations from management on matters material to the statements where sufficient appropriate evidence cannot reasonably be expected to exist.

Comment on the contents of the report

Main Accounting Statements

The report gives a comprehensive account of the work undertaken during the audit with a focus on significant risks, as identified at the planning stage and the audit work till to be completed.

EY hope to have completed most outstanding items by the Audit Committee date. EY will discuss their findings in detail and provide an update from the report date.

Pension Fund Statements

The report gives an account of the work undertaken during the audit and includes several auditor mandatory reporting requirements.

Again, there are a number of outstanding audit items which EY hope to have completed by the Audit Committee date and an update will be provided.

Pension Liability Valuation

Accounting for the pension scheme involves significant estimation and judgement. Hillingdon engages the scheme actuary, as an expert, to prepare the calculations on their behalf. Audit standard 500 and 540 requires EY to gain assurance on the use of experts and underlying estimates. A national issue has arisen it terms of gaining this assurance which has created a delay in the audit process. Hillingdon now understand this issue has been partly resolved and EY has been provided with the necessary information to begin their initial work in this area. There are however ongoing discussions with the National Audit Office and the audit firms which may require a change in approach, but currently these are unknown and no timings have been forthcoming.

Annual Governance Statement

The London Borough of Hillingdon is required to prepare an Annual Governance Statement (AGS) to meet its responsibilities for safeguarding public money and managing business functions in accordance with the Accounts and Audit Regulations 2015. The Council also has a duty under the Local Government Act 2003 to conduct a continuous assessment and improvement of business functions and demonstrate Economy, Efficiency and Effectiveness.

The Council has developed a system to evaluate the management of risks, internal controls, and governance arrangements across all services, which form part of the process to compile this document. This process concludes with a formal statement outlining overall performance and any measures needed to address identified governance weaknesses as part of the Statement of Accounts. The AGS has been signed and agreed by the Leader of the Council and the Chief Executive; approval of the Statement of Accounts includes adoption of the AGS.

Value for Money

Under the Code of Audit Practice 2020 EY are still required to consider whether the Council has put in place ‘proper arrangements’ to secure economy, efficiency and effectiveness on its use of resources. The 2020 Code requires the auditor to design their work to provide sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria on the arrangements the Council has in place to secure value for money for the relevant period.

EY has not identified any significant risks regarding the Council’s ‘proper arrangements’ to secure economy, efficiency and effectiveness in its use of resources.

In line with guidance, EY plan to issue the VFM commentary by December 2021 as part of issuing the Auditor’s Annual Report.

Whole Government Accounts (WGA)

Alongside the audit of the accounts EY is also required to review the Whole Government Accounts submission. To enable the WGA submission HM Treasury (HMT) create a Data Collection Tool (DCT). Currently HMT has advised this tool will not be ready until at least December 2021. Until the WGA return has been completed and reviewed, EY will be unable to finalise the annual audit. However, it should be noted this does not impact the audit of the statement of accounts.

Accounts Summary

The Balance Sheet of the Council sets out the assets and liabilities at the end of the financial year which shows a reduction of £155m. This was mainly attributable to an increase in the pension fund liability only being marginally offset by a revaluation rise in property value.

Usable reserves increased by £34m mainly through an increase in earmarked reserves. The positive impact due to the £15m transfer of the negative DSG element in school’s balances was mostly offset by General Fund and Housing Revenue Account in-year deficits and drawdowns from other usable reserves.

The Comprehensive Income and Expenditure Statement shows a deficit of £9.8m on the provision of services. However, £30.3m of this relates to earmarked reserve transfers. Following reversals due to accounting requirements, to represent the statutory cost of the general fund and HRA for Council Tax and rent setting purposes. The ultimate impact to the General Fund was an in-year deficit of £5.7m, whilst the HRA had an in-year deficit of £1.9m.

Post Balance Sheet Events

There are no post balance sheet events since 31 March 2021 to report.

FINANCIAL IMPLICATIONS

Proposed scale fees detailed in the original audit plan for the London Borough of Hillingdon include the PSAA agreed scale fee of £121,096 plus an extra scale fee of £82,728 which is currently being discussed with the PSAA. Further additional variation fees of between £9,000 and £18,000 for specialist areas are also listed. The EY report also notes further potential variation costs for additional work and grant certification.

For the London Borough Pension Fund agreed scale fees are £16,170 with an additional scale fee of £28,290.

These additional scale fees are being considered by the PSAA as part of the national consideration of EY's fee proposals. The Corporate Director of Finance will also consider these fees in line with benchmarking information and in consultation with EY.

An allowance for increased fees has been made within the Council's statement of accounts.

LEGAL IMPLICATIONS

The Secretary of State for Communities and Local Government delegated statutory functions (from the Audit Commission Act 1998) to PSAA on a transitional basis under powers contained in the Local Audit and Accountability Act 2014. In Hillingdon, EY have been appointed by the PSAA to carry out this function. Other legal implications are included in the body of the report.

BACKGROUND PAPERS

See appendices

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London Borough of Hillingdon
Initial audit results report

Year ended 31 March 2021

16 September 2021

EY

Building a better working world

16 September 2021

Dear Audit Committee Members

We are pleased to attach our preliminary audit results report, summarising the status of our audit for the forthcoming meeting of the Audit Committee. We will update the Audit Committee at its meeting scheduled for 29 September 2021 on further progress to that date and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2020/21 financial statements and address current statutory and regulatory requirements. This report contains our indicative findings related to the areas of audit emphasis, our views on London Borough of Hillingdon's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process. We have also included an update on our work on value for money arrangements.

This report is intended solely for the information and use of the Audit Committee, other members of the Council and senior 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 29 September 2021.

Yours faithfully

Helen Thompson

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents

Page 15

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/audit-quality/statement-of-responsibilities/).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 April 2018)" 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 in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of 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 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

Scope update

In our outline audit planning report presented to the 20 April 2021 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following updates.

- **Changes in materiality**

We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment.

	Planning Materiality	Performance Materiality	Audit Differences
	Our planning materiality represents 1.8% of the gross expenditure, consistent year on year.	Performance materiality represents 75% of planning materiality and is the top of our range, consistent year on year.	We will report all uncorrected misstatements relating to the primary statements (net asset statement and fund account) greater than 5% of planning materiality.
Planned	£14.8 million	£11.1 million	£0.7 million
Final	£13.8 million	£10.3 million	£0.7 million

Page 17

- **Key Audit Partner:** starting with August 2021, the new Key Audit Partner is Helen Thompson
- **Areas of audit focus:** at the planning stage we identified a new area of focus around non-domestic rates appeals provision due to Covid-19 uncertainties. Subsequently, new information became available to us which determined us to downgrade the risk and exclude it from the list of areas of focus.
- **Additional EY consultation requirements concerning the impact on auditor reports because of Covid-19:** the continued impact of the Covid-19 pandemic increases the risks to the material accuracy of financial statements and disclosures. To ensure we are providing the right assurances to the Council and its stakeholders the firm has introduced a rigorous risk assessed consultation process for all auditor reports to ensure that they include the appropriate narrative.
- **Changes to reporting timescale:** as a result of COVID-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2021 No 263, have been published and came into force on 31 March 2021. This announced a change to publication date for final, audited accounts from 31 July to 30 September 2021 for all relevant authorities.

Executive Summary

Scope Update

Additional audit procedures as a result of Covid-19

Other changes in the entity and regulatory environment as a result of Covid-19 that have not resulted in an additional risk, but result in the following impacts on our audit strategy were as follows:

Information Produced by the Entity (IPE): We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Council's systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- Agreed IPE to scanned documents or other system screenshots.

Status of the audit

Our audit work in respect of the Council's opinion is in progress. The following items relating to the completion of our audit procedures were outstanding at the date of this report:

- completion of testing and review of a number of accounts, including property valuations
- completion of necessary assurance procedures for the valuation of defined benefit pension liability disclosed in the statement of accounts
- finalisation of execution general audit procedures
- going concern assessment review and disclosures
- agreement of all final amendments to the financial statements
- completion of internal review processes

The following are also outstanding or are to be completed as part of the conclusion of the audit:

- completion of our audit conclusion procedures
- review of the final version of the financial statements
- completion of subsequent events review
- receipt of the signed management representation letter
- completion of procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Narrative Report and Accounts which could influence our final audit opinion. Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Narrative Report. At this point no issues have emerged that would cause us to modify our opinion, but we should point out that key disclosures remain to be finalised and audited. A draft of the current opinion is included in Section 03.

Executive summary

Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020 we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability
  How the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance
  How the Council ensures that it makes informed decisions and properly manages its risks; and
- 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.

Page 19

Status of the audit – Value for Money

We reported in our Outline Audit Planning Report that we had not commenced our detailed value for money planning against the new NAO Code requirements and that we would update the next Committee meeting on the outcome of our planning and our planned response to any identified risks of significant weaknesses in arrangements. We have now completed our planning work and have noted the following:

- Our planning on value for money and the associated risk assessment focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to draft a commentary under three reporting criteria.

- We have not identified any significant risks regarding the Council's 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources.

Executive summary

Audit differences

There are currently no final uncorrected mis-statements greater than our reporting threshold for uncorrected misstatements of £0.7 m.

As our audit work is ongoing at the time of writing this report, further adjusted and unadjusted misstatements may be identified. We will update the Audit Committee at the meeting on 29 September 2021 if we identify any issues by the time of the meeting.

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 not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts (WGA) submission. Officers are still awaiting the final guidance supporting the WGA submission for 2020/21. This work will be completed at the end of the audit and we will provide an update on WGA when the work will be completed.

We have no other matters to report.

Areas of audit focus

In our outline audit planning report we identified a number of key areas of focus for our audit of the financial report of the Council. This report sets out our observations and status 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 summarised within the "Areas of Audit Focus" section of this report and a short summary is presented on the next page.

We request that you review these and other matters set out in this report to ensure:

- There are no residual 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 or management.

Executive Summary

Areas of audit focus

Significant risks	Findings & conclusions
Management Override: Misstatements due to fraud or error	Based on our work completed up to the date of this report, we have not identified any material weaknesses in controls or evidence of material management override, instances of inappropriate judgements being applied; or any other transactions during our audit which appear unusual or outside the Council's normal course of business.
Incorrect capitalisation of revenue expenditure	Up to this stage, we have found no indications of inappropriate posting of capitalisation of revenue expenditure journals. The status of our work is detailed in Section 02 of our report.
Misstatements due to fraud or error – accounting adjustments made in the 'Movement in Reserves Statement'	We substantially completed the work and it is now under review. Based on the progress to date, we have not identified any issues with management's application of the relevant statutory guidance.
New central government grants and other Covid-19 funding streams	Our work on Covid-19 grants is ongoing. We have no findings to report at this stage.
Risk of error in the valuation of land and buildings - Schools	We are working with our real estates valuation specialists and the valuation testing is well progressed. Certain differences of opinion are being investigated at the moment between the audit team, management and management's specialist.
Other area of audit focus	**Findings & conclusions**
Pension liability	As at the date of this report, our planned work in this area is in progress and we are expecting to receive the IAS19 letter from the audit team of Hillingdon Pension Fund. An issue has arisen across all local government audits that needs to be resolved prior to us being able to fully conclude our work. Further details are set out in Section 02 of this report.
Consideration of Group Boundary	We have not identified any issues with regards to management's approach not to consolidate Hillingdon First Limited in the 2020/21 accounts on grounds of materiality.
Going concern	The draft accounts include a detailed disclosure on going concern. As of the date of this report, we have received the working papers from management to support the going concern basis. Our review and challenge of the inputs and assumptions used in the going concern assessment and of the disclosure in the draft accounts is underway.
Valuation of Land and Buildings (in addition to schools)	Our valuation testing of fixed assets outside of schools is still underway and we have not concluded on this area of focus. We have no items to report at this stage.

Executive summary

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

We have not identified any key control deficiencies as part of the audit process.

Independence

In our outline audit planning report presented at the 20 April Audit Committee meeting we did not identify any independence issues.

Please refer to Section 9 for our update on Independence.

02 Areas of Audit Focus

Significant risk

Management Override: Misstatements due to fraud or error

(Fraud risk)

What is the risk?

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.

For the Council, we have assessed that this risk could manifest in:

- Inappropriate journal entries; specifically manual journals posted by management in the preparation of the financial statements.
- Significantly unusual transactions entered into by management that are outside of the normal scope of business of the Council.
- Management bias in key accounting estimates and judgements.

What judgements are we focused on?

We have considered the specific risk of management override in respect of the Council's judgements over capitalisation of revenue expenditure (see over).

What did we do?

- Identified fraud risks during the planning stages
- Asked management about risks of fraud and the controls put in place to address those risks
- Understood the oversight given by those charged with governance of management's processes over fraud
- Considered the effectiveness of management's controls designed to address the risk of fraud
- Determined an appropriate strategy to address those identified risks of fraud
- Performed mandatory procedures in relation to journal entries and other adjustments
- Assessed the nature of significantly unusual transactions
- Considered if management bias was present in key accounting estimates and judgments in the financial statements

What are our conclusions?

Our testing is ongoing. Up to the date of this report, we have not identifies any:

- material weaknesses in controls or evidence of material management override;
- instances of inappropriate judgements being applied; or
- any other transactions during our audit which appear unusual or outside the Council's normal course of business.

Significant risk

Incorrect capitalisation of revenue expenditure

(Fraud Risk)

What is the risk?

Under ISA240 there is also a presumed risk that revenue may be misstated due to improper recognition of revenue. 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.

For London Borough of Hillingdon, we consider this specific risk to be present in:

- Additions to property, plant and equipment and Revenue Expenditure Financed from Capital Under Statute (REFCUS).

We have considered the capitalisation of revenue expenditure on property, plant and equipment as a specific area of risk given the extent of the Council's capital programme.

What judgements are we focused on?

How management decides on appropriate capitalisation of revenue expenditure, including consideration of REFCUS.

What did we do?

We sample tested additions to property, plant and equipment and REFCUS to ensure that they have been correctly classified and included at the correct value in order to identify any revenue items that have been inappropriately capitalised or recognised as REFCUS.

What are our conclusions?

Capital expenditure in relation to investment properties is not material, therefore we focused our testing on property, plant and equipment capital additions and also Revenue Expenditure Financed from Capital Under Statute (REFCUS) classification.

Our testing of capital additions is complete. We did not identify any instances where expenditure had been inappropriately capitalised. We have not identified any issues with management's accounting policies or practices in relation to opting to finance expenditure from capital sources.

Significant Risk

Significant risk

Misstatements due to fraud or error – accounting adjustments made in the ‘Movement in Reserves Statement’

(Fraud Risk)

Page 26

What is the risk?

The Council is under financial pressure to achieve its revenue budget and maintain reserve balances above the minimum approved levels. Manipulating expenditure is a key way of achieving these targets.

We consider the risk applies to accounting adjustments made in the movement in reserves statement.

The adjustments between accounting basis and funding basis under regulation changes the amounts charged to General Fund balances. Regulations are varied and complex, resulting in a risk that management could misstate accounting adjustments to manipulate the General Fund balance. We have identified the risk to be highest for adjustments concerning: capital grants; depreciation, impairments and revaluation losses; capital expenditure funded by revenue; and minimum revenue provision.

What judgements are we focused on?

Accounting adjustments made in the Movement in Reserves Statement that could result in a misstatement of the General Fund balance.

What did we do?

We reviewed the adjustments made in the movements in reserves statement with reference to CIPFA guidance and checklists and consistency with other relevant areas of the accounts.

We also reviewed the Council’s policy and application of the minimum revenue provision (MRP).

What are our conclusions?

We substantially completed the work and it is now under review. Based on the progress to date, we have not identified any issues with management’s application of the CIPFA guidance and the statutory guidance on MRP with regards to adjustments made in the movements in reserves statement.

Significant Risk

Significant risk

New central government grants and other Covid-19 funding streams

What is the risk?

Central Government have provided a number of new and different Covid-19 related grants to local authorities during the year. There are also funds that have been provided for the Council to disseminate to other bodies.

In addition, the Government announced further financial support to councils in July 2020 to partially reimburse them for lost income (eligible lost sales, fees and charges income) resulting from Covid-19.

Whilst there is no change in the CIPFA Code or Accounting Standard (IFRS 15) in respect of accounting for government grant funding, the emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Council had to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment within the 2020/21 statements.

What judgements are we focused on?

Whether the Council is acting as a principal or agent, with the accounting to follow that decision. For those where the decision is a principal, the Council also had to assess whether there are any initial conditions that may also affect the recognition of the grants as revenue during 2020/21.

What did we do?

Sample testing government grant income to establish whether correctly classified as principal or agent.

Testing underlying conditions and restrictions and relevant disclosures and classifications.

What are our conclusions?

Based on our progress of work to date, we have not identified any issues around treatment of grants as principal or agent. Adequately disclosures of grant income received in the year have been included in the accounts under both principal and agent arrangements.

We have not identified any exceptions with regards to the accuracy and compliance of grants with the requirements of the relevant schemes.

Testing is still underway and therefore we have not concluded on this area of focus.

Significant Risk

Significant risk

Risk of error in the valuation of land and buildings - Schools (updated post Covid-19)

What is the risk?

The current value of Property, Plant and Equipment represents a significant balance in the Council's accounts, totalling £1.9 billion, out of which approximately £600m is school properties. These assets are subject to valuation changes, impairment reviews and depreciation charges.

In calculating amounts recorded in the Council's balance sheet, management is required to make material judgements and apply estimation techniques.

What judgements are we focused on?

We focused on aspects of the land and buildings valuation which could have a material impact on the financial statements, primarily:

- harder to value assets - such as schools which are valued on a depreciated replacement cost basis;
- the assumptions and estimates used to calculate the valuation; and
- changes to the basis for valuing the assets and unusual value movement.

What did we do?

We confirmed that the Council's valuers are members of RICS and registered valuers. We reviewed the instructions provided to the valuer against the requirements of the Code and IFRS and found no issues.

For a sample of assets we assessed whether the valuation basis was appropriate and whether the assumptions used were supportable and reperformed the valuers' calculations.

We challenged the information provided by the valuer as the management's expert.

We have considered the impact of assets not revalued in year, and whether this could lead to a material misstatement of the closing asset valuation.

What are our conclusions?

We instructed our internal valuers to support us with our work in this area due to the complexity of the estimates involved in valuation and the prior period audit differences identified.

We asked our internal valuation specialists to review a sample of assets across the portfolio including primary and secondary schools.

We are considering the impact of assets not revalued in year and the material correctness of valuations at that date.

Testing is still underway and therefore we have not concluded on this area of focus.

Significant Risk

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be matters that we report on

What is the risk/area of focus?	What did we do?
<u>Pension Liability Valuation</u> The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Surrey County Council. The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2021 this totalled £739 million. The information disclosed is based on the IAS 19 report issued to the Council by the actuaries to the relevant Pension Funds. Accounting for this scheme involves significant estimation and judgement and therefore management engages a actuaries to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.	Our testing for the defined pension liability is still underway and we have not concluded on this area of focus. As at the date of this report, our planned work in this area is largely complete, but an issue has arisen across all local government audits that needs to be resolved prior to us being able to fully conclude our work. This is in relation to the impact of the revised auditing standard on accounting estimates. We planned to take an audit approach to this estimate based on procedures to evaluate management's process. The revised auditing standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. Neither we, nor PWC as consulting actuaries commissioned by the NAO for all local government sector audits, are able to access the detailed models of the actuaries in order to evidence these requirements. Therefore, we have been required to modify our planned approach and undertake alternate procedures to create an auditor's estimate, to provide a different method of gaining assurance. We will provide the Committee with a verbal update on progress at the 29 September 2021 meeting.
<u>Consideration of Group Boundary</u> During 2018/19, the Council created a housing company, Hillingdon First Limited. Depending on the qualitative consideration of and quantitative size of the company, the finance team will need to consider the preparation of Group Accounts.	We reviewed the Council's assessment of the need to prepare Group Accounts as a result of transactions occurring within the subsidiary within the financial year. We have not identified any issues with regards to management's approach not to consolidate Hillingdon First Limited in the 2020/21 accounts on grounds of materiality.

Other areas of audit focus (continued)

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be matters that we report on

What is the risk/area of focus?	What did we do?
<u>Assessment and disclosures on Going Concern</u> Covid-19 has created a number of financial pressures throughout local government, creating financial stress in either, or a combination of, increasing service demand leading to increased expenditure in specific services, and reductions in income sources. There remains a presumption that the Council will continue as a going concern for the foreseeable future. However, the Council is required to carry our a going concern assessment that is proportionate to the significant risks it faces. In light of the continued impact of Covid-19 on the Council's day to day finances, its annual budget, its cashflow and its medium term financial strategy, there is a need for the Council to ensure its going concern assessment is thorough and appropriately comprehensive. The auditor's report in respect of going concern covers a 12-month period from the date of the audit report, therefore the Council's assessment will also need to cover this period. The Council is then required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified. In addition, the auditing standard in relation to going concern (ISA570) has been revised with effect for the 2020/21 accounts audit.	We are required to meet the requirements of the revised auditing standard on going concern (ISA 570) and consider the adequacy of the Council's going concern assessment and its disclosure in the accounts by: • Challenging management's identification of events or conditions impacting going concern. • Testing management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias). • Reviewing the Council's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern. • Undertaking a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern. • Challenging the disclosure made in the accounts in respect of going concern and any material uncertainties. We discussed the detailed implications of the revised auditing standard with finance staff and noted the information provided in the committee papers, budget and the Medium Term Financial Strategy (MTFS) in support of the going concern disclosure. At the time of writing this report, management has provided their assessment and our review is underway.

Other areas of audit focus (continued)

We have identified other areas of the audit, that have not been classified as risks, but are still important when considering the areas of audit focus.

What is the area of focus?	What did we do?
Valuation of Land and Buildings The carrying amount of Property, Plant and Equipment (PPE) represents a significant balance in the Council's accounts and is subject to impairment reviews, depreciation charges and revaluation changes. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. Based on our prior experience, we identified a higher risk around valuation of schools, which make part of the PPE balance. We singled out the significant risk attributable to valuation of schools as a separate area discussed earlier in this section. This section focuses on the inherent risk around valuation of the remaining balance of PPE.	Our work comprises, but is not limited to: ‣ Considering the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; ‣ Sample testing key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre); ‣ Considering the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE. ‣ Considering if there are any specific changes to assets that have occurred and that these have been communicated to the valuer; ‣ Reviewing assets not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated; ‣ Considering changes to useful economic lives as a result of the most recent valuation; and ‣ Testing whether accounting entries were correctly processed in the financial statements. Alongside school properties, where we identified a significant risk around valuations, we selected a sample from the wider pool of properties and we asked our internal valuers to support us with our work in this area due to the complexity of the estimates involved in valuation. Our testing is still underway and we have not concluded on this area of focus.

03 Audit Report

NB This is an example report – our audit report will not be completed and issued until the work is complete

Our opinion on the financial statements

Opinion

We have audited the financial statements of London Borough of Hillingdon for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the Comprehensive Income and Expenditure Statement, Balance Sheet, Movement in Reserves Statement, Movement in Unusable Reserves, Cash Flow Statement, and the Expenditure and Funding Analysis and related Notes to Main Financial Statements 1 to 45; the Housing Revenue Account and Notes 1 to 8, the Collection Fund Account and 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 2020/21.

In our opinion the financial statements:

- give a true and fair view of the financial position of London Borough of Hillingdon as at 31 March 2021 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

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 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 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 for a period of at least twelve months from the date when the financial statements are authorised for issue.

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 2020/21, other than the financial statements and our auditor's report thereon. The Corporate Director of Finance is responsible for the other information.

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.

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

NB This is an example report – our audit report will not be completed and issued until the work is complete

Our opinion on the financial statements

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:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- 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;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014;
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014;
- 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 2021.

We have nothing to report in these respects.

Responsibility of the Corporate Director of Finance

As explained more fully in the Statement of the Corporate Director of Finance's Responsibilities set out on page 16, 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 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors 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 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 have 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 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.

NB This is an example report – our audit report will not be completed and issued until the work is complete

Our opinion on the 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 both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant are:

- the Local Government Act 1972;
- Local Government and Housing Act 1989 (England and Wales)
- Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992)
- the Local Government Act 2003;
- the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020;
- the National Health Service Act 2006;
- the Local Audit and Accountability Act 2014; and
- the Accounts and Audit Regulations 2015.

In addition, the Authority has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment legislation, tax legislation, general power of competence, procurement and health & safety.

We understood how London Borough of Hillingdon is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of Corporate Director of Finance, Deputy Director of Exchequer Services & Business Assurance, Borough Solicitor, and Chairman of the Audit Committee and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Authority's committee minutes, through enquiry of employees to confirm Authority policies and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified inappropriate capitalisation of revenue expenditure, management override of controls and accounting adjustments made in the 'Movement in Reserves Statement' to be our fraud risks.

- To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Authority's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.
- To address our fraud risk of management override of controls, we tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; assessed accounting estimates for evidence of management bias; and evaluated the business rationale for significant unusual transactions.

Audit Report

NB This is an example report – our audit report will not be completed and issued until the work is complete

Our opinion on the financial statements

Page 36

- To address our fraud risk of accounting adjustments made in the 'Movement in Reserves Statement', we reviewed the adjustments made in the movements in reserves statement with reference to CIPFA guidance and checklists and consistency with other relevant areas of the accounts. We also reviewed the Council's policy and application of the minimum revenue provision.

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

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, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in April 2021, as to whether 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 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 2021.

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, 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 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.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Until we have completed these procedures we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 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 London Borough of Hillingdon, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 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.

Helen Thompson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Southampton

04 Audit Differences

Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as "known" or "judgemental". Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

There were no corrected or uncorrected misstatements at this stage of the audit. As our audit work is ongoing at the time of writing this report, further adjusted and unadjusted misstatements may be identified. We will update the Audit Committee at the meeting on 29 September 2021 if we identify any issues by the time of the meeting.

05 Value for Money

Value for money

The Council's responsibilities for value for money (VFM)

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Risk assessment

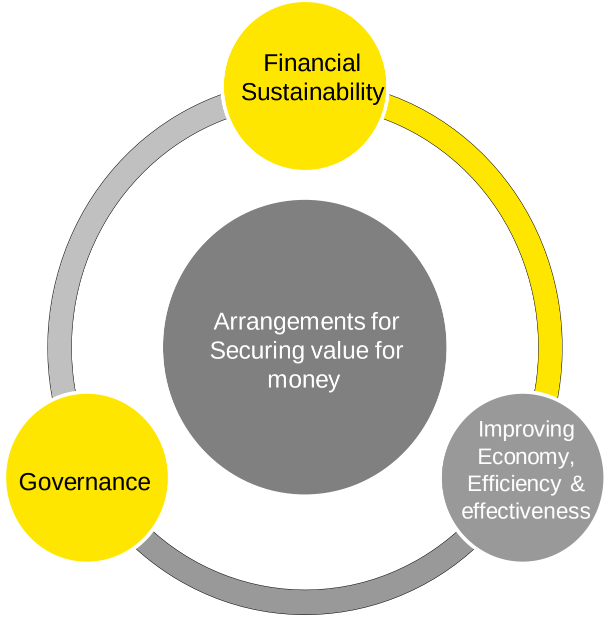
Page 40

We reported in our Outline Audit Planning Report that we had not commenced our detailed value for money planning against the new NAO Code requirements and that we would update the next Committee meeting on the outcome of our planning and our planned response to any identified risks of significant weaknesses in arrangements. We have now completed our planning work and have noted the following:

- Our planning on value for money and the associated risk assessment focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to draft a commentary under three reporting criteria.

- We have not identified any significant risks regarding the Council's 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources, and have no matters to report 'by exception' in our Auditor's Report (See Section 3).

We plan to issue the VFM commentary by December 2021 as part of issuing the Auditor's Annual Report.



06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2020/21 with the audited financial statements. Since the financial statements' audit is not finalised, we are not in a position to confirm consistency at this stage.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We have not yet been able to perform the procedures required by the National Audit Office on the Whole of Government Accounts submission. This is because HM Treasury are continuing to review the online 2020/21 WGA Data Collection Tool (DCT) and update the guidance that is available for preparers. Based on the last available update the DCT and guidance was not expected to be available until December 2021. Therefore the 2020/21 WGA component data will not be available for auditors to review until after that. Group Audit Instructions and the timetable for 2020/21 will necessarily follow any changes HM Treasury make to the DCT and process.

Other reporting issues

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"). As at the date of this report, we have not identified any issues which required us to issue a report in the public interest.

Other matters

As required by ISA (UK&I) 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:

Page 43

- 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.

As at the date of this report we have nothing in respect of other matters that we need to bring to the attention of the Audit Committee.

07 Assessment of Control Environment

Assessment of Control Environment

Financial controls

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

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.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

We considered whether circumstances arising from COVID-19 resulted in a change to the overall control environment of effectiveness of internal controls, for example due to significant staff absence or limitations as a result of working remotely. We identified no issues which we wish to bring to your attention.

08 Data Analytics

Management Override of Controls

What is the risk?

In line with ISA 240 we are required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

What judgements are we focused on?

Page 47

We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those with unusual debit and credit relationships, and those posted by individuals we would not expect to be entering transactions.

The purpose of this approach is to provide a more effective, risk focused approach to auditing journal entries, minimising the burden of compliance on management by minimising randomly selected samples.

What did we do?

We obtained general ledger journal data for the period and have used our analysers to identify characteristics typically associated with inappropriate journal entries or adjustments, and journals entries that are subject to a higher risk of management override.

We then performed tests on the journals identified to determine if they were appropriate and reasonable.

What are our conclusions?

At the data of writing this report our journal entry testing is not concluded.

09 Independence

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its directors and senior management and its affiliates, including all services provided by us and our network to your company, its directors 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 1st April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The next page includes a summary of the fees associated with the audit for the year ended 31 March 2021 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are shown on the next page. Further detail of all fees has been provided to the Audit Committee with measurement against pre-approved limits.

As at the date of this report, there are no future services which have been contracted and no other written proposal to provide non-audit services has been submitted.

We confirm that we have not undertaken any non-audit work.

Independence - Fees

As part of our reporting on our independence, we set out below a summary of the final fees for the year ended 31 March 2021. Full details of the services that we have provided are shown below. We have also included the non-audit services fees. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO.

*These additional fees are subject to approval from PSAA.

**The scale fee is set by PSAA as indicative and does not reflect the actual costs of undertaking the audit, to address all risks identified and to meet current regulatory standards. We set out the key areas of focus of our work in Section 02. In our planning report, we included an estimate of the scale fee increase by £82,728 to reflect those underlying costs. This is not reflected in the table below. We will discuss and agree a final fee with management and PSAA, and communicate progress to the Audit Committee.

There were no fees receivable outstanding at the time of writing this report.

	Final fee 2020/21 (£)	Planned fee 2020/21 (£)	Final Fee 2019/20 (£)
Scale Fee – Code work	121,096**	121,096**	121,096**
Additional work:			
- Property valuations	TBC	5,000-10,000	8,005*
- Pension liability (IAS19)	-	-	5,825*
- VFM significant risk (C-19 impact on financial resilience)	-	-	5,075*
- Going concern assessment and disclosure	TBC	2,500-5,000	4,754*
- EY consultation on auditor's report involving EY professional practice directorate	TBC	1,500-3,000	2,968*
- Business rates appeal, Covid-19 grants and the revised auditing standard for accounting estimates	TBC	TBC	-
Covid-19 related inefficiencies	-	-	4,590*
Total current scale and additional fees	TBC	TBC	152,313
Non-audit services:			
Housing Benefits	TBC	TBC	28,290
Capital receipts return	TBC	TBC	8,000
Teachers' Pensions	TBC	TBC	12,500
Total other non-audit services	TBC	TBC	48,790

Other communications

EY Transparency Report 2020

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 end 30 June 2020:

EY UK Transparency Report 2020 | EY UK

10 Appendices

Audit approach update

We summarise overleaf our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

Appendix A

Balance sheet category	Audit Approach in current year	Audit Approach in prior year	Explanation for change
Debtors	Substantively tested all assertions	Substantively tested all assertions	No change
Creditors	Substantively tested all assertions	Substantively tested all assertions	No change
Investments	Substantively tested all assertions	Substantively tested all assertions	No change
Property, Plant & Equipment	Substantively tested all assertions	Substantively tested all assertions	No change
Cash & Cash Equivalents	Substantively tested all assertions	Substantively tested all assertions	No change
Borrowing	Substantively tested all assertions	Substantively tested all assertions	No change
Capital grants receipts in advance	Substantively tested all assertions	Substantively tested all assertions	No change
Net Liabilities Related to Defined Benefit Pension Schemes	Substantively tested all assertions	Substantively tested all assertions	No change
Usable and Unusable Reserves	Substantively tested all assertions	Substantively tested all assertions	No change

Appendix B

Summary of communications

Date	Nature	Summary
Throughout the year	Meetings, calls and emails.	The Associate Partner and Manager have been in regular contact with the Corporate Director of Finance and the finance team in respect of the Council's risks, audit timeline and resource planning, accounts closedown and the audit approach.
8 July 2021	Meeting	Introduction of Helen Thompson as the new partner in charge to the Council's Corporate Director of Finance.
6 September 2021 and 13 September 2021	Meeting	We held a meeting with the Council's Corporate Director of Finance, the Deputy Director of Corporate Finance, the Head of Finance and with EY's Associate Partner and Manager, where we discussed audit progress and the timescale.
14 September 2021	Meeting	We held a meeting with the Council's Chief Executive, the Cabinet Member for Finance, the Corporate Director of Finance and the Head of Finance and with EY's Associate Partner and Manager, where we discussed the status of the audit, the key steps to complete the work and the timetable impact.
All Audit Committee meetings held in the year	Committee attendance	The Associate Partner and Manager have attended the meetings of the Audit Committee held throughout the financial year and to the date of issue of this report. Specific reports issued and communications with the Committee are detailed in Appendix C.

In addition to the above specific meetings the audit team met with the finance team multiple times throughout the audit to discuss audit progress and findings.

Required communications with the Audit Committee

There are certain communications that we must provide to the those charged with governance 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.	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 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.	Outline Audit Planning Report
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	This Initial Audit Results Report Final Audit Results Report

Page 56

Appendix C

		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	This Initial Audit Results Report Final Audit Results Report
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 Initial Audit Results Report Final Audit Results Report
Subsequent events	▸ Enquiry of the Audit Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	This Initial Audit Results Report Final Audit Results Report

Page 57

Appendix C

		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 ▸ Any other matters related to fraud, relevant to Audit Committee responsibility.	This Initial Audit Results Report Final Audit Results Report
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 Initial Audit Results Report Final Audit Results Report
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	Outline Audit Planning Report This Initial Audit Results Report Final Audit Results Report

Appendix C

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
	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 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	
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures.	This Initial Audit Results Report Final Audit Results Report
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 Initial Audit Results Report Final Audit Results Report

Page 59

Appendix C

Required communications	What is reported?	Our Reporting to you When and where
Significant deficiencies in internal controls identified during the audit	▸ Significant deficiencies in internal controls identified during the audit.	This Initial Audit Results Report Final Audit Results Report
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	This Initial Audit Results Report Final Audit Results Report
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	This Initial Audit Results Report Final Audit Results Report
Auditors report	▸ Any circumstances identified that affect the form and content of our auditor's report	This Initial Audit Results Report Final Audit Results Report
Fee Reporting	▸ Breakdown of fee information when the audit planning report is agreed ▸ Breakdown of fee information at the completion of the audit ▸ Any non-audit work	Outline Audit Planning Report This Initial Audit Results Report Final Audit Results Report

Management representation letter

NB This is an example letter – the final letter template will not be available until the work is complete

Provisional Management Rep Letter

This letter of representations is provided in connection with your audit of the financial statements of London Borough of Hillingdon ("the Council") for the year ended 31 March 2021. 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 position of London Borough of Hillingdon as of 31 March 2021 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

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 CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, 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 financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council 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 2020/21, that are 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 on our system of internal controls.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented *as at the date of this audit results report*.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Council'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 no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

Management representation letter

NB This is an example letter – the final letter template will not be available until the work is complete

- involving financial statements;
- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council'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 Council's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or

  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 all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic.

3. We have made available to you all minutes of the meetings of the Full Council and the Cabinet (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following dates:

- Full Council: 9 September 2021
- Cabinet: 2 September 2021

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council'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 year 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 2020/21.

6. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

7. We have disclosed to you, and the Council 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. From the date of our last management representation letter at 24 November 2020 through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the

Management representation letter

NB This is an example letter – the final letter template will not be available until the work is complete

best of our knowledge is reasonably likely to have occurred based on our investigation, 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.

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. Note Going Concern in the financial statements discloses all the matters of which we are aware that are relevant to the Council'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. There have been no events, including events related to the COVID-19 pandemic, subsequent to year 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 Narrative Report and the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of council dwellings, other land and buildings and surplus assets classified as property, plant & equipment, valuation of pension liabilities and assets, and estimation of fair value of financial 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.

I. Estimates

Valuation of council dwellings, other land and buildings and surplus assets classified as Property, Plant and Equipment and of Pension Liability and Assets (the 'Estimates')

1. We confirm that the significant judgments made in made in performing the revaluation of the Estimates have taken into account all relevant information and the effects of the COVID-19 pandemic which we are aware.

Management representation letter

NB This is an example letter – the final letter template will not be available until the work is complete

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 performing the revaluation of the Estimates.
3. We confirm that the significant assumptions used in performing the revaluation of the Estimates appropriately reflect our intent and ability to carry out the revaluation on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate, 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 2020/21.
5. We confirm that appropriate specialized skills or expertise has been applied in undertaking the revaluation of the Estimates.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements, including due to the COVID-19 pandemic.

J. Retirement benefits

On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

I confirm that this letter has been discussed with the Chairman of the Audit Committee on 29 September 2021.

Yours faithfully,

Paul Whaymand – Corporate Director of Finance
Councillor Martin Goddard – Chairman of Pensions Committee

Appendix E

Progress report on implementation of IFRS 16 Leases

In previous reports to the Audit Committee, we have highlighted the issue of new accounting standards and regulatory developments. IFRS 16 introduces a number of significant changes which go beyond accounting technicalities. For example, the changes have the potential to impact on procurement processes as more information becomes available on the real cost of leases. The key accounting impact is that assets and liabilities in relation to significant lease arrangements previously accounted for as operating leases will need to be recognised on the balance sheet. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

IFRS 16 does not come into effect for the Council until 1 April 2022. However, officers should be acting now to assess the Council's leasing positions and secure the required information to ensure the Council will be fully compliance with the 2022/23 Code. The following table summarises the actions necessary to implement the adoption of IFRS 16 from 1 April 2022:

IFRS 16 theme	Summary of key measures
Data collection	Management should have: ▸ Put in place a robust process to identify all arrangements that convey the right to control the use of an identified asset for a period of time. The adequacy of this process should be discussed with auditors. ▸ Classified all such leases into low value; short-term; peppercorn; portfolio and individual leases ▸ Identified, collected, logged and checked all significant data points that affect lease accounting including: the term of the lease; reasonably certain judgements on extension or termination; dates of rent reviews; variable payments; grandfathered decisions; non-lease components; and discount rate to be applied.
Policy Choices	The council need to agree on certain policy choices. In particular: ▸ Will the council adopt a portfolio approach? ▸ Has the low value threshold been set and agreed with auditors? ▸ Which asset classes, if any, are management adopting the practical expedient in relation to non-lease components? ▸ What is managements policy in relation to discount rates to be used?
Code adaptations for the public sector	Finance teams should understand the Code adaptations for the public sector. The Code contains general adaptations, (e.g. the definition of a lease); transitional interpretations (e.g. no restatement of prior periods) and adaptations that apply post transition (e.g. use of short-term lease exemption).
Transitional accounting arrangements	Finance teams should understand the accounting required on first implementation of IFRS 16. The main impact is on former operating leases where the authority is lessee. However, there can be implications for some finance leases where the Council is lessee; and potentially for sub-leases, where the Council is a lessor, that were operating leases under the old standard.
Ongoing accounting arrangements	Finance teams need to develop models to be able to properly account for initial recognition and subsequent measurement of right of use assets and associated liabilities. This is more complex than the previous standard due to more regular remeasurements and possible modifications after certain trigger events.
Remeasurements and modifications	Finance teams need to familiarise themselves with when the 'remeasurement' or 'modification' of a lease is required and what to do under each circumstance. A modification can lead to an additional lease being recognised. It is also important to know when remeasurements require a new discount rate is to be applied to the lease.

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ED None

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London Borough of Hillingdon Pension Fund

Initial audit results report

Year ended 31 March 2021

16 September 2021

Building a better working world

16 September 2021

Dear Audit Committee Members

We are pleased to attach an initial audit results report for the forthcoming meeting of the Audit Committee. We will update the Committee at its meeting on 29 September 2021 on further progress to that date and explain the remaining steps for the issue of our final opinion.

The audit is designed to express an opinion on the 2020/21 financial statements and address current statutory and regulatory requirements. This report contains our initial findings related to the areas of audit emphasis, our views on London Borough of Hillingdon Pension Fund's (the 'Pension Fund') accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge 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 Audit Committee, Pensions 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 Committee meeting on 29 September 2021.

Yours faithfully

Helen Thompson

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents

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/audit-quality/statement-of-responsibilities/).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 April 2018)" 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 Hillingdon Pension Fund in accordance with the statement of responsibilities. 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 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.

01 Executive Summary

Executive Summary

Scope update

In our outline audit planning report presented to the 20 April 2021 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan with the following updates.

Changes in materiality

We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment.

	Planning Materiality	Performance Materiality	Audit Differences
	Our planning materiality represents 1% of the Fund's net assets, consistent year on year.	Performance materiality represents 75% of planning materiality and is the top of our range, consistent year on year.	We will report all uncorrected misstatements relating to the primary statements (net asset statement and fund account) greater than 5% of planning materiality.
Planned	£9.9 million	£7.4 million	£0.5 million
Final	£11.6 million	£8.7 million	£0.6 million

Page 71

Auditing accounting estimates

A revised auditing standard has been issued for the audit of accounting estimates. The revised standard requires auditors to consider inherent risks associated with the production of accounting estimates. These could relate, for example, to the complexity of the method applied, subjectivity in the choice of data or assumptions or a high degree of estimation uncertainty. As part of this, auditors now consider risk on a spectrum (from low to high inherent risk) rather than a simplified classification of whether or not there is a significant risk. At the same time, we may see the number of significant risks we report for accounting estimates to increase as a result of the revised guidance in this area. The changes to the standard have affected the nature and extent of information requested and increased the level of audit work required.

Executive Summary

Status of the audit

Our audit work in respect of the Fund opinion is in progress. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

- Completion of testing of unquoted level 2 investments valuation
- Completion of necessary assurance procedures for the valuation of defined benefit pension liability disclosed in the statement of accounts
- Journal entry testing
- Going concern assessment review and disclosures
- Completion of internal reviews
- Agreement of all final amendments to the financial statements
- Update of our subsequent events procedures to the date of our opinion
- Receipt of a signed letter of management representation
- We must give an opinion on the consistency of the Pension Fund financial statements included within the Statement of Accounts 2020/21 with the Pension Fund Annual Report. Our review of the Annual Report, which was made available to us by management on 10 September 2021, has not been completed.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the accounts which could influence our final audit opinion.

Audit differences

At the date of this report there are no unadjusted or adjusted audit differences which require your attention.

Executive Summary

Areas of audit focus

Our outline audit plan identified significant risks and areas of focus for our audit of the Pension Fund's financial statements. We summarise below our latest findings. This report sets out our observations and status 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 summarised in the "Areas of Audit Focus" section of this report.

Fraud risks	Findings & conclusions
Misstatements due to fraud or error, including misstatement of investment amounts through fraudulent journal entries	We are carrying out procedures to address fraud risks as set out in our outline audit plan, including identifying risks, considering controls and their effectiveness, testing journal entries and looking at estimates for evidence of management bias. Using data analytics is central to our approach. We performed a reconciliation between the fund managers reports and the custodian reports to address the risk of manipulation of asset valuations. Our work in this area is in progress and we have no matters to bring to your attention considering our progress to date.
Significant risk	**Findings & conclusions**
Valuation of complex investments (Level 3 Fair Value hierarchy)	We undertook additional procedures, as described more fully in Section 2 of this report, to gain material assurance over the year-end valuation of the Fund's complex investments disclosed as level 3 in the fair value hierarchy, and therefore inherently more difficult to value. We have completed our work in this area and have no matters to bring to your attention.
Areas of audit focus	**Findings & conclusions**
Disclosure on Going Concern	We obtained management's going concern assessment and the adequacy of the disclosures in the financial statements. The work in this area is ongoing.
IAS 26 disclosure - Actuarial Present Value of Promised Retirement Benefits	Our procedures include assessing the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team. Our work in this area is ongoing in light of the latest developments in the estimates auditing standard.

Executive Summary

Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

Independence

Please refer to Section 07 for our update on Independence.

02 Areas of Audit Focus

Significant risk

Misstatements due to fraud or error, including misstatement of investment amounts through fraudulent journal entries

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.

There is a risk that due to fraud or error, journals posted into the general ledger for the investment values are incorrect.

What judgements are we focused on?

The risk of management override at the Pension Fund is mainly through the possibility that management could override controls and manipulate in-year financial transactions which intend to adjust the reported Fund Account.

This could be done through manipulation of estimates including investment valuation, or through journals amending the values in the production of the financial statements from those provided by the custodian or fund managers.

What did we do?

- 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 ensured that journal entries are supported by the fund manager/custodian reports.

The following procedures are in progress:

- We are utilising our data analytics capabilities to assist with our work, including journal entry testing. We are assessing journal entries for evidence of management bias, we are evaluating journals for business rationale and that appropriate authorisations have been obtained.
- We are reviewing accounting estimates for evidence of management bias.

What are our conclusions?

Our work in this area is ongoing, however to date we:

- have not identified any material weaknesses in controls or evidence of material management override,
- have not identified any instances of inappropriate judgements being applied,
- did not identify any journal entries without a valid business purpose,
- did not identify any other transactions during our audit which appeared unusual or outside Hillingdon Pension Fund's normal course of business,
- have not identified unexplained differences between the fund's investment values provided by the custodian or fund managers, to those presented in the financial statements.

Significant Risk

Significant risk

Valuation of complex Investments (Level 3 Fair Value hierarchy)

What is the risk?

Investments at Level 3 are those where at least one input that could have a significant effect on the asset's valuation is not based on observable market data.

Significant judgements are made by the investment managers or administrators to value these investments whose prices are not publicly available. The material nature of 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.

Page 77

What judgements are we focused on?

The judgements we are focussed on are the valuation data used when the information is not publicly available.

What did we do?

We:

- reviewed the relevant funds' latest available audited accounts for modifications and corroborated the extracted information with the relevant valuations
- where the latest audited accounts were not as at 31 March 2021, we performed analytical procedures, market indexations and cash flow roll-forward to assess the valuation for reasonableness against our own expectations;
- reviewed the fund managers' latest controls reports to assess whether the fund manager maintained appropriate controls to prevent and detect material misstatement in the pricing of assets; and
- tested that accounting entries were correctly processed in the financial statements.

What are our conclusions?

We have completed our testing and our findings are as follows:

- the underlying funds' latest available audited accounts were not qualified or otherwise modified, nor did they contain material uncertainties in respect of going concern or other matters emphasised that would impact valuation;
- the audit reports of the underlying funds were issued by reputable auditors;
- where the latest audited accounts were not as at 31 March 2021, we found that the rolled forward cash flows to 31 March 2021, combined with market movement indexation resulted in value ranges that reasonably approached the pension fund's valuations;
- management correctly reflected the valuation adjustments due to timing differences in the updated draft accounts.

We have not noted any issues with the judgements used in the valuation of level 3 investments.

Significant Risk

Areas of Audit Focus

What is the risk/area of focus?	What are we doing?
<u>Disclosures on going concern</u> There is a presumption that the Pension Fund will continue as a going concern for the foreseeable future. However, the Pension Fund is required to carry out a going concern assessment that is proportionate to the risks it faces. In light of the continued impact of Covid-19, there is a need for the Pension Fund to ensure its going concern assessment, including its cashflow forecast, is comprehensive. The Pension Fund is then required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified. Given the available levels of liquid investment assets, we do not consider there to be a risk to the Fund's going concern status. We do consider the unpredictability of the current environment to give rise to a risk that the Pension Fund may not appropriately disclose the key factors relating to going concern, consistent with managements assessment with particular reference to Covid-19	▶ Assessing the adequacy of disclosures required in 2020/21; ▶ Reviewing management's going concern assessment for any evidence of bias and consistency with the accounts; ▶ Reviewing the financial modelling and forecasts prepared by the Pension Fund; ▶ Ensuring that an appropriate going concern disclosure has been made within the financial statements; The work in this area remains ongoing.

Page 78

Areas of Audit Focus

What is the risk/area of focus?	What are we doing?
<u>IAS 26 disclosure - Actuarial Present Value of Promised Retirement Benefits</u> The Fund's IAS 26 calculation shows that the present value of promised retirement benefits amount to £2,039 million as at 31 March 2021. The figure is material and 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 2019/20, 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 2021.	▸ Assessing the competence of management experts, Hymans Robertson; ▸ Engaging with the NAO's consulting actuary and our EY Pensions team to review whether the IAS26 approach applied by the actuary is reasonable and compliant with IAS26; and ▸ Ensuring that the IAS26 disclosure is in line with the relevant standards and consistent with the valuation provided by the Actuary. As at the date of this report, our planned work in this area is largely complete, but an issue has arisen across all local government audits that needs to be resolved prior to us being able to fully conclude our work. This is in relation to the impact of the new auditing standard on accounting estimates. We planned to take an audit approach to this estimate based on procedures to evaluate management's process. The revised auditing standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. Neither we, nor PWC as consulting actuaries commissioned by the NAO for all local government sector audits, are able to access the detailed models of the actuaries in order to evidence these requirements. Therefore, we have been required to modify our planned approach and undertake alternate procedures to create an auditor's estimate, to provide a different method of gaining assurance. We will provide the Audit Committee with a verbal update on progress at the 29 September 2021 meeting.

03 Audit Report

Draft audit report

NB This is an example report – our audit report will not be completed and issued until the work is complete

Our opinion on the financial statements

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

Opinion

We have audited the pension fund financial statements for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The pension fund financial statements comprise the Pension Fund Account, the Net Assets Statement and the related notes 1 to 25. 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 2020/21.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2021 and the amount and disposition of the fund's assets and liabilities as at 31 March 2021; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

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 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 Pension Fund's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.
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 Pension Fund's ability to continue as a going concern.

Other information

The other information comprises the information included in the Statement of Accounts 2020/21, 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 2020/21.

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.

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;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;

Draft audit report

NB This is an example report – our audit report will not be completed and issued until the work is complete

Our opinion on the financial statements

- 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;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Responsibility of the Corporate Director of Finance

As explained more fully in the Statement of the Corporate Director of Finance's Responsibilities set out on pages […], the Corporate Director of Finance is responsible for the preparation of the pension fund'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 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors 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 pension 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 pension fund either intends to cease operations, or have 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 both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the pension 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 Hillingdon Pension Fund is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, Head of Internal Audit, and those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Pensions Committee and Pensions Board minutes and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation

Draft audit report

NB This is an example report – our audit report will not be completed and issued until the work is complete

Our opinion on the financial statements

We assessed the susceptibility of the pension fund's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and opportunities for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures we identified management override of controls, including misstatement of investment amounts through fraudulent journal entries, to be our fraud risk.

To address our fraud risk we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately. We assessed journal entries for evidence of management bias and evaluated for business rationale using specific criteria we considered to be relevant to the risk. We also tested the consistency of the investment asset valuation from the independent sources of the custodian and the fund managers to the financial statements.

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.

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 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 London Borough of Hillingdon members as a body, for our audit work, for this report, or for the opinions we have formed.

Helen Thompson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)

04 Audit Differences

Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of audit differences

At the date of this report there are no unadjusted or adjusted audit differences which require your attention.

We note, however, that management has not been able to obtain the relevant information from the third party to disclose the additional voluntary contributions for 2020/21. The market value of the additional voluntary contributions as of 31 March 2020 was £5,249k. We do not currently expect this to impact our audit opinion.

05 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2020/21 with the audited financial statements. Our review of the Pension Fund's Annual Report, which was made available to us by management on 10 September 2021, has not been completed.

In addition, we also perform procedures to ensure the consistency of the Pension Fund accounts with the version presented in the Pension Fund's Annual Report. This is not yet complete and we received the annual report on 10 September 2021.

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 Pension Fund 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 Pension Fund, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We have had no reason to exercise these duties.

Page 87

Other matters

As required by ISA (UK&I) 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 Fund's financial reporting process. We have no matters to report.

06 Assessment of Control Environment

Assessment of Control Environment

Financial controls

Our responsibilities

It is the responsibility of the Fund to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Fund has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

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. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

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.

Findings

We have not identified any significant deficiencies in internal control.

07 Independence

Relationships, services and related threats and safeguards

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 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 2020 to the date of this report which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The table below sets out a summary of the fees that you have paid to us in the year ended 31 March 2021 in line with the disclosures set out in FRC Ethical Standard and in statute.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Page 91

	Final fee 2020/21	Scale fee 2020/21	Final Fee 2019/20
	£	£	£
Total Fee – Code work (1)	TBC	16,170	33,306
Total audit	TBC**	**16,170****	**33,306***

All fees exclude VAT.

There were no fees receivable outstanding at the time of writing this report.

*The 19/20 Code work includes an additional fee of £17,136, which relates to additional procedures to address the significant risk around investments valuation, procedures on IAS19 assurances provided to the auditor of the LB of Hillingdon, the triennial membership data testing used in IAS19 valuations, additional specific one-off work required for Covid-19 considerations in relation to Going Concern and professional consultation, as well as work performed on restated membership numbers. We have discussed the variation with officers and received partial approval from PSAA.

**The scale fee for 2020/21 is set by PSAA as indicative and does not reflect the actual costs of undertaking the audit, to address all risks identified and to meet current regulatory standards. We set out the key areas of focus of our work in Section 02. In our outline audit planning report, we included an estimate of the scale fee increase by £28,290 to reflect those underlying costs. We will discuss and agree a final fee with management and PSAA, and communicate progress to the Audit Committee.

Other communications

EY Transparency Report 2020
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 end 30 June 2020: EY UK Transparency Report 2020 | EY UK

08 Appendices

Audit approach update

We summarise below our approach to the audit of net asset statement and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

Balance sheet category	Audit Approach in current year	Audit Approach in prior year	Explanation for change
Investment assets	Substantively tested all assertions	Substantively tested all assertions	No change
Cash balances	Substantively tested all assertions	Substantively tested all assertions	No change

Appendix B

Summary of communications

Date	Nature	Summary
Throughout the year	Meetings, calls and emails.	The Associate Partner and Manager have been in regular contact with the Corporate Director of Finance and the finance team in respect of the Council's risks, audit timeline and resource planning, accounts closedown and the audit approach.
8 July 2021	Meeting	Introduction of Helen Thompson as the new partner in charge to the Council's Corporate Director of Finance.
6 September 2021	Meeting	We held a meeting with the Council's Corporate Director of Finance, the Deputy Director of Corporate Finance, the Head of Finance and with EY's Associate Partner and Manager, where we discussed audit progress and the timescale.
14 September 2021	Meeting	We held a meeting with the Council's Chief Executive, the Cabinet Member for Finance, the Corporate Director of Finance and the Head of Finance and with EY's Associate Partner and Manager, where we discussed the status of the audit, the key steps to complete the work and the timetable impact.
All Audit Committee meetings held in the year	Committee attendance	The Associate Partner and Manager have attended the meetings of the Audit Committee held throughout the financial year and to the date of issue of this report. Specific reports issued and communications with the Committee are detailed in Appendix C.

In addition to the above specific meetings the audit team met with the finance team multiple times throughout the audit to discuss audit progress and findings.

Appendix C

Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

Required communications	What is reported?	Our Reporting to you 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.	Outline audit planning report April 2021
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Outline audit planning report April 2021
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	This Audit results report and an update at the Audit Committee – 29 September 2021 Final Audit Results Report in due course

Appendix C

		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 Audit results report and an update at the Audit Committee – 29 September 2021 Final Audit Results Report in due course
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Material misstatements corrected by management	This Audit results report and an update at the Audit Committee – 29 September 2021 Final Audit Results Report in due course
Subsequent events	▸ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	Audit Committee – 29 September 2021
Fraud	▸ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Pension Fund ▸ 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 Pension Fund, 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 ▸ Any other matters related to fraud, relevant to Audit Committee responsibility.	Formal enquiry letter sent and response received from Chair of Audit Committee. and This Audit results report - 29 September 2021 Final Audit Results Report in due course

Appendix C

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Related parties	Significant matters arising during the audit in connection with the Pension Fund'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 Pension Fund	This Audit results report - 29 September 2021 Final Audit Results Report in due course
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 judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.	Outline audit planning report April 2021 and This Audit results report - 29 September 2021 Final Audit Results Report in due course

Page 98

Appendix C

Required communications	What is reported?	Our Reporting to you When and where
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
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.	This Audit results report – 29 September 2021 Final Audit Results Report - in due course

Page 99

Appendix C

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
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	This Audit results report – 29 September 2021 Final Audit Results Report in due course
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	This Audit results report – 29 September 2021 Final Audit Results Report in due course
Auditors report	▶ Any circumstances identified that affect the form and content of our auditor's report	This Audit results report - 29 September 2021 Final Audit Results Report in due course
Fee Reporting	▶ Breakdown of fee information when the audit planning report is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work	Outline Audit Planning Report April 2021 and This Audit results report – 29 September 2021 Final Audit Results Report in due course

Management representation letter

NB This is an example letter – the final letter template will not be available until the work is complete

Management Representation Letter - draft

xx September 2021

Helen Thompson
Associate Partner
Ernst & Young LLP
Grosvenor House
Grosvenor Square
Southampton
SO15 2BE

This letter of representations is provided in connection with your audit of the financial statements of London Borough of Hillingdon Pension Fund ("the Fund") for the year ended 31 March 2021. 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 01 April 2020 to 31 March 2021 and of the amount and disposition of the Fund's assets and liabilities as at 31 March 2021, other than liabilities to pay pensions and benefits after the end of the period, have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

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 the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
2. We confirm that the Fund is a Registered Pension Scheme. We are not aware of any reason why the tax status of the scheme should change.
3. We acknowledge, as members of management of the Fund, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and the financial performance of the Fund in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and are free of material misstatements, including omissions. We have approved the financial statements.

Management representation letter

NB This is an example letter – the final letter template will not be available until the work is complete

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 the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/2021 that are 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 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 *as at the date of this report*.

B. Non-compliance with laws and regulations including fraud

1. We acknowledge that we are responsible for determining that the Fund's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing 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 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, its ability to continue, 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.
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

Management representation letter

NB This is an example letter – the final letter template will not be available until the work is complete

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.
4. We have made available to you all minutes of the meetings of Audit Committee and Pensions Committee (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].
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 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.
7. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.
8. 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 CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/2021
9. From the date of our last management representation letter through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, 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.

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.

E. Going Concern
3. Note [X] 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.

F. Subsequent Events
1. Other than the events described in Note [X] to the financial statements, there have been no events , including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

Management representation letter

NB This is an example letter – the final letter template will not be available until the work is complete

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and Annual Governance Statement within the Statement of Accounts, and the Pension Fund Annual Report.
2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Independence

1. We confirm that, under section 27 of the Pensions Act 1995, no members of the management of the Fund of the Scheme is connected with, or is an associate of, Ernst & Young LLP which would render Ernst & Young LLP ineligible to act as auditor to the Scheme.

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

1. The latest report of the actuary Hymans Robertson as at 31 March 2021 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 their report.

L. Estimates

1. We confirm that the significant judgments made in estimating the investment valuations and the IAS26 disclosure of Present Value of Promised Retirement Benefits (“the accounting estimates”) 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 accounting estimates.
3. We confirm that the significant assumptions used in making the accounting estimates appropriately reflect our intent and ability to carry out the specific courses of action on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21
5. We confirm that appropriate specialized skills or expertise has been applied in making the accounting estimates.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements, including due to the COVID-19 pandemic.

Yours faithfully,

Paul Whaymand – Corporate Director of Finance
Councillor Martin Goddard – Chairman of Pensions Committee

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London Borough of Hillingdon

DRAFT Statement of Accounts for the year to 31 March 2021

HILLINGDON
LONDON

www.hillingdon.gov.uk

London Borough of Hillingdon

Statement of Accounts for the year ended 31 March 2021

Contents	**Page**

Leader’s Statement

1. Leader’s Statement
Introduction by Councillor Ian Edwards, Leader of the Council

Welcome to Hillingdon’s Statement of Accounts for 2020/21, 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 2021.

The residents of this Council, its services and its finances have been significantly impacted by the COVID-19 pandemic during 2020/21. Despite this, the Council has continued to protect vulnerable residents and maintain services, whilst at the same time, improving financial resilience, increasing balances and putting the Council in a strong position for the future.

During the pandemic, the Council has supported residents by:

- Setting up a Community Support Hub helping with food shopping, working with H4All to deliver emergency food parcels, and providing regular telephone calls to support people feeling lonely and isolated.
- Further support has been provided to support vulnerable residents including help with daily living tasks, hot meals, support with rent payments and additional financial support offered to those struggling with their Council Tax.
- We have continued to maintain our parks and open spaces and ensure that measures are in place for these services to be used to support residents with both their physical and mental wellbeing.
- Hillingdon has embraced new technology, ranging from the Hillingdon Music Hub, which is delivering classes online, to the Council’s adult and community learning team alongside the Rural Activities Garden Centre creating free gardening video tutorials. Libraries have also seen a soar in demand for digital services.
- The Council also ensured vital decision making and democratic processes were able to adapt to the pandemic by running virtual Council meetings.
- The Council's waste and recycling service won the Best Team of the Year Award at the Local Authority Recycling Advisory Committee awards. The team was rewarded for their innovative work throughout the COVID-19 pandemic in keeping staff protected and maintaining weekly collections for residents.
- The Council also launched a COVID-19 contact tracing service in support of the NHS, as well as setting up locally organised asymptomatic testing using rapid tests supplied by the NHS.
- The Council also introduced COVID-19 marshals to remind residents and businesses what actions need to be taken to keep everyone safe.
- The Council has also supported local businesses by administering £59.8m of support payments made available through various Government schemes, wholly funded by Central Government.

Beyond the pandemic, the Council has also maintained frontline services to residents (national restrictions permitting), with an approach based on sound financial management and continuing to put residents first. The Hillingdon element of Council Tax was frozen for a fourteenth successive year for those aged over 65, whilst other residents saw an increase of 1.8 per cent, all while frontline services have been maintained despite declining government funding and an increasing demand for services from a growing population. In addition, the Council also levied the Social Care Precept at 2.0 per cent.

Leader’s Statement

Our people, our environment and our heritage continue to be at the heart of what we do, beyond the Council’s support during the pandemic other key achievements for the last financial year include:

- Works were completed on a new club house for Harlington Bowls Club in Pinkwell Park, Hayes, to attract more members, increase accessibility, whilst also supporting the health and wellbeing of residents.
- Eastcote town centre improvements won this year’s prestigious Institute of Civil Engineers (ICE) London People’s Choice award, which recognises civil engineering projects that are transforming lives of Londoners.
- Vyners School in Ickenham and Hillside Infant and Junior Schools in Northwood were shortlisted earlier this year for a Local Authority Building Control (LABC) Building Excellence Award following works undertaken at the schools as part of the Council’s expansion and improvement programme.
- Hillingdon has become the first local authority in London to achieve Disability Confident Leader status. The borough was awarded the status by the Department of Work and Pensions in April after successfully demonstrating a commitment to hiring and supporting disabled employees, and encouraging and supporting local businesses to also do this.
- For the eighth year running, Hillingdon achieved more Green Flags than any other local authority in the country, taking our total number to 60.
- Hillingdon are continuing to forge a reputation for attracting major schemes and developers to the borough and are working with businesses to boost investment and helping to create additional and more diverse job opportunities for local people.

This Statement of Accounts clearly demonstrates Hillingdon’s commitment to putting its residents first, which has led to a tremendous effort to support residents during the pandemic alongside avoiding the need to implement any cuts or reductions to frontline services, general balances of £28.5 million held and further earmarked reserves of £10.1m set aside to deal with the impact of COVID-19. This resilience means Hillingdon is in a strong position to meet the ongoing challenges of government funding constraints and growing demand as well as the ongoing financial impact of COVID-19.

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 2021. 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 2,642 staff, 3,011 inclusive of casual staff and has a population of around 306,900 (according to the 2021 Office of National Statistics). There is a growing proportion of young people, particularly of school-age children. Hillingdon is an ethnically diverse borough with 50.6% 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 40 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 and the wider economic environment continued through 2020/21, with the added pressure of supporting residents through a global pandemic. Councils are continuing to see central government funding decline over the medium-term, however Hillingdon was still able to successfully freeze Hillingdon's share of Council Tax for the over 65s for another year in 2020/21, 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 10% cheaper than neighbouring boroughs.

Despite the challenges faced by the Council, of the savings target of £6,386k, £4,024k are either banked in full or classed as 'on track for delivery', while £2,362k were covered by alternative measures during 2020/21, the percentage of savings banked is lower in 2020/21 due to the impact the pandemic has had on successfully delivering the saving programme. 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 2020/21 totalled £234m, 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. Significant changes in funding from 2019/20, include locally generated income from Council Tax and business rates, which were budgeted to grow by £6,432k as a result of tax base growth, with a further £5,678k of additional grant funding, however this was offset by a reduction in the benefit of the London Business Rates Pool of £5,735k as a result of the pool reverting back to a 50% retention model from the prior year rate of 75%.

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 £4.9m against planned expenditure budgets based on normal activities, this was reduced to a final underspend of £0.6m after the Council took the decision to transfer £4.3m to Earmarked Reserves, following a wider review of the Council's financial position. As a result, the planned drawdown of £6,334k from general balances was not needed in its entirety and balances decreased by a reduced £5,717k. The General Fund balance totalled £28.5m at year-end. Underspends across the Council were mainly driven by service areas forced to close due to the pandemic, all of which offset a number of pressures within the reported position.

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. Government supported the pilot pool in the Autumn Budget resulting in increased Business Rates income to Hillingdon in 2018/19 and 2019/20, with the value of the retention set at 75% for the year. Of the 75% retention, the Council retains 30%. Government confirmed the London pilot would cease to operate for 2020/21, however, the London local authorities agreed to operate a non-pilot retention pool, thereby maximising the top-up and tariff system across the capital for a third year covering 2020/21; this is at the standard retention rate of 50%. The impact of the pandemic on the rating list across the capital has led to a forecast of no benefit from pooling in 2020/21, for this reason, there will be no London Pool in 2021/22.

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

General Fund Services	Revised Budget £'000	Outturn £'000	Outturn Variance £'000
Finance	15,434	15,215	(219)
Social Care	127,125	127,004	(121)
Environment, Education & Community Services	16,190	15,089	(1,101)
Infrastructure, Building Services & Transport	35,342	34,388	(954)
Corporate Services	19,023	18,394	(629)
Directorate Operating Budgets	**213,114**	**210,090**	**(3,024)**
Development & Risk Contingency	13,657	12,536	(1,121)
Corporate Budgets	6,993	6,225	(768)
Unallocated Budget Items	520	520	0
Exceptional Items	0	4,300	4,300
Total Net Expenditure	**234,284**	**233,671**	**(613)**
Corporate Funding	(227,950)	(227,954)	(4)
Net Total	**6,334**	**5,717**	**(617)**

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	Outturn 2020/21 £'000	Service Allocation and Rounding £'000	EFA - Total Net Expenditure Charged to GF Balances £'000
Finance	15,215	1,456	16,671
Social Care	127,004	20,491	147,495
Environment, Education & Community Services	15,089	8,842	23,931
Infrastructure, Building Services & Transport	34,388	9,095	43,483
Corporate Services	18,394	1,200	19,594
Directorate Operating Budgets	**210,090**	**41,084**	**251,174**
Corporate Operating Budgets	6,225	(6,225)	0
Corporate Funding	(227,954)	(17,497)	(245,451)
Development and Risk Contingency	12,536	(12,536)	0
Unallocated Budget Items	520	(520)	0
Exceptional Items	4,300	(4,300)	0
Rounding	0	(6)	0
Outturn Total	**5,717**	0	**5,723**
Prior Year Drawdown	0	0	0
Total	**5,717**	**0**	**5,723**

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 overall call on its HRA general balances of £1.9m against the budgeted drawdown of £2.1m. As a result, HRA general balances total £15.2m at 31 March 2021 (£17.0m 31 March 2020). In addition, the HRA holds £12.8m in the major repairs reserve (MRR) (£15.2m 2019/20) to fund future capital works.

There have been 25 Right-to-Buy sales of Council dwellings as at the end of March 2021 (52 in 2019/20) 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 2020/21 totalled £68.8m (£106.4m in 2019/20) 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. The reduction in expenditure levels from 2019/20 was largely due to the impact of the Covid-19 pandemic.

An under spend of £48.5m is reported against the 2020/21 General Fund capital programme, consisting of £18.3m cost underspends and £30.2m re-phasing for various projects and programmes that are continuing into future years.

Investment during 2020/21 on the General Fund totalled £38.3m and HRA £30.5m. Significant investment included the expansion of Ruislip High School to increase the number of available school places. There was also significant spend on highways infrastructure and street lighting, the refurbishment of Yiewsley and West Drayton community centre and several libraries across the borough and the roll out of new car park pay and display machines. In 2020/21 the Council also continued design work on a major construction of a new leisure centre in West Drayton.

In 2020/21, new housing construction within the HRA is nearing completion at the former Willow Tree depot to provide 10 general needs housing units and is expected to be completed in 2021/22. A further £15.7m was invested in acquisitions of numerous properties to increase the number of available Council housing stock, and £12m was invested 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 this 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 2021, the Council holds £3.371m in equity in Hillingdon First Limited, an investment made in 2019/20. During 2020/21, further loans of £3.0m were made to Hillingdon First Limited, bringing the total of loans made as at 31 March 2021 to £6.8m.

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 cut the base rate to 0.1% in March 2020 and held it at that rate throughout 2020/21. The COVID-19 global pandemic dominated the UK economy for the 2020/21 financial year as lockdowns and various restrictions hampered economic activity in several sectors. This resulted in low levels being achieved in the short-term money markets where rates payable were only slightly 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 0.07% (0.65% 2019/20). 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 £754k excluding gains on strategic pulled funds.

The Council continued to utilise internal borrowing throughout the year to fund capital expenditure, however, some external borrowing was required during 2020/21 to ensure liquidity was maintained. No new PWLB debt was taken out and temporary local authority loans were taken out throughout the period, peaking at £100m (£65m in 2019/20) in March. The council continued its use of temporary borrowing because of changes to the Treasury Management Strategy to reflect the need to borrow from broader sources. While the government reversed its decision to raise the cost of PWLB loans by 1% in December 2020, temporary borrowing was available throughout the year and at more affordable levels. Over the year the Council's loan portfolio had an average rate of 2.66% (3.11% 2019/20). The portfolio increased by £18.8m as a result of an increase in temporary borrowing held over year end of £35m and £16.22m of naturally maturing longer term debt, leaving a balance at year-end of £327.67m (GF £159.60m, HRA £168.07m).

Change in Accounting Practice

There were no material changes to the 2020/21 Code resulting in any meaningful alteration in accounting policies. Updates to presentation and a heightened awareness of materiality with minor amendments in relation to non-current assets, employee benefits and financial instruments had no real impact for the Council. Updates on the audit approach and criteria for VFM will require additional information to be provided by the Council and a separate annual report to be provided by the external auditors. IFRS 16 Leases has been deferred until April 2022.

Property, Plant and Equipment

Profit on disposal of £6.41m has been recognised in the Comprehensive Income and Expenditure statement; of which £2.9m 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 2020/21 the General Fund had one material asset disposal of the Wordsworth Way Site for 1.07m. There were no academy transfers in 2020/21.

Within the HRA one of the housing blocks, which contained 41 units, remains decanted due to the concerns over the structural condition of the building. Remedial action has been ongoing throughout the year and is not yet complete. The asset value remains impaired to nil in the Balance Sheet until the structure is sound.

2.3 Non-Financial Performance

Environment

Hillingdon has been awarded more Green Flags than any other local authority for the eighth year running for its parks and open spaces. On Wednesday 14 October 2020, it was announced that the borough's total number of flags had increased to 60 (59 of which are maintained by the council), which is the most flags held both nationally and internationally. Fairway Recreation Ground, Stonefield Park and Field End Recreation Ground (South Ruislip ward), Highgrove Woods (Eastcote and East Ruislip ward) and Hale Field Park (Yiewsley ward) received a Green Flag award for the first time. The Green Flag Award scheme is considered the benchmark national standard for publicly accessible parks. Each space must meet stringent criteria, proving that they are clean, community-oriented and environmentally friendly.

In October 2020, the council invested £88k to acquire a further 30 acres of ancient semi-natural woodland in Ruislip Woods to manage and protect for future generations to enjoy.
The council worked with Ruislip Woods Trust to acquire the wood, which will become part of the council-owned Ruislip Woods National Nature Reserve (NNR). The nature reserve consists of 726 acres and constitutes 10 per cent of ancient, semi-natural woodland in Greater London. Regular maintenance work will be carried out by the council's green spaces team to ensure that members of the public can enjoy the walking routes around the area.

Eastcote town centre improvements have won this year's prestigious Institution of Civil Engineers (ICE) London People's Choice award, which recognises civil engineering projects that are transforming the lives of Londoners. The category

was voted for by the public in May, with the project receiving more than 4,000 votes for its innovative rain garden installation. The eco-friendly gardens, which are planted along Field End Road, use carefully chosen plants and shrubs that aid the natural flow of rainwater and prevent surface water flooding. The scheme is part of a wider council improvement programme in Eastcote.
The council, in partnership with the Canal & River Trust, has successfully transformed another section of towpath along the Grand Union Canal. The stretch, between West Drayton Bridge and Trout Road in West Drayton, has been reconstructed, re-surfaced and increased to two metres in width where possible. The new towpath is smoother, safer and more accessible for pedestrians and cyclists than the old muddy path. In addition, buff resin has been used to protect the surface of the tarmac and prolong its life expectancy to more than 15 years.

Leisure and Culture

The council has refurbished three play areas in the borough as part of its playground refurbishment programme. Outdated facilities were renovated at Napier Court, Yeading; Dawley Avenue, Botwell; and Sipson Meadow in Heathrow Villages to provide local children with new and modern equipment on which to play. The council invested £152,000 in new equipment for the three sites, which included swings, roundabouts, springers, a multi-play unit and play panels for children to enjoy.

During the summer of 2020, the council introduced a new booking and solar powered entry access system for Churchfield Gardens tennis courts, Ruislip. The system will enable residents to easily book a free session online. The gates are passcode-enabled, environmentally friendly and make the site more secure by preventing misuse and anti-social behaviour.

A special event was held at Barra Hall Park on Friday 24 July 2020 to mark the completion of £165k improvement works at the site. The bandstand was originally built in 1928 by notable iron manufacturers Hill and Smith of Dudley. The cast ironwork frame was sandblasted and redecorated, and the steel roof wire brushed and sanded by hand. The EMI memorial benches in the park, commemorating the women working in EMI who died in an air raid during World War Two, have also been refurbished with new bases. The distinctive formal garden arches have been sandblasted and repainted, and a zip wire for older children and basket swing have been added to the playground.

Following the refurbishment of Ruislip Manor Library at the end of 2019, Harefield and Charville libraries have also benefited from our new £3m investment programme. Fifteen of the borough's libraries will be refurbished and two rebuilt. Each aims to follow the same design principles to ensure a consistent look and feel. Harefield and Charville now have a new-look, open-plan interior with distinct zones, highlighting that each area has a different use. The zones have been created through a varied colour palette of pinks, blues, greys and a warm white, and contrasting materials or features, such as carpets, vinyl flooring, different types of lighting, slatted timber and acoustic panels.

A total of £106k was allocated to the refurbishment of Browngraves Road playground in Heathrow Villages and Moorhall Recreation Ground playground in Harefield. Both playgrounds reopened in July with COVID-19 guidelines in place. The refurbished facilities cater for children of a range of ages and abilities, and new equipment includes swings for toddlers and older children, a basket swing, a multi-play climbing frame with a slide, spring items, a roundabout and play panels.

A total of £40k has been spent by the council on works to restore Ickenham Pond. In November 2020, excavation works were undertaken to remove the dominating plants, roots and stems to create more space for water to drain from the nearby road. Coir rolls and blankets were also installed around the pond's border to help prevent erosion and support its slopes. The pond was replanted with native wetland plants and wildflower seeds such as purple loosestrife, yellow flags and corn marigolds.

Schools & Children's Services

A number of council teams, led by Children's Services, have been commended for working together to improve the life chances of disadvantaged families in the borough, according to a report published by the Ministry of Housing, Communities and Local Government in June 2020.

The Children's Rights and Participation team held this year's Kids in Care Awards (KICA) virtually. The annual celebration, which happened on Monday 30 November 2020, recognises young people in care who have overcome difficult circumstances to make an outstanding achievement in their lives. The team received 344 nominations for 286 young people across various categories, including 'Inspirational Role Model' and 'Positive Change and Enthusiasm'. Virtual school officers, social workers and personal advisors in the Young People's team worked together with senior officers in Children's Services, to produce a dedicated video offering congratulations to all the nominees.

Social Care

Social Care teams continue to work closely with care home providers to help control the spread of the virus by ensuring that infection reduction procedures are followed, and that financial support is available. Due to the restrictions, visitors can only go into care homes in exceptional circumstances. However, staff are working extremely hard to facilitate various forms of contact with families, including window or outdoor visits, ‘bubble’ visits and the use of technology for face-to-face communications to keep people connected. Supporting older people and those with care needs is a key priority for our Social Care teams. Personal protective equipment continues to be regularly distributed to care providers, and they have been ensuring they have enough stock. Social Care teams are also ensuring that patients are safely discharged from hospital at the appropriate time helping to alleviate pressure on the NHS. The teams have also made flats available for rehabilitation and isolation care for recovering patients.

Protecting Residents

May 2020 saw the launch of the Violence Suppression Unit, a dedicated taskforce of officers that will focus on our hotspots to continue our reduction in violence. These are additional officers to the borough, part of our uplift. They will be assisted by the drugs focus desk, a model that has now been rolled out throughout London, such is the impact it has had on crime, with a 55 per cent increase in charges for possession with intent.

The council introduced COVID-19 marshals in November 2020 to assist the public as part of an ongoing effort to slow the spread of coronavirus and remind residents and businesses what actions are needed to help keep everyone safe. The marshals have been busy patrolling areas throughout the borough to help drive down infection rates by raising awareness of the government restrictions in place. They have also been explaining how the public should comply with COVID-19 public health measures such as social distancing, using face coverings and hand washing. Since January 2021, licensing and environmental health and regulatory officers have carried out more than 2,109 visits to businesses across the borough to ensure they are COVID compliant, and 166 warnings have been issued for breaches of regulations.

People Resources

The Council is continuing to recruit and develop existing staff onto apprenticeship programmes across a range of services and has increased its numbers from the previous year (93), with 133 apprentices across the Council in 2020/21. Hillingdon, again made significant progress and has exceeded the Government set Public sector apprenticeship target.

2.4 Risks and Opportunities

With pressure on resources available 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 2020/21 to assess efficiencies and potential changes in ways of working, formed the basis of the MTFF for 2021/22 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 development and risk contingency provisions into its budget to provide for areas of expenditure where there is a greater degree of uncertainty or are subject to demographic pressures. In 2020/21, the Council utilised this budget resource for Impact of Welfare Reform on Homelessness; Waste disposal Levy, and Social Care demographic pressures. The Council has provided for a headline provision of £17.4m development and risk contingency in 2021/22 (£16.7m in 2020/21).

2.5 Looking Ahead – Strategy and Resource allocation

Looking into the medium financial outlook, the underlying savings requirement is driven primarily by inflation; demand-led pressures managed through contingency, and capital financing costs. An uplift in funding is projected over this period as a result of steady growth in the Council Tax base alongside steady growth within Retained Business Rates. Following

the 2020 Spending Review, the Council's grant funding from Central Government grew by £237k in to 2021/22, but a level of uncertainty exists within this funding stream following confirmation that this was a one-year settlement.
The combined effect of the medium-term forecast position is a headline savings requirement of £39.8m over the next three years, which represents a challenge on a similar scale to the £39.1m of pressures managed over the period from 2018/19 to 2020/21. In contrast to the previous three 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, partially mitigated through continuation of the increased government support from 2021/22 onwards.

The budget for 2021/22 includes releasing £3.4m across 2021/22 and 2022/23 from general balances to enable part of the savings requirement to be profiled into future years. This would still leave sufficient general balances, above the recommended minimum level available, to manage emerging risks.

A cumulative deficit of £25.4m is shown in the accounts on the retained element of the Schools Budget at 31 March 2021; there is the potential for this to rise to £32.9m by 31 March 2022. 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. In light of the systemic nature of this risk, the Council's Medium Term Financial Strategy has been developed on the assumption that Government will ultimately provide adequate funding to support implementation of the 2014 Act and therefore bring the Schools Budget back into balance – both locally and nationally.

Based on the current medium-term outlook, there is a residual savings requirement of £33.5m over the period to 2023/24. Some of this savings requirement has been established through expected funding increases, predominantly within Council Tax, leaving a remaining budget gap of £12.8m still to be identified. Given the size of the budget gap going forward and the fact that savings delivery has been significantly impacted by the pandemic, delivery will need to be stepped up going forward. This will include the 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 2021/22 to 2025/26 has an approved budget of £343m, with £167m 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 Secondary Schools Expansion project, a new leisure centre; 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; demand-led pressures managed through contingency, 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, predominantly driven by an increase in the Business Rates multiplier in line with inflation. This increase in funding however, is not guaranteed, particularly with the uncertainty in the increase in the taxbase for Council Tax and the stability of the Business Rates rating list driven by uncertainty in the sector due to COVID-19, 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.
The Council working with its partners is committed to doing what is necessary to reduce the likelihood of further outbreaks of Covid-19 and protect residents from the virus.

The additional costs of Covid-19 totalled £33.4m by 31 March 2021 in relation to the Council's response to the pandemic, with £31.5m of this falling within 2020/21. With the pandemic continuing and local authorities at the forefront of delivering support to residents, it is expected that this pressure will continue into the new financial year. Government funding for the pandemic has totalled £39.4m to date and therefore is sufficient to cover this pressure, with some grant schemes confirmed as continuing into 2021/22 and will be closely monitored throughout the new financial year.

2.7 Statements within the accounts

General

As a result of COVID-19 and in-year funding arranges agreed by Central Government, there are number of large balance sheet movements shown in the 2020/21 year-end position. One of the largest contributors filtering through into inflated positions relates to the funding mechanism associated with the Collection Find and the timing difference attached to the application of the Retail Relief Grant. This has contributed to the Hillingdon Share within the Collection Fund showing a deficit of circa £30m for the Hillingdon share and £80m relating to the shares for the Ministry of Housing Communities and Local Government and the Greater London Authority. An element of the grant in held in Earmarked grants and will be applied to offset the deficit in the Collection Fund next year. The balance of the grant sits in debtors to be paid on account and due to the Collection Fund process also sits within creditors to be then paid back to MHCLG. Other large grants attributable to the Business Energy and Industry Strategy also inflate this position.

This year also saw the formal valuation of the Housing Stock which has had a large upward impact on the PPE element of the balance sheet.

As always, any minor movement in the underlying IAS19 pension assumptions results in a large swing in the overall deficit position. For 2020/21 increases in the pension and salary increase rate along with a reduction in the discount rate, have all contributed to an overall detrimental impact and increase in the liability.

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 department. 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 £9.8m (£80.7m deficit 2019/20) on the provision of services for 2020/21. Of this, a deficit of £64.3m relates to General Fund balances and a surplus of £24.2m relates to the Housing Revenue Account. Additional reserve movements, including earmarked and schools shows an overall contribution of £30.3m.

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 increased by £33.8m from £129.3m in 2019/20 to £163.1m in 2020/21. Within this movement there were deceases in General Fund and HRA balances of £5.7m and £1.9m respectively. There was an increase in Earmarked reserves' (excluding Schools' reserves) of £26.5m. The main allocation relates to grants received to support business rates relief which are due to be applied through the Collection Fund (see below) in future years. In addition, following the introduction of the DSG statutory override in November 2020 and subsequent guidance (see below) £15.0m of negative reserves were transferred to unusable reserves.

Other movements included a drawdown of the Major Repairs Reserve of £2.4m and £2.8m being applied from the Capital Receipts Reserve. There was also a £1.3m contribution to the Capital Grants Unapplied Reserve.
Unusable reserves decreased from £972.3m in 2019/20 to £783.7m in 2020/21, mainly due to the upwards movement in property values to the Revaluation Reserve of £50.9m and increase in the Pension Fund liability of £221.4m reflected in the pensions reserve reducing by the same amount. There were also large movements in the Capital Adjustment Account of £44.5m mainly due to capital financing exceeding expenditure and the Collection Fund Adjustment Account of £35.6m mainly attributable to the announcement by the Chancellor to offer 100% discount for the retail industry against their business rates liability. This will be unwound in future years through the precept mechanism. An element of the funding to offset this is being held in Earmarked reserves due to the timing difference of the application.

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 2020/21 were £58.6m within the General Fund, adjusting the General Fund position for Council Tax purposes to a deficit of £5.7m.

Dedicated Schools' Reserve – New Regulations

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.

Through an opening balance adjustment, the Council has transferred the 31 March 2020 negative reserve balance of £15.0m from Earmarked Reserves, within Usable Reserves, into the new Dedicated Schools Grant Adjustment Account, within Unusable Reserves. For the year ending 31 March 2021, the in-year deficit of £10.3m has been transferred through 'adjustments between funding and accounting under regulations' onto the Dedicated Schools Grant Adjustment Account.

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 2020/21 was £946.9m (£1,101.6m in 2019/20). The largest items within the Balance Sheet consist of long-term assets valued at £2,008.3m, net pension liabilities of £739.4m and long-term borrowing of £267.3m. The main contributors to the movement came from the increase in pension liabilities, offset somewhat with 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 2021 the Council has £28.5m General Fund balances and £67.7m 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 2020/21 of £25.8m.

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 2020/21 on HRA services of £24.2m (£14.1 deficit in 2019/20) mainly attributable to the reversal of previous revaluation and impairment losses.

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 deficit was £1.9m in 2020/21, after adjustments made in the Statement of Movement on the HRA Balance and transfers to the Major Repairs Reserve (deficit of £1.2m in 2019/20).

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 deficit of £3.7m is reported on Council Tax with a carried forward deficit of £4.1m.

An in-year deficit of £110.2m is reported on Business Rates, increasing the deficit on the bought forward balance on NNDR to £112.2m.

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. 78% 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.

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 2021 and its income and expenditure for the year then ended.

Paul Whaymand
Corporate Director of Finance
29 September 2021

Audit Committee Certificate for the Approval of the Accounts
I confirm that these accounts were considered and approved by the Audit Committee at the meeting held on 29 September 2021.

Signed on behalf of London Borough of Hillingdon
AUDIT COMMITTEE
29 September 2021

Independent Auditor's Report

TO UPDATE ON CONCLUSION OF THE AUDIT

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 2020/21 financial year and its position as at the year-end of 31 March 2021. 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 2019/20 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 Covid-19.

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 £4.9m against planned expenditure budgets before transfers to reserves. A review of the Council's wider financial position taken in the context of the COVID impact informed a transfer of £4.3m to Earmarked reserves leaving a net underspend of £0.6m and General Fund balances at £28.5m at year end slightly above the original 2020 budget strategy level of £27.9m. In overall terms total reserves were £3.1m higher at outturn than the February 2021 budget strategy.

The Council closely monitored the impact of COVID-19 throughout 2020/21 and continues to do so during 2021/22 as the lifting of restrictions has commenced. At the time of publication of these Statement of Accounts In the latest forecast of the 2021/22 financial position General Fund pressures totalling £14.2m are projected in relation to the impacts of the Covid-19 pandemic. Funding through specific Covid-19 grants and the MHCLG scheme to cover 75% of income losses is expected to total £17.0m by 30 June 2021 including grant money carried forward from 2020/21, currently the funding past June 2021 has not been confirmed. The Council continues to maintain an Earmarked Reserve of £10.1m to manage any further demands and risks exceeding government funding. The Council's budget strategy included a release of £3.9m from this balance to offset the medium-term pressures impacting on retained Business Rates from the pandemic. As outlined in the financial performance extract the Council has funded the additional costs of Covid-19 during 2019/20 and 2020/21 within previous government funding and has not needed to drawdown specific reserves. There remains a degree of uncertainty over both the extent and duration of the impact of the pandemic the Council's financial position and the wider community. This financial impact 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 Covid-19 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 Operational 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 £10 million in liquid cash and deposits at 31 March 2021 through to 31 March 2022. 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 two working days. The latest forecast of the borrowing position at 31 March 2021 is £115 million increasing to £215 million by 31 March 2022. 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 the February 2021 budget projections and a strategy is in place to secure all required borrowing over the medium-term.

It is therefore noted that there is significant headroom within the General Fund to absorb the estimated financial impact of Covid-19 in the short to medium-term with the Council proactively managing its financial position to make provision for actual and potential risks. 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.

Statement of Accounting Policies

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:

- Infrastructure assets, community assets and assets under construction are included in the balance sheet at depreciated historical cost.
- 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 and machinery has 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.

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 or 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 Ministry of Housing, Communities and Local Government to finance costs associated with service transformation.

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 Councils 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.

During the period 1 April 2016 to 31 March 2022 the Council are allowed under Guidance published by MHCLG to flexible use of capital receipts on areas of revenue cost to reform 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)

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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.

REVENUE

8. 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.

9. 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.

10. 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.

11. 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.

12. 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.

13. 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)

14. 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.

Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area. CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the 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.

15. Inventories and Work in Progress

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

16. 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 Councils balance sheet under Property, Plant and Equipment.

17. 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.

18. 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.

19. 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.

20. 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.

Provision for bad and doubtful debts

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 a provision for bad debts 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.

21. 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.

22. 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.

23. 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.

24. 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.

25. 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.

26. 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.

27. 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.

28. 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.

29. 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 2021 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.	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 £2.6m for every year that useful lives had reduced.
	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.	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 will not correlate with normal market conditions; however, a 1% movement in asset values would move the Council's balance sheet position by £20m.
	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 main area of risk would be the Council's Investment Properties which have a total value of £4.9m and represent a small proportion of the total fixed assets value.

Fair Value Measurements	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities. Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value. Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities are disclosed in the relevant sections within the accounts.	Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the authority's financial assets and liabilities.
Provisions	Provisions are defined as probable future liabilities based on past events and there are therefore inherent uncertainties related to provisions that have been made and the amounts set aside.	If future liabilities exceed the amounts set aside, the additional amounts would have to be met from the Council's revenue account.
Arrears	Provisions have been made for debt owed to the Council for which payment may not be received. The Council reviews its basis for calculating doubtful debts and impairments making the current levels appropriate. However, particularly in the current economic climate, it is not certain that allowances made would be sufficient.	Any deterioration in the collection rates may lead to a larger number of debtors not being able to pay the Council than already provided for. These would have to be written off to reduce the balance of outstanding debt and be charged to the Comprehensive Income and Expenditure Statement.
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 2021 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.	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. Any impact on the liabilities relating to COVID-19 will be reflected within the regular triennial valuation and the effect will be absorbed into the 20-year long-term funding strategy.

30. 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 2021 for 2020/21). Disclosure requirements are expected to be included in a subsequent edition of the Code. Changes in the 2021/22 Code of practice that will be introduced in future versions of the accounts include :–

- Definition of a Business: Amendments to IFRS3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS7
- Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS16.

Statement of Accounting Policies

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 2022.

Main Financial Statement

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 2019/20 Published Accounts (page 37)
This note provides an overview of changes to the Financial Statements from the published Statement of Account in 2019/20 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 (page 38)
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 (page 40)
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 (page 41)
This sets out the assets and liabilities of the Council as at 31 March 2021 but excludes the assets and liabilities of pension and trust funds.

Movement in Reserves Statement (page 42)
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 (page 45)
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 (page 46)
A selection of notes provided to support the information in the main financial statements with additional detail of movement breakdown and analysis.

Restatement of 2019/20 Published Accounts

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 2020/21 Statement of Accounts the Council structure has altered with certain service departments now reporting to different directorates. As such the statement below shows the movement of funding used to provide services relating to the General Fund, from the originally published 2020/21 Statement of Accounts to the new Council structure.

The reported outturn position to Cabinet in 2020 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 2021, for the opening EFA position. The EFA then shows how these figures feed through to the Comprehensive Income and Expenditure Statement.

Council Structure as per 2019/20 Statement of Accounts	**Published EFA - Total Net Expenditure Charged to GF & HRA Balances £'000**	**Restated as per Council Structures 31 March 21 £'000**	**Restated EFA - Charged to GF & HRA Balance Total Net Expenditure £'000**
Corporate Budgets	951	Corporate Budgets	938
Finance	20,276	Finance	20,094
Social Care	121,423	Social Care	131,513
Chief Executive's Office	8,180	Environment, Education and	30,462
Residents Services	108,113	Infrastructure, Building Services	48,692
		Corporate Services	27,244
Total General Fund	**258,943**	**Total General Fund**	**258,943**
School Budget	8,280	School Budget	8,280
HRA	15,289	HRA	15,289
Total Other Funds	**23,569**	**Total Other Funds**	**23,569**
Net Cost of Services	**282,512**	**Net Cost of Services**	**282,512**

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.

	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
2020/21					
General Fund	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Corporate Budgets	(245,451)	21,447	(22,873)	249,738	2,861
Finance	16,671	2,210	1,100	0	19,981
Social Care	147,495	4,906	(2,584)	(38,014)	111,803
Environment, Education & Community Services	23,931	16,662	(2,048)	(230)	38,315
Infrastructure, Building Services & Transport	43,483	9,942	(454)	(303)	52,668
Corporate Services	19,594	1,502	554	0	21,650
Total General Fund	**5,723**	**56,669**	**(26,305)**	**211,191**	**247,278**
Other Funds					
Schools Budget	(3,813)	12,196	0	(29)	8,354
Housing Revenue Account	1,874	(25,060)	(224)	(6,762)	(30,172)
Total Other Funds	**(1,939)**	**(12,864)**	**(224)**	**(6,791)**	**(21,818)**
Net Cost of Services	**3,784**	**43,805**	**(26,529)**	**204,400**	**225,460**
Other Income and Expenditure on the Provision of Services	0	(11,220)		(204,400)	(215,620)
(Surplus)/Deficit on Provision of Services	**3,784**	**32,585**	**(26,529)**	**0**	**9,840**

Movement in Balances 2020/21	**£'000**
Opening General Fund and HRA Balance	87,491
General Fund Declared Deficit	(5,723)
Prior Year Drawdown	0
General Fund Surplus	(5,723)
HRA Deficit	(1,874)
Schools Reserve Movements	3,813
Other Earmarked Reserve Movements	26,529
Transfer to Dedicated Schools Grant Adjustment Account	15,002
Closing General Fund and HRA Balance at 31 March 2021	**125,238**

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.

2019/20	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**
Corporate Budgets	(214,669)	(2,871)	(5,463)	223,941	938
Finance	15,720	2,761	1,613	0	20,094
Social Care	134,566	9,543	3,103	(15,699)	131,513
Environment, Education & Community Services	18,819	28,807	328	(17,492)	30,462
Infrastructure, Building Services & Transport	34,997	14,503	(524)	(284)	48,692
Corporate Services	17,947	9,177	120	0	27,244
Total General Fund	**7,380**	**61,920**	**(823)**	**190,466**	**258,943**
Other Funds					
Release PY	(1,276)				
Outturn	**6,104**				
Schools Budget	7,647	663	0	(30)	8,280
Housing Revenue Account	1,185	21,328	0	(7,224)	15,289
Total Other Funds	**8,832**	**21,991**	**0**	**(7,254)**	**23,569**
Net Cost of Services	**16,212**	**83,911**	**(823)**	**183,212**	**282,512**
Other Income and Expenditure on the Provision of Services	0	(18,633)	0	(183,212)	(201,845)
(Surplus)/Deficit on Provision of Services	**16,212**	**65,278**	**(823)**	**(0)**	**80,667**

Movement in Balances 2019/20	**£'000**
Opening General Fund and HRA Balance	102,880
General Fund Declared Deficit	(6,104)
Prior Year Drawdown	(1,276)
General Fund Surplus	(7,380)
HRA Deficit	(1,185)
Schools Reserve Movements	(7,647)
Other Earmarked Reserve Movements	823
Closing General Fund and HRA Balance at 31 March 2020	**87,491**

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 2021			31 March 2020		
		Expenditure	Income	Net Expenditure	Expenditure (Restated)	Income (Restated)	Net Expenditure (Restated)
	Note	£'000	£'000	£'000	£'000	£'000	£'000
EXPENDITURE ON SERVICES							
Corporate Budgets		109,658	(106,797)	2,861	117,127	(116,189)	938
Finance		22,918	(2,937)	19,981	22,666	(2,572)	20,094
Social Care		231,117	(119,314)	111,803	222,904	(91,391)	131,513
Environment, Education & Community Services		64,329	(26,014)	38,315	73,174	(42,712)	30,462
Infrastructure, Building Services & Transport		64,289	(11,621)	52,668	64,418	(15,726)	48,692
Corporate Services		24,566	(2,916)	21,650	29,117	(1,873)	27,244
Schools Budget		191,446	(183,092)	8,354	186,948	(178,668)	8,280
Housing Revenue Account		33,506	(63,678)	(30,172)	76,934	(61,645)	15,289
NET COST OF SERVICES		741,829	(516,369)	**225,460**	793,288	(510,776)	**282,512**
Other Operating Expenditure	*6*	1,984	0	1,984	4,810	0	4,810
Net loss/(gain) on disposal of non-current assets		0	(6,768)	(6,768)	0	(6,711)	(6,711)
Net Financing and Investment Income and Expenditure	*7*	20,994	(2,891)	18,103	25,639	(801)	24,838
Taxation and Non-Specific Grant Income	*8*	0	(228,939)	(228,939)	0	(224,782)	(224,782)
Other Income and Expenditure on the Provision of Services		22,978	(238,598)	**(215,620)**	30,449	(232,294)	**(201,845)**
(SURPLUS)/DEFICIT ON PROVISION OF SERVICES		**764,807**	**(754,967)**	**9,840**	**823,737**	**(743,070)**	**80,667**
(Surplus)/Deficit on revaluation of Property, Plant and Equipment assets				(57,293)			(29,702)
Actuarial (gain)/loss on pension assets and liabilities	*43*			202,196			(131,219)
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE				**154,743**			**(80,254)**

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 2021 £'000	31 March 2020 £'000
Property, Plant & Equipment	*9*	1,975,299	1,888,330
Heritage Assets	*9*	5,629	5,376
Intangible Assets	*9*	2,006	2,424
Investment Properties	*9*	4,929	5,526
Long Term Investments	*14*	19,220	17,098
Long Term Debtors	*17*	1,205	864
LONG TERM ASSETS		**2,008,288**	**1,919,618**
Inventories		0	297
Short Term Debtors	*15*	158,902	56,975
Short Term Investments	*14*	8,132	4,759
Cash and Cash Equivalents	*20*	55,789	30,032
Assets Held for Sale	*9*	40	629
CURRENT ASSETS		**222,863**	**92,692**
Short Term Provisions	*21*	(6,832)	(4,995)
Short Term Borrowing	*14*	(51,938)	(82,366)
Short Term Creditors	*18*	(194,651)	(67,283)
CURRENT LIABILITIES		**(253,421)**	**(154,644)**
Long Term Provisions	*21*	(1,234)	(1,007)
Deferred Credits		(2)	(4)
Long Term Borrowing	*14*	(267,259)	(218,047)
Long Term Creditors	*19*	(3,808)	(3,891)
Capital Grant Receipts in Advance	*34*	(18,868)	(14,593)
Deferred Liabilities	*36*	(318)	(563)
Net Liabilities Related to Defined Benefit Pension Schemes	*44*	(739,389)	(517,966)
LONG TERM LIABILITIES		**(1,030,878)**	**(756,071)**
NET ASSETS		**946,852**	**1,101,595**
Usable Reserves		163,143	129,337
Unusable Reserves	*22*	783,709	972,258
TOTAL RESERVES		**946,852**	**1,101,595**

Paul Whaymand
Corporate Director of Finance
29 September 2021

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.

Through an opening balance adjustment, the Council has transferred the 31 March 2020 negative reserve balance of £15.0m from Earmarked Reserves, within Usable Reserves, into the new Dedicated Schools Grant Adjustment Account, within Unusable Reserves. For the year ending 31 March 2021, the in-year deficit of £10.3m has been transferred through ‘adjustments between funding and accounting under regulations’ onto the Dedicated Schools Grant Adjustment Account.

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 2020		**34,240**	**36,176**	**17,075**	**15,228**	**3,358**	**23,260**	**129,337**
Reporting of Schools Budget Deficit to new adjustment account 1 April 2020		**0**	**15,002**	**0**	**0**	**0**	**0**	**15,002**
Restated Balance as at 1 April 2020		**34,240**	**51,178**	**17,075**	**15,228**	**3,358**	**23,260**	**144,339**
Total Comprehensive Income & Expenditure		(64,340)	30,342	24,158	0	0	0	**(9,840)**
Adjustments between accounting basis & funding basis under regulations	*4*	58,617	0	(26,032)	(2,444)	1,255	(2,752)	**28,644**
Increase/(Decrease) in Year		**(5,723)**	**30,342**	**(1,874)**	**(2,444)**	**1,255**	**(2,752)**	**18,804**
Balance at 31 March 2021		**28,517**	**81,520**	**15,201**	**12,784**	**4,613**	**20,508**	**163,143**

Page 150

	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 2019		**41,620**	**43,000**	**18,260**	**31,878**	**3,164**	**27,834**	**165,756**
Total Comprehensive Income & Expenditure		(59,743)	(6,824)	(14,100)	0	0	0	**(80,667)**
Adjustments between accounting basis & funding basis under regulations	*4*	52,363	0	12,915	(16,650)	194	(4,574)	**44,248**
Increase/(Decrease) in Year		**(7,380)**	**(6,824)**	**(1,185)**	**(16,650)**	**194**	**(4,574)**	**(36,419)**
Balance at 31 March 2020		**34,240**	**36,176**	**17,075**	**15,228**	**3,358**	**23,260**	**129,337**

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 2020		**510,085**	**988,715**	**(286)**	**(517,966)**	**(1,677)**	**(5,265)**	**0**	**(1,348)**	**972,258**
Reporting of Schools Budget Deficit to new adjustment account 1 April 2020		**0**	**0**	**0**	**0**	**0**	**0**	**(15,002)**	**0**	**(15,002)**
Restated Balance as at 1 April 2020		**510,085**	**988,715**	**(286)**	**(517,966)**	**(1,677)**	**(5,265)**	**(15,002)**	**(1,348)**	**957,256**
Total Comprehensive Income & Expenditure		57,293	0	0	(202,196)	0	0	0	0	**(144,903)**
Adjustments between accounting basis & funding basis under regulations	*4*	(6,343)	44,516	28	(19,227)	(35,567)	(3,326)	(10,383)	1,658	**(28,644)**
Increase/(Decrease) in Year		**50,950**	**44,516**	**28**	**(221,423)**	**(35,567)**	**(3,326)**	**(10,383)**	**1,658**	**(173,547)**
Balance at 31 March 2021		**561,035**	**1,033,231**	**(258)**	**(739,389)**	**(37,244)**	**(8,591)**	**(25,385)**	**310**	**783,709**

	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 2019		**487,084**	**989,921**	**(318)**	**(616,690)**	**293**	**(4,549)**	**0**	**(156)**	**855,585**
Total Comprehensive Income & Expenditure		29,702	0	0	131,219	0	0	0	0	**160,921**
Adjustments between accounting basis & funding basis under regulations	*4*	(6,701)	(1,206)	32	(32,495)	(1,970)	(716)	0	(1,192)	**(44,248)**
Increase/(Decrease) in Year		**23,001**	**(1,206)**	**32**	**98,724**	**(1,970)**	**(716)**	**0**	**(1,192)**	**116,673**
Balance at 31 March 2020		**510,085**	**988,715**	**(286)**	**(517,966)**	**(1,677)**	**(5,265)**	**0**	**(1,348)**	**972,258**

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	2020/21 £'000	2019/20 £'000
Net deficit on the provision of services	*23*	9,840	80,667
Adjust net (surplus) on the provision of services for non cash movements	*23*	(87,211)	(131,121)
Adjust for items in the net deficit on the provision of services that are investing or financing activities	*23*	(58,369)	44,894
Net cash flows from operating activities	*23*	(135,740)	(5,560)
Net cash flows from investing activities	*24*	44,293	56,930
Net cash flows from financing activities	*25*	65,690	(33,900)
(Increase)/Decrease in cash and cash equivalents		**(25,757)**	**17,470**
Cash and cash equivalents at the beginning of the reporting period		**(30,032)**	**(47,502)**
Cash and cash equivalents at the end of the reporting period		**(55,789)**	**(30,032)**

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.

2020/21	**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**
Corporate Budgets	(14,427)	380	35,494	21,447
Finance	1,390	656	164	2,210
Social Care	54	2,486	2,366	4,906
Environment, Education and Community Services	11,174	1,269	4,219	16,662
Infrastructure, Building Services and Transport	8,037	982	923	9,942
Corporate Services	360	914	228	1,502
Schools Budget	0	160	12,036	12,196
Housing Revenue Account	(16,378)	394	(9,076)	(25,060)
Net Cost of Services	**(9,790)**	**7,241**	**46,354**	**43,805**
Other Income & Expenditure on the Provision of Services from the Expenditure and Funding Analysis	(22,887)	12,583	(916)	**(11,220)**
Difference between General Fund surplus or deficit and CIES (Surplus) or Deficit on the Provision of Services	**(32,677)**	**19,824**	**45,438**	**32,585**

2019/20	**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**
Corporate Budgets	(5,440)	625	1,944	(2,871)
Finance	673	1,588	500	2,761
Social Care	674	5,986	2,883	9,543
Environment, Education and Community Services	13,061	3,250	12,496	28,807
Infrastructure, Building Services and Transport	9,367	2,194	2,942	14,503
Corporate Services	5,400	2,475	1,302	9,177
Schools Budget	0	426	237	663
Housing Revenue Account	28,121	922	(7,715)	21,328
Net Cost of Services	**51,856**	**17,466**	**14,589**	**83,911**
Other Income & Expenditure on the Provision of Services from the Expenditure and Funding Analysis	(39,263)	15,029	5,601	**(18,633)**
Difference between General Fund surplus or deficit and CIES (Surplus) or Deficit on the Provision of Services	**12,593**	**32,495**	**20,190**	**65,278**

(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 NNDR 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.

2020/21	Precepts and Levies	Interest Payable	Interest Receivable	Taxation & Non Specific Grant Income (excl. Capital)	Transfers	Total Adjustments
	£'000	£'000	£'000	£'000	£'000	£'000
Corporate Budgets	(813)	(2,298)	780	212,819	39,250	249,738
Finance	0	0	0	0	0	0
Social Care	0	0	15		(38,029)	(38,014)
Environment, Education and Community Services	0	(327)	0	0	97	(230)
Infrastructure, Building Services and Transport	0	0	0	0	(303)	(303)
Schools Budget	0	0	0	0	(29)	(29)
Housing Revenue Account	0	(5,785)	9	0	(986)	(6,762)
Net Cost of Services	**(813)**	**(8,410)**	**804**	**212,819**	**0**	**204,400**

2019/20	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
Corporate Budgets	(584)	(2,154)	484	192,228	33,967	223,941
Finance	0	0	0	0	0	0
Social Care	0	0	23	0	(15,722)	(15,699)
Environment, Education and Community Services	0	(421)	0	0	(17,071)	(17,492)
Infrastructure, Building Services and Transport	0	(36)	0	0	(248)	(284)
Schools Budget	0	0	0	0	(30)	(30)
Housing Revenue Account	0	(6,622)	294	0	(896)	(7,224)
Net Cost of Services	**(584)**	**(9,233)**	**801**	**192,228**	**0**	**183,212**

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 2020/21	Fees charges and other service income	Interest Receivable	Depreciation	Interest Payable
	£'000	£'000	£'000	£'000
Corporate Budgets	247	(780)	0	2,298
Finance	(451)		0	0
Social Care	(11,791)	(15)	0	0
Environment, Education and Community	(15,152)	0	0	0
Infrastructure, Building Services and Transport	(11,281)	0	0	0
Corporate Services	(882)	0	0	327
Schools Budget	(5,145)	0	0	0
Housing Revenue Account	(63,678)	(9)	11,046	5,785
Net Cost of Services	**(108,133)**	**(804)**	**11,046**	**8,410**

Segmental Income & Expenditure 2019/20	Fees charges and other service income (Restated)	Interest Receivable (Restated)	Depreciation (Restated)	Interest Payable (Restated)
	£'000	£'000	£'000	£'000
Corporate Budgets	379	(484)	0	2,154
Finance	(1,759)	0	0	0
Social Care	(13,700)	(23)	0	0
Environment, Education and Community	(17,303)	0	0	421
Infrastructure, Building Services and Transport	(14,692)	0	0	36
Corporate Services	(1,239)	0	0	0
Schools Budget	(9,125)	0	0	0
Housing Revenue Account	(61,645)	(294)	10,781	6,622
Net Cost of Services	**(119,084)**	**(801)**	**10,781**	**9,233**

3. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

	2020/21	2019/20
Expenditure	**£'000**	**£'000**
Employee benefits expenses	213,373	214,404
Employee benefits of Voluntary Aided & Foundation Schools*	40,854	38,763
Other services expenses	457,239	457,637
Support service recharges	4,842	4,941
Depreciation, amortisation, impairment	25,522	77,543
Interest payments	20,396	24,262
Precepts and levies	813	584
Payments to Housing Capital Receipts Pool	1,171	4,226
Strategic Pooled Fund Fair Value Adjustment	0	1,192
Change in the Fair Value of Investment Properties	597	185
Total Expenditure	**764,807**	**823,737**
Income		
Fees, charges and other service income	(108,133)	(119,084)
Interest and investment income	(804)	(801)
Income from Council Tax and Non Domestic Rates	(137,874)	(173,767)
Government grants and contributions	(499,301)	(442,707)
Strategic Pooled Fund Fair Value Adjustment	(1,658)	0
Hillingdon First Ltd Fair Value Adjustment	(429)	0
Gain on the disposal of assets	(6,768)	(6,711)
Total Income	**(754,967)**	**(743,070)**
(Surplus)/Deficit on the Provision of Services	**9,840**	**80,667**

*Employee benefits of Voluntary Aided & Foundation Schools

*Voluntary aided and foundation school employees are not the employees of the Council but are consolidated 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 2020/21

2020/21	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	(419)					**(419)**		419							**419**
Depreciation of non current assets	(23,200)		(11,046)			**(34,246)**	5,422	28,824							**34,246**
Revaluation and impairment of non current assets	2,380	6,763				**9,143**		(9,143)							**(9,143)**
Statutory provision for the financing of capital investment (MRP) and HRA debt provision	14,427	9,615				**24,042**		(24,042)							**(24,042)**
Revenue expenditure funded from capital under statute (REFCUS)	(7,609)	(71)				**(7,680)**		7,680							**7,680**
Capital grants and contributions applied	14,951	1,168		(1,255)		**14,864**		(14,864)							**(14,864)**
Capital expenditure charged in year to balances	1,335		22,730			**24,065**		(24,065)							**(24,065)**
Use of Capital Receipts Reserve to finance new capital expenditure					11,307	**11,307**		(11,307)							**(11,307)**
Amounts written off on disposal of non current assets	6,315	453			(9,726)	**(2,958)**	921	2,037							**2,958**
Finance Lease Principal	223					**223**		(223)							**(223)**
Gain/Loss Investment Property	(597)					**(597)**		597							**597**
Transfer from capital receipts reserve to meet payments to the housing capital receipts pool	(1,171)				1,171	**0**									**0**
Premiums and discounts	28	0				**28**			(28)						**(28)**
Strategic pooled fund fair value adjustment	1,658					**1,658**								(1,658)	**(1,658)**
Hillingdon First Limited Fair Value Adjustment	429					**429**		-429							**(429)**
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations	(46,117)	(2,649)				**(48,766)**				48,766					**48,766**
Employer's contributions payable to the pension fund and retirement benefits payable direct to pensioners	27,933	1,606				**29,539**				(29,539)					**(29,539)**
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	(35,567)					**(35,567)**					35,567				**35,567**
DSG	(10,383)					**(10,383)**						10,383			**10,383**
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(3,233)	(93)				**(3,326)**							3,326		**3,326**
Transfer to Reserve for Capital projects		9,240	(9,240)			**0**									**0**
Total Adjustments	**(58,617)**	**26,032**	**2,444**	**(1,255)**	**2,752**	**(28,644)**	**6,343**	**(44,516)**	**(28)**	**19,227**	**35,567**	**10,383**	**3,326**	**(1,658)**	**28,644**

ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS 2019/20

2019/20	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	(143)					**(143)**		143							**143**
Depreciation of non current assets	(20,724)		(10,781)			**(31,505)**	4,288	27,217							**31,505**
Revaluation and impairment of non current assets	(8,645)	(37,250)				**(45,895)**		45,895							**45,895**
Statutory provision for the financing of capital investment (MRP) and HRA debt provision	5,440	9,129				**14,569**		(14,569)							**(14,569)**
Revenue expenditure funded from capital under statute (REFCUS)	(19,671)	(39)				**(19,710)**		19,710							**19,710**
Capital grants and contributions applied	29,885	2,667		(194)		**32,358**		(32,358)							**(32,358)**
Capital expenditure charged in year to balances			35,208			**35,208**		(35,208)							**(35,208)**
Use of Capital Receipts Reserve to finance new capital expenditure					14,508	**14,508**		(14,508)							**(14,508)**
Amounts written off on disposal of non current assets	175	6,535			(14,160)	**(7,450)**	2,413	5,037							**7,450**
Finance Lease Principal	338					**338**		(338)							**(338)**
Gain/Loss Investment Property	(185)					**(185)**		185							**185**
Transfer from capital receipts reserve to meet payments to the housing capital receipts pool	(4,226)				4,226	**0**									**0**
Premiums and discounts	28	4				**32**			(32)						**(32)**
Strategic pooled fund fair value adjustment	(1,192)					**(1,192)**								1192	**1,192**
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations	(57,635)	(3,207)				**(60,842)**				60,842					**60,842**
Employer's contributions payable to the pension fund and retirement benefits payable direct to pensioners	26,852	1,495				**28,347**				(28,347)					**(28,347)**
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	(1,970)					**(1,970)**					1,970				**1,970**
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(690)	(26)				**(716)**							716		**716**
Transfer to Reserve for Capital projects		7,777	(7,777)			**0**									**0**
Total Adjustments	**(52,363)**	**(12,915)**	**16,650**	**(194)**	**4,574**	**(44,248)**	**6,701**	**1,206**	**(32)**	**32,495**	**1,970**	**0**	**716**	**1,192**	**44,248**

5. EARMARKED RESERVE TRANSFERS

	31 March 2019 £'000	Distribution of 2018/19 outturn surplus £'000	Transfers In 2019/20 £'000	Transfers Out 2019/20 £'000	31 March 2020 £'000	Transfers In 2020/21 £'000	Transfers Out 2020/21 £'000	31 March 2021 £'000
Earmarked Reserves:								
Grants Unapplied	**1,372**	0	7,333	(2,332)	**6,373**	1,265	(4,330)	**3,308**
Member Initiatives	**12,922**	1,276	4,422	(5,545)	**13,075**	7,631	(5,123)	**15,583**
Other Reserves	**8,889**	0	3,908	(4,370)	**8,427**	9,659	(5,543)	**12,543**
Business Rates Reserve	**4,815**	0	298	(3,134)	**1,979**	29,558	0	**31,537**
Treasury Management Reserve	**7,472**	0	0	(2)	**7,470**	0	(7,470)	**0**
Barnhill PFI	**769**	0	350	(325)	**794**	369	(476)	**687**
Public Health Reserve	**2,663**	0	54	(361)	**2,356**	1,282	(317)	**3,321**
Parking Revenue Account / New Roads & Street Works Reserve	**1,439**	0	0	(750)	**689**	0	(200)	**489**
Housing Revenue Account	**0**	0	0	0	**0**	224	0	**224**
Total Council Earmarked Reserves	**40,341**	**1,276**	**16,364**	**(16,817)**	**41,164**	**49,988**	**(23,459)**	**67,693**
Schools Reserves								
Dedicated Schools Grant	**(8,492)**	0	0	(6,510)	(15,002)	0	15,002	**0**
Other Schools Reserves	**11,151**	0	0	(1,137)	10,014	3,813	0	**13,827**
Total Schools Reserves	**2,659**	**0**	**0**	**(7,647)**	**(4,988)**	**3,813**	**15,002**	**13,827**
Total	**43,000**	**1,276**	**16,364**	**(24,464)**	**36,176**	**53,801**	**(8,457)**	**81,520**

Grants Unapplied

Funds set aside from specific revenue grants to support future investment in services, which will be drawn down as required to support on-going projects. Balances at 31 March 2021 include monies in respect of the Homelessness and Brexit funding alongside a range of other smaller sums.

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 increase in the reserve balance reflects the LBH share of retail relief granted after budgets were set for 2021/22, and will be utilised to finance an element of the corresponding deficit of £37,244k held in the Collection Fund Adjustment Account.

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.

Parking Revenue Account / New Roads & Street Works Reserve

A statutory reserve earmarking monies primarily raised from on-street parking operations to support related investment in local infrastructure, further details on these operations are set out in note 27.

COVID -19

In response to the COVID-19 pandemic, the Council has repurposed sums set aside within the above Earmarked Reserves to manage pandemic related costs not met from grant funding. At 31 March 2021, £9,126k monies from the Public Health Reserve and Other Earmarked Reserves are available to meet such expenses.

Schools Reserve

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. To comply the negative DSG reserve from March 2021 has been transferred to the new Dedicated Schools Grant Adjustment Account.

The Council continues to work closely with the Department for Education (DfE) on developing a deficit recovery plan that will secure funding to eliminate the historic deficit and function on a sustainable basis going forward.

The remaining reserve relates to schools' specific reserves and although presented within earmarked reserves it is held separately from the Council's reserves.

6. OTHER OPERATING EXPENDITURE

	2020/21 £'000	2019/20 £'000
Payments to Government Housing Capital Receipts Pool	1,171	4,226
Precepts and Levies	813	584
Total	**1,984**	**4,810**

7. NET FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2020/21 £'000	2019/20 £'000
Interest payable and similar charges	8,410	9,233
Interest receivable and similar income	(804)	(801)
Strategic pooled fund fair value adjustment	(1,658)	1,192
Hillingdon First Ltd fair value adjustment	(429)	0
Net interest on the net defined benefit liability	11,986	15,029
Changes in the fair value of investment properties	597	185
Total	**18,102**	**24,838**

8. TAXATION AND NON-SPECIFIC GRANT INCOME

	2020/21 £'000	2019/20 £'000
Council Tax Income	(117,836)	(114,339)
Non-Domestic Rates Income	(79,238)	(177,297)
Non-Domestic Rates Tariff payable to Central Government	53,667	105,712
Contribution to the London Business Rates Pool	0	16,121
Non-Domestic Rates Levy (receivable)/Payable to Central Government	5,532	0
Net Benefit from the London Business Rates Pool	0	(3,966)
Non-Ringfenced Government Grants	(74,945)	(18,461)
Capital Grants & Contributions	(16,119)	(32,552)
Total	**(228,939)**	**(224,782)**

The Council's share of retained Non-Domestic Rates income reduced from 75% in 2019/20 to 50% in 2020/21 as a result of the London Pool losing its pilot status. This resulted in a corresponding reduction in the tariff payable to central government and contribution into the pool. In addition, the level of Non-Domestic Rates income has fallen as a result of a significant number of businesses receiving COVID-19 related exemptions for which the Council has been reimbursed by HMT through increased non-ringfenced Government Grants.

Notes to the Main Financial Statements

9. MOVEMENT OF NON-CURRENT ASSETS 2020/21

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'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 2020	**730,388**	**872,297**	**93,372**	**306,227**	**13,623**	**22,482**	**6,118**	**2,044,507**	**5,376**	**2,937**	**5,526**	**683**	**2,059,029**
Additions	11,362	970	4,746	0	392	0	0	**17,470**	0	0	0	0	**17,470**
Enhancements	12,235	9,692	1,787	9,850	37	6,079	29	**39,709**	253	1	0	0	**39,963**
Revaluation increases/(decreases) recognised in Revaluation Reserve	29,387	11,268	44	0	35	0	248	**40,982**	0	0	0	0	**40,982**
Revaluation increases/(decreases) recognised in Surplus/Deficit on Services	4,950	1,164	(1,564)	0	(324)	0	(22)	**4,204**	0	0	(597)	0	**3,607**
Derecognition - Disposals	(2,027)	(251)	0	0	0	0	0	**(2,278)**	0	0	0	(683)	**(2,961)**
Derecognition - Other	0	(27)	(2,646)	0	0	(31)	0	**(2,704)**	0	0	0	0	**(2,704)**
Assets reclassified within Property Plant and Equipment	0	(40)	0	0	0	0	0	**(40)**	0	0	0	40	**0**
Assets reclassified (to) & from Held for Sale & Investment Properties	0	2,283	0	0	0	(3,607)	1,324	**0**	0	0	0	0	**0**
Cost or Valuation as at 31 March 2021	**786,295**	**897,356**	**95,739**	**316,077**	**13,763**	**24,923**	**7,697**	**2,141,850**	**5,629**	**2,938**	**4,929**	**40**	**2,155,386**
Accumulated Depreciation & Impairment as at 1 April 2020	**0**	**(9,459)**	**(19,663)**	**(126,516)**	**(460)**	**(20)**	**(59)**	**(156,177)**	**0**	**(513)**	**0**	**(54)**	**(156,744)**
Depreciation charge in 2020/21	(10,398)	(9,486)	(6,704)	(7,638)	0	0	(19)	**(34,245)**	0	(419)	0	0	**(34,664)**
Depreciation written out to Revaluation Reserve	8,302	7,339	636	0	0	0	33	**16,310**	0	0	0	0	**16,310**
Depreciation written out to Surplus/Deficit on Services	2,097	2,226	615	0	0	0	2	**4,940**	0	0	0	0	**4,940**
Derecognition - Disposals	0	9	0	0	0	0	0	**9**	0	0	0	54	**63**
Derecognition - Other	0	1	2,609	0	0	2	0	**2,612**	0	0	0	0	**2,612**
Assets reclassified within Property Plant and Equipment	(1)	1	0	0	0	0	0	**0**	0	0	0	0	**0**
Assets reclassified (to) & from Held for Sale & Investment Properties	0	(18)	0	0	0	18	0	**0**	0	0	0	0	**0**
Accumulated Depreciation & Impairment as at 31 March 2021	**0**	**(9,387)**	**(22,507)**	**(134,154)**	**(460)**	**0**	**(43)**	**(166,551)**	**0**	**(932)**	**0**	**0**	**(167,483)**
Balance Sheet amount 1 April 2020	**730,388**	**862,838**	**73,709**	**179,711**	**13,163**	**22,462**	**6,059**	**1,888,330**	**5,376**	**2,424**	**5,526**	**629**	**1,902,285**
Balance Sheet amount 31 March 2021	**786,295**	**887,969**	**73,232**	**181,923**	**13,303**	**24,923**	**7,654**	**1,975,299**	**5,629**	**2,006**	**4,929**	**40**	**1,987,903**
Nature of asset holding													
Owned	786,295	887,969	73,232	181,923	13,303	24,923	7,654	**1,975,299**	5,629	2,006	4,929	40	**1,987,903**
Finance Lease	0	0	0	0	0	0	0	**0**	0	0	0	0	**0**
Balance Sheet amount 31 March 2021	**786,295**	**887,969**	**73,232**	**181,923**	**13,303**	**24,923**	**7,654**	**1,975,299**	**5,629**	**2,006**	**4,929**	**40**	**1,987,903**

MOVEMENT OF NON-CURRENT ASSETS 2019/20

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'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 2019	**729,898**	**857,208**	**78,589**	**296,719**	**13,567**	**28,876**	**7,976**	**2,012,833**	**5,341**	**1,017**	**5,711**	**0**	**2,024,902**
Additions	23,755	0	10,508	9,508	56	3,582	0	**47,409**	0	1,931	0	0	**49,340**
Enhancements	16,173	10,726	52	0	0	3,465	0	**30,416**	35	0	0	0	**30,451**
Revaluation increases/(decreases) recognised in Revaluation Reserve	(8,234)	17,874	5,832	0	0	0	75	**15,547**	0	0	0	0	**15,547**
Revaluation increases/(decreases) recognised in Surplus/Deficit on Services	(39,587)	(9,963)	(165)	0	0	0	0	**(49,715)**	0	0	(185)	0	**(49,900)**
Derecognition - Disposals	(3,833)	(1,457)	(1,383)	0	0	0	(1,985)	**(8,658)**	0	0	0	0	**(8,658)**
Derecognition - Other	0	(165)	(2,477)	0	0	0	0	**(2,642)**	0	(11)	0	0	**(2,653)**
Assets reclassified within Property Plant and Equipment	12,216	(1,243)	2,416	0	0	(13,441)	0	**(52)**	0	0	0	0	**(52)**
Assets reclassified (to) & from Held for Sale & Investment Properties	0	(683)		0	0	0	52	**(631)**	0	0	0	683	**52**
Cost or Valuation as at 31 March 2020	**730,388**	**872,297**	**93,372**	**306,227**	**13,623**	**22,482**	**6,118**	**2,044,507**	**5,376**	**2,937**	**5,526**	**683**	**2,059,029**
Accumulated Depreciation & Impairment as at 1 April 2019	**(1)**	**(7,867)**	**(19,036)**	**(119,116)**	**(460)**	**(20)**	**(54)**	**(146,554)**	**0**	**(380)**	**0**	**0**	**(146,934)**
Depreciation charge in 2019/20	(10,207)	(8,493)	(5,378)	(7,400)	0	0	(22)	**(31,500)**	0	(144)	0	0	**(31,644)**
Depreciation written out to Revaluation Reserve	7,833	5,342	960	0	0	0	19	**14,154**	0	0	0	0	**14,154**
Depreciation written out to Surplus/Deficit on Services	2,321	1,313	185	0	0	0	0	**3,819**	0	0	0	0	**3,819**
Derecognition - Disposals	54	39	1,285	0	0	0	0	**1,378**	0	0	0	0	**1,378**
Derecognition - Other	0	0	2,472	0	0	0	0	**2,472**	0	11	0	0	**2,483**
Assets reclassified within Property Plant and Equipment	0	153	(151)	0	0	0	(2)	**0**	0	0	0	0	**0**
Assets reclassified (to) & from Held for Sale & Investment Properties	0	54	0	0	0	0	0	**54**	0	0	0	(54)	**0**
Accumulated Depreciation & Impairment as at 31 March 2020	**0**	**(9,459)**	**(19,663)**	**(126,516)**	**(460)**	**(20)**	**(59)**	**(156,177)**	**0**	**(513)**	**0**	**(54)**	**(156,744)**
Balance Sheet amount 1 April 2019	**729,897**	**849,341**	**59,553**	**177,603**	**13,107**	**28,856**	**7,922**	**1,866,279**	**5,341**	**637**	**5,711**	**0**	**1,877,968**
Balance Sheet amount 31 March 2020	**730,388**	**862,838**	**73,709**	**179,711**	**13,163**	**22,462**	**6,059**	**1,888,330**	**5,376**	**2,424**	**5,526**	**629**	**1,902,285**
Nature of asset holding													
Owned	730,388	862,838	73,677	179,711	13,163	22,462	6,059	**1,888,298**	5,376	2,424	5,526	629	**1,902,253**
Finance Lease	0	0	32	0	0	0	0	**32**	0	0	0	0	**32**
Balance Sheet amount 31 March 2020	**730,388**	**862,838**	**73,709**	**179,711**	**13,163**	**22,462**	**6,059**	**1,888,330**	**5,376**	**2,424**	**5,526**	**629**	**1,902,285**

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. During 2020/21 31% of the Council's General Fund assets were valued by external independent valuers Wilks Head & Eve LLP as a result of the rolling programme, Investment Properties and high value assets being valued.

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 2021 through a full valuation process. Valuations are carried out in accordance with professional standards of the Royal Institution of Chartered Surveyors.

During 2020/21, the Council has recognised revaluation gains of £57,293k directly to the revaluation reserve. The Council also recognised valuation gains of £8,546k 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 2021, the council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment during 2020/21 and future years budgeted to cost £26,801k.

Scheme	31 March 2021 £'000	31 March 2020 £'000
Schools Expansions Programme	6,354	4,167
New Vehicles	0	124
Housing	15,707	10,225
New Yiewsley Leisure Centre	68	270
Other Capital Projects	4,672	5,133
Total	**26,801**	**19,920**

12. HERITAGE ASSETS

At 31 March 2021 the Council held Civic Regalia and a statue 'Anticipation' that were insured at £501k for most of the year. As neither a current market valuation, nor a replacement cost is available, these assets have been used as the basis for valuation.

The Council owns the Battle of Britain Bunker that has been insured for £4,690k and there were enhancements of £35k. As neither a current market valuation, nor a replacement cost is available due to the specialist nature of this historic asset, the insurance and enhancement value has been used as the basis for valuation. During 2020/21 there was no expenditure to enhance the Battle of Britain Bunker thus the total valuation as at 31 March 2021 is £4,725k. 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:

	2020/21 £'000	2019/20 £'000
Rental income from investment property	(210)	(350)
Direct operating expenses arising from investment property	51	65
Net gain	**(159)**	**(285)**

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.

14. FINANCIAL INSTRUMENT BALANCES

FINANCIAL ASSETS

	Current		Long-Term		Total	
	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000
Investments at Amortised Cost	8,132	4,759	0	0	8,132	4,759
Fair Value through Profit & Loss						
- Principal	0	0	15,076	15,076	15,076	15,076
- Fair Value Adjustment	0	0	344	(1,349)	344	(1,349)
- Hillingdon First Limited - Principal	0	0	3,371	3,371	3,371	3,371
- Hillingdon First Limited - Fair Value Adjustment	0	0	429	0	429	0
Total Investments	**8,132**	**4,759**	**19,220**	**17,098**	**27,352**	**21,857**
Cash & Cash Equivalents at Amortised Cost						
- Cash held by the Council	31	27	0	0	31	27
- Bank Current Accounts	34,058	20,005	0	0	34,058	20,005
Fair Value through Profit & Loss	21,700	10,000	0	0	21,700	10,000
Total Cash & Cash Equivalents	**55,789**	**30,032**	**0**	**0**	**55,789**	**30,032**
Other Assets at Amortised Cost						
- Trade Receivables	32,808	26,352	0	0	32,808	26,352
- Lease Receivables	1,543	1,612	13,576	15,120	15,119	16,732
- Loss allowance	(9,033)	(7,253)	0	0	(9,033)	(7,253)
Total Other Assets	25,318	20,711	13,576	15,120	38,894	35,831
Total Financial Assets	**89,239**	**55,502**	**32,796**	**32,218**	**122,035**	**87,720**

FINANCIAL LIABILITIES

	Current		Long-Term		Total	
	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000
Loans at Amortised Cost						
- Principal sum borrowed	(50,833)	(81,222)	(276,838)	(227,671)	(327,671)	(308,893)
- Accrued Interest	(1,105)	(1,144)	0	0	(1,105)	(1,144)
- EIR Adjustment	0	0	9,579	9,624	9,579	9,624
Total Loans	**(51,938)**	**(82,366)**	**(267,259)**	**(218,047)**	**(319,197)**	**(300,413)**
Other Liabilities at Amortised Cost						
- Trade Payables	(43,746)	(34,113)	0	0	(43,746)	(34,113)
- PFI arrangements	(219)	(223)	(318)	(537)	(537)	(760)
- Finance Leases	0	(5)	0	(26)	0	(31)
Total Other Liabilities	**(43,965)**	**(34,341)**	**(318)**	**(563)**	**(44,283)**	**(34,904)**
Total Financial Liabilities	**(95,903)**	**(116,707)**	**(267,577)**	**(218,610)**	**(363,480)**	**(335,317)**

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:

	2020/21		2019/20	
	Surplus or Deficit on the provision of Services £'000	Other Comprehensive Income £'000	Surplus or Deficit on the provision of Services £'000	Other Comprehensive Income £'000
Interest Revenue				
- Assets measured at amortised cost	(280)	0	(74)	0
- Other	(16)	0	(24)	0
Dividend Revenue				
- Assets measured at fair value through profit and loss	(474)	0	(683)	0
Net Gains				
- Revaluation gains on assets measured at fair value through profit and loss	(2,121)	0	(21)	0
Interest & Investment Income and Revaluation Gains	**(2,891)**	**0**	**(801)**	**0**
Interest Expenses				
- Liabilities measured at amortised cost	7,978	0	8,262	0
- PFI & Lease Contracts	327	0	421	0
- Lease Contracts	0	0	36	0
- Other	2	0	478	0
Other Expenses				
- Brokerage Fees	103	0	35	0
Net Losses				
- Revaluation loss on assets measured at fair value through profit & loss	0	0	1,192	0
Interest Payable and Revaluation Losses	**8,410**	**0**	**10,425**	**0**
Net (Gain)/Loss for the Year	**5,519**	**0**	**9,624**	**0**

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 Other Comprehensive Income

	Fair Value		Dividends		Transfer Gain/(Loss)	
Long Term	**31 March 2021 £'000**	**31 March 2020 £'000**	**31 March 2021 £'000**	**31 March 2020 £'000**	**31 March 2021 £'000**	**31 March 2020 £'000**
- Investec Diversified Income Fund	4,955	4,510	174	208	445	(465)
- Columbia Threadneedle Strategic Bond Fund	5,248	4,677	129	123	571	(272)
- M&G Optimal Income Fund	5,106	4,464	119	162	642	(455)
Total Equity Instruments	**15,309**	**13,651**	**422**	**493**	**1,658**	**(1,192)**

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 2021, 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 2021, 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

		31 March 2021		31 March 2020	
Financial Liabilities	**Fair Value Level**	**Carrying Amount £'000**	**Fair Value £'000**	**Carrying Amount £'000**	**Fair Value £'000**
PWLB Loans	2	(170,390)	(207,296)	(186,686)	(225,616)
Market Loans	2	(48,609)	(84,812)	(48,617)	(87,583)
Local Authority Loans	2	(100,198)	(100,434)	(65,109)	(65,109)
Lease & PFI Liabilities	2	(219)	(914)	(791)	(1,517)
Trade Payables	N/A	(43,746)	(43,746)	(34,113)	(34,113)
		(363,162)	**(437,202)**	**(335,317)**	**(413,938)**

The fair value of liabilities is higher than the balance sheet carrying amount because the Council's debt portfolio includes a number of loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. Overall, there is a notional future loss (based on economic conditions at 31 March 2021) arising from a commitment to pay interest to lenders above current market rates.

Notes to the Main Financial Statements

FAIR VALUE OF ASSETS

	Fair Value Level	31 March 2021 Carrying Amount £'000	31 March 2021 Fair Value £'000	31 March 2020 Carrying Amount £'000	31 March 2020 Fair Value £'000
Financial Assets Held at Fair Value					
Money Market Funds	1	21,700	21,700	10,000	10,000
Pooled Funds (Long-Term)	2	12	12	10	10
Strategic Pooled Funds (Long-Term)	2	15,310	15,310	13,651	13,651
Shares in Listed Companies (Long-Term)	1	99	99	66	66
Hillingdon First Limited - Equity	3	3,800	3,800	3,371	3,371
Financial Assets Held at Amortised Cost					
Short-Term Deposits & Deposit Accounts	N/A	1,360	1,360	1,259	1,259
Cash and Bank Current Accounts	N/A	34,089	34,089	20,032	20,032
Hillingdon First Limited - Loan	N/A	6,771	6,771	3,500	3,500
Lease Receivables	N/A	15,119	15,119	16,732	16,732
Trade Receivables	N/A	23,775	23,775	19,099	19,099
		122,035	**122,035**	**87,720**	**87,720**

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 2021 Gross receivable £'000	31 March 2021 Simplified approach Loss £'000	31 March 2020 Gross receivable £'000	31 March 2020 Simplified approach Loss £'000
Lifetime Expected Credit Loss - Trade Receivables	32,808	(9,033)	26,352	(7,253)

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 2020/21 there were no accounts in an overdraft position where an offset was applied.

RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

	31 March 2021 £'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 2020 £'000
Hillingdon First Limited - Equity	3,800	0	429	0	0	0	0	3,371
	3,800	**0**	**429**	**0**	**0**	**0**	**0**	**3,371**

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's 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 £3.8m 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 in a £38k change in fair value.

15. SHORT TERM DEBTORS

	31 March 2021 £'000	31 March 2020 £'000
Trade Receivables	23,775	19,099
Prepayments	5,659	2,391
Other receivable amounts	129,468	35,485
	158,902	**56,975**

The £93m increase in other receivable amounts is primarily driven by Collection Fund activity with £79m deficit to be recovered from GLA and MHCLG alongside a £5m increase in debtors for taxation outlined in note 16 below.

16. DEBTORS FOR TAXATION

Debtors for taxation are included within the 'other receivable amounts' in note 15 and are detailed below.

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

	31 March 2021 £'000	31 March 2020 £'000
Up to one year	9,770	6,078
One to three years	7,991	7,862
Over three years	9,990	8,116
	27,751	**22,056**

Included within short term debtors is a bad debt provision allowance for £27,318k (£24,046k in 19/20) of which £9,033k relates to trade receivables and £18,285k relates to other receivable amounts.

17. LONG TERM DEBTORS

	31 March 2021 £'000	To Short Term £'000	Repayments £'000	Additions £'000	31 March 2020 £'000
Housing advances & associations	2	0	(2)	0	4
Sale of council houses	3	0	(1)	0	4
Other loans & advances	567	(10)	(21)	375	223
Developer contributions	633	0	0	0	633
	1,205	**(10)**	**(24)**	**375**	**864**

18. SHORT TERM CREDITORS

	31 March 2021 £'000	31 March 2020 £'000
Trade Payables	43,746	34,113
Other Payables	150,905	33,170
	194,651	**67,283**

The £112m increase in other payables is primarily due to grant funding received from MHCLG and BEIS in respect of COVID-19 reliefs on business rates (£69m) and direct support for businesses (£30m), the former will be passported to precepting authorities in the new financial year and payments to businesses are on-going.

19. LONG TERM CREDITORS

Long Term Creditors consist of balances held under Section 106 and 278 Agreements and deposits. These amounted to £3,808k at 31 March 2021 (£3,891k at 31 March 2020).

20. CASH AND CASH EQUIVALENTS

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

	31 March 2021 £'000	31 March 2020 £'000
Cash and Bank Current Accounts	55,789	30,032
Total Cash and Cash Equivalents	**55,789**	**30,032**

21. PROVISIONS

	1 April 2020 £'000	Additional provisions made in 2020/21 £'000	Amounts used in 2020/21 £'000	Unused amounts reversed in 2020/21 £'000	31 March 2021 £'000	Short-Term Provisions £'000	Long-Term Provisions £'000
Dilapidation Provision	14	27	0	0	41	41	0
Non Domestic Rates Appeal Losses	372	1,809	(28)	(39)	2,114	2,114	0
Social Care Disputes	726	0	0	0	726	726	0
Insurance Provision	3,653	769	0	(12)	4,410	3,176	1,234
Other provisions	1,237	611	(113)	(960)	775	775	0
Total Provisions	**6,002**	**3,216**	**(141)**	**(1,011)**	**8,066**	**6,832**	**1,234**

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 an increase in the number of cases lodged with the Valuation Office Agency, in part reflecting the impact of the pandemic on local businesses. While the Government have issued its intentions to not support valuations changes due to Material Change of Circumstance related to the pandemic, the Council has made provision for other classes of appeal in relation. The overall Appeals Provision for the Collection Fund increased from £2,482k at the end of 2019/20 to £7,048k at the end of 2020/21. 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.

Dilapidation Provision

The Council is contractually obliged to fund dilapidation costs on a number of leased properties. During the year, provisions were released and drawn upon. The latest schedule of works has resulted in a decreased estimate for works which are expected to be carried out during 2021/22.

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 - £110k

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 2021.
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; potential shortfall in damages; fly tipping clearance, among others.

22. UNUSABLE RESERVES

	31 March 2021 £'000	31 March 2020 £'000
Revaluation reserve	561,035	510,085
Capital adjustment account	1,033,231	988,715
Financial instruments adjustment account	(258)	(286)
Pensions reserve	(739,389)	(517,966)
Collection fund adjustment account	(37,244)	(1,677)
Accumulated absences account	(8,591)	(5,265)
Dedicated schools grant adjustment account	(25,385)	0
Pooled Investment Fund Adjustment Account	310	(1,348)
Total Unusable Reserves	**783,709**	**972,258**

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.

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

	2020/21		2019/20	
	£'000	£'000	£'000	£'000
Balance at 1 April		**988,715**		**989,921**
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	(34,245)		(31,505)	
- Revaluation gains/(losses) on Property, Plant and Equipment	9,143		(45,895)	
- Amortisation of intangible assets	(419)		(143)	
- Revaluation Gain on Financial Instrument	429			
- Revenue expenditure funded from capital under statute	(7,680)		(19,710)	
- 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	(2,959)	(35,731)	(7,450)	(104,703)
Adjusting amounts written out of the Revaluation Reserve		6,343		6,701
Net written out amount of the cost of non-current assets consumed in the year		(29,388)		(98,002)
Capital financing applied in the year:				
- Use of the Capital Receipts Reserve to finance new capital expenditure	11,307		14,508	
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	14,844		32,552	
- Application of grants to capital financing from the Capital Grants Unapplied Account	20		(194)	
- Statutory and voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	24,042		14,569	
- Finance Lease Principal	223		338	
- Capital expenditure charged against the General Fund and HRA balances	24,065	74,501	35,208	96,981
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(597)		(185)
Balance at 31 March		**1,033,231**		**988,715**

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.

	2020/21		2019/20	
	£'000	£'000	£'000	£'000
Balance at 1 April		**510,085**		**487,084**
Upward revaluation of assets				
- Land & Buildings	32,120		61,395	
- Council Dwellings	38,579		5,210	
- Surplus Assets	35		94	
- Plant and Equipment	583		7,355	
- Heritage Assets	784	72,101		74,054
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services				
- Land & Buildings	(13,513)		(38,179)	
- Council Dwellings	(891)		(5,611)	
- Surplus Assets	(301)			
- Plant and Equipment	(103)	(14,808)	(562)	(44,352)
Surplus or (Deficit) on revaluation of non-current assets not posted to the Surplus or (Deficit) on the Provision of Services		**57,293**		**29,702**
Difference between fair value depreciation and historical cost depreciation				
- Land & Buildings	(3,642)		(2,722)	
- Surplus Assets	(17)		(18)	
- Plant and Equipment	(782)		(566)	
- Council Dwellings	(981)	(5,422)	(982)	(4,288)
Accumulated gains on assets sold or scrapped				
- Land & Buildings	(91)		(1,056)	
- Surplus Assets			(1,008)	
- Assets Held for sale	(80)			
- Council Dwellings	(747)		(349)	
- Assets Under Construction	(3)	(921)		(2,413)
Amount written off to the Capital Adjustment Account		**(6,343)**		**(6,701)**
Balance at 31 March		**561,035**		**510,085**

23. CASH FLOW STATEMENT - OPERATING ACTIVITIES

	2020/21 £'000	2019/20 £'000
(Surplus)/Deficit on the provision of services	**9,840**	**80,667**
Depreciation and impairment of non-current assets	(25,103)	(77,400)
Amortisation of intangible fixed assets	(419)	(143)
Revenue Expenditure Funded from Capital under Statute	(7,680)	(19,710)
Pension Fund adjustments	(19,227)	(32,495)
(Increase)/Decrease in impairment for provision for bad debts	(3,273)	(622)
(Increase)/Decrease in creditors	(127,282)	2,097
Increase/(Decrease) in debtors	105,542	3,514
Increase/(Decrease) in inventories	(297)	43
Carrying amount of non-current assets sold	(2,959)	(7,450)
Other non-cash items charged to the net Surplus or Deficit on the Provision of Services	(6,513)	1,045
Total adjusting items	**(87,211)**	**(131,121)**
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	9,726	14,160
Capital Grants and other contributions credited to Surplus or Deficit on the Provision of Services	16,119	32,552
Billing Authorities - Council Tax and NNDR adjustments	(84,214)	(1,818)
Total included elsewhere on Cash Flow Statement	**(58,369)**	**44,894**
Net cash flows from operating activities	**(135,740)**	**(5,560)**

Interest received, interest paid and dividends received

	2020/21 £'000	2019/20 £'000
Interest paid	(8,410)	(9,233)
Interest received	804	801

24. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2020/21 £'000	2019/20 £'000
Cash Outflows		
Purchase of property, plant and equipment	57,179	77,825
Other payments for investing activities	7,680	19,710
	64,859	**97,535**
Cash Inflows		
Sale of property, plant and equipment	(9,726)	(14,160)
Capital grants received	(13,220)	(26,514)
Other receipts from investing activities	(3,115)	(6,880)
	(26,061)	**(47,554)**
Net Cash Outflow	**38,798**	**49,981**
Net Increase/(Decrease) in Short-Term Investments	3,373	3,557
Net Increase/(Decrease) in Long-Term Investments	2,122	3,392
Net cash flows from investing activities	**44,293**	**56,930**

25. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2020/21 £'000	2019/20 £'000
Cash Outflows		
Repayments of amounts borrowed	96,222	53,944
Capital element of finance lease rental and on-balance sheet PFI payments	254	338
Cash Inflows		
New borrowing taken	(115,000)	(90,000)
Billing Authorities - Council Tax and NNDR adjustments	84,214	1,818
Net cash flows from financing activities	**65,690**	**(33,900)**

Reconciliation of Liabilities arising from Financing Activities

	Balance 31 March 2020 £'000	Financing Cash Flows £'000	Non Cash Acquisition £'000	Other Non Cash Changes £'000	Balance 31 March 2021 £'000
Short Term Borrowing	(82,366)	36,222	(6,939)	1,145	**(51,938)**
Long Term Borrowing	(218,047)	(55,000)	0	5,788	**(267,259)**
Short Term Lease & PFI	(228)	228	(219)	0	**(219)**
Deferred Liabilities Lease & PFI	(563)	26	0	219	**(318)**
Council Tax and NNDR Adjustments	914	84,214	0	0	**85,128**
Total	**(300,290)**	**65,690**	**(7,158)**	**7,152**	**(234,606)**

	Balance 31 March 2019 £'000	Financing Cash Flows £'000	Non Cash Acquisition £'000	Other Non Cash Changes £'000	Balance 31 March 2020 £'000
Short Term Borrowing	(49,369)	(16,056)	(18,033)	1,092	**(82,366)**
Long Term Borrowing	(214,890)	(20,000)	0	16,843	**(218,047)**
Short Term Lease & PFI	(244)	244	(228)	0	**(228)**
Deferred Liabilities Lease & PFI	(886)	94	0	229	**(563)**
Council Tax and NNDR Adjustments	(904)	1,818	0	0	**914**
Total	**(266,293)**	**(33,900)**	**(18,261)**	**18,164**	**(300,290)**

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:

	2020/21 £'000	2019/20 £'000
Fees payable in regard to external audit services carried out by the appointed auditor	121	121
Fees payable for the certification of grant claims and returns	31	51
Total External Audit costs	**152**	**172**

Non-Audit Fees - The Council did not incur any non-audit costs in 2021/22 or 2020/21 with Ernst and Young.

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.

	2020/21 £'000	2019/20 £'000
Income	(3,373)	(5,162)
Expenditure	3,660	3,577
(Surplus)/ Deficit	**287**	**(1,585)**
Allocation of Income from COVID-19 Funding	**(2,410)**	**0**
Contribution to transport services	2,323	2,335
Total (Surplus)/ Deficit	**200**	**750**

28. MEMBER ALLOWANCES

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

	2020/21 £'000	2019/20 £'000
Salaries & Allowances	1,455	1,375
Total	**1,455**	**1,375**

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 Hillingdon Clinical Commissioning Group (HCCG) 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 2020-21, this service provided support to approximately 763 clients at a gross cost of £41,021k, which included approximately 33 HCCG clients and 36 Joint Funded clients for which the council received £5,247k.

Better Care Fund Pooled Budget

The Better Care Fund Pooled Budget was set up in 2015-16. LB Hillingdon and Hillingdon CCG have Pooled Funds to work on joint services for Hillingdon residents. There is a compulsory contribution that each party must contribute but additional funds can be pooled. In 2020-21 £71,697k additional contributions were added to the Pooled Budget.

The main aim of the Pooled Budget is to improve health and care outcomes for residents by reshaping the model of care to focus on prevention and early intervention rather than crisis management. Key outcomes are intended to include, for example, a reduction in admissions to hospital that are avoidable and also a reduction in permanent admissions to care homes. Under the terms of the Pooled Budget each party is responsible for risks associated with their own contribution.

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

	2020/21			2019/20		
	Hillingdon CCG £'000	LB Hillingdon £'000	Total £'000	Hillingdon CCG £'000	LB Hillingdon £'000	Total £'000
BCF Grant	19,401	0	19,401	18,362	0	18,362
DFG Base Allocation	0	5,111	5,111	0	4,505	4,505
iBCF	0	7,248	7,248	0	6,207	6,207
Voluntary Contributions	28,608	43,089	71,697	27,752	36,127	63,878
	48,009	**55,448**	**103,457**	**46,114**	**46,838**	**92,952**

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

	2020/21			2019/20		
	Hillingdon CCG £'000	LB Hillingdon £'000	Total £'000	Hillingdon CCG £'000	LB Hillingdon £'000	Total £'000
BCF Grant	12,327	7,074	19,401	11,666	6,696	18,362
DFG Base Allocation	0	5,111	5,111	0	4,505	4,505
iBCF	0	7,248	7,248	0	6,207	6,207
Voluntary Contributions	28,608	43,089	71,697	25,937	35,086	61,022
CCG Voluntary Contribution Retained by LBH	0	0	0	0	2,856	2,856
	40,935	**62,522**	**103,457**	**37,603**	**55,349**	**92,952**

The voluntary contributions have increased in line with the 3-year plan from 2018-2021 for the BCF with further inclusion of residential placements budgets. This was included within the plan due to the greater joint working within the Brokerage function. The increase also reflects expansion of the level of ambition as the scope of plan has been extended beyond older people to include children and young people and people with learning disabilities.

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 2020/21 is included under the heading Precepts and Levies below.

The Pension Fund

The London Borough of Hillingdon Pension Fund is considered a related party. The employer's contribution to the Pension Fund in 2020/21 was £26,188k (£25,382k in 2019/20). The Council also recharged the Pension Fund £418k for staffing and overhead apportionment costs in 2020/21 (£344k in 2019/20). A precept of £345k was paid to the London Pension Fund Authority in 2020/21 (£345k in 2019/20).

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 2020/21 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	Payment
Hillingdon First Limited	Senior Officer Iain Watters	£3,000,000.00
Hillingdon First Limited	Senior Officer Perry Scott	£3,000,000.00
Hillingdon First Limited	Senior Officer Daniel Kennedy	£3,000,000.00
Age UK Hillingdon	Councillor Ian Edwards	£327,450.00
Hillingdon Citizens Advice Bureau	Councillor Raymond Graham	£280,000.00
Hillingdon Citizens Advice Bureau	Councillor John Riley	£280,000.00
Carers Trust Hillingdon	Councillor Judith Cooper	£181,494.45
Carers Trust Hillingdon	Councillor Becky Haggar	£181,494.45
Harlington Hospice Association	Councillor Kuldeep Lakhmana	£137,051.90
Ruislip and Northwood Old Folks Association	Councillor Becky Haggar	£84,000.00
Ruislip and Northwood Old Folks Association	Councillor Edward Lavery	£84,000.00
H4All Community Interest Company	Councillor Ian Edwards	£79,100.00
Bell Farm Christian Centre	Councillor Stuart Mathers	£70,930.00
Hillingdon Outdoor Activities Centre	Councillor Henry Higgins	£54,500.00
Hillingdon Outdoor Activities Centre	Councillor Jane Palmer	£54,500.00
The Abbeyfield Society Limited	Councillor Martin Goddard	£36,702.00
Yiewsley and West Drayton Community Association	Councillor Shehryar Ahmad-Wallana	£32,155.37
Yiewsley and West Drayton Community Association	Councillor Alan Deville	£32,155.37
Yiewsley and West Drayton Community Association	Councillor Janet Duncan	£32,155.37
Yiewsley and West Drayton Community Association	Councillor Jan Sweeting	£32,155.37
Hillingdon Brain Tumour Group	Councillor Becky Haggar	£30,000.00
Hillingdon Brain Tumour Group	Councillor Jane Palmer	£30,000.00
Hillingdon Shopmobility	Councillor Teji Barnes	£24,000.00
Relate London North West Family Mediation	Councillor Stuart Mathers	£18,950.00
Relate London North West Family Mediation	Councillor Susan O'Brien	£18,950.00
Colney Valley CIC	Councillor Judith Cooper	£12,500.00
The Law Society	Councillor Nick Denys	£11,014.00
Localis Research Limited	Councillor David Simmonds	£10,000.00
Hillingdon AIDS Response Trust	Councillor Peter Curling	£7,500.00
Yiewsley Baptist Church	Councillor Stuart Mathers	£7,356.01
Royal British Legion Eastcote Club	Councillor Becky Haggar	£7,000.00

Precepts/Levies

In 2020/21, the following precepts and levies are considered related party transactions:

	2020/21 £'000	2019/20 £'000
Business Rate Retention - MHCLG	123,545	106,266
Business Rate Retention - GLA	138,521	217,103
Greater London Authority Precept	33,907	32,202
Greater London Authority Crossrail	10,263	13,197
West London Waste Authority Levy	12,555	11,429
TFL Concessionary Fares	8,226	8,124
Lee Valley Regional Park Authority	239	239
Environment Agency	234	229

31. OFFICER EMOLUMENTS

The number of employees in 2020/21 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			
	2020/21		2019/20		2020/21		2019/20	
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	91	(2)	89	(2)	67	0	73	0
£55,000 - £59,999	53	(2)	49	(2)	45	(1)	27	0
£60,000 - £64,999	48	(1)	41	(2)	24	0	17	0
£65,000 - £69,999	28	(2)	17	0	13	0	22	0
£70,000 - £74,999	14	(1)	10	(1)	18	0	14	0
£75,000 - £79,999	13	0	4	0	8	0	8	0
£80,000 - £84,999	2	0	7	(1)	8	0	5	0
£85,000 - £89,999	7	0	5	0	10	0	6	0
£90,000 - £94,999	2	(1)	2	0	1	0	4	0
£95,000 - £99,999	1	(1)	2	0	4	0	1	0
£100,000 - £104,999	2	0	0	0	2	0	1	0
£105,000 - £109,999	0	(1)	1	0	1	0	1	0
£110,000 - £114,999	0	0	0	0	1	0	1	0
£135,000 - £139,000	1	(1)	0	0	0	0	0	0
	262	**(12)**	227	(8)	**202**	**(1)**	180	0

Disclosure of Remuneration for Senior Employees (Schools): -

Details of school employees in the above table earning over £100,000 during 2020/21 is listed below.

Job Title	Pensionable Pay 2020/21	Pensionable Pay 2019/20	Due to Lump Sum
Headteacher - Harlington Community School	£117,025	£114,042	No
Headteacher - Yeading Infant School	£112,037	£108,286	No
Headteacher - Deanesfield Primary School	£104,332	£101,401	No
Headteacher - Meadow High	£104,800	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 2020/21.

			2020/21			
Group	**Job Title**		**Contracted Salary**	**Compensation for loss of employment**	**EER's pension Contributions**	**Total**
Corporate Resources & Services	Chief Executive and Corporate Director (F Beasley)		£259,211	£0	£0	£259,211
	Head of Legal Services and Borough Solicitor (R Alagh)		£156,253	£0	£37,657	£193,910
	Director Corporate Resources & Services		£134,665	£0	£32,454	£167,119
	Head of Democratic Services		£107,337	£0	£25,868	£133,205
	Head of Human Resources		£74,435	£0	£17,939	£92,374
Finance	Corporate Director of Finance (P Whaymand)		£189,679	£0	£0	£189,679
	Deputy Director Exchequer Services & Business Assurance		£134,740	£0	£32,472	£167,212
	Deputy Director Corporate Finance		£139,326	£0	£33,578	£172,904
	Head of Procurement and Commissioning	1	£13,292	£0	£3,203	£16,495
Infrastructure Transport & Building Services	Director of Infrastructure Transport and Building Services (P Scott)		£168,457	£0	£40,598	£209,055
	Head of Property & Estates		£98,458	£0	£23,728	£122,186
	Head of Capital Programme Works Services		£96,526	£0	£23,263	£119,788
	Head of Repairs & Engineering Planned Works & FM		£100,106	£0	£24,126	£124,232
Planning, Environment, Education & Community Services	Director Planning, Environment, Education & Community Services (D Kennedy)		£156,253	£0	£37,657	£193,910
	Deputy Director Planning and Regeneration		£129,079	£0	£31,108	£160,187
	Head of Green Spaces, Sports and Culture		£121,370	£0	£29,250	£150,620
Social Care	Corporate Director of Social Care (T Zaman)		£199,679	£0	£0	£199,679
	Deputy Director of Public Health		£96,013	£0	£13,807	£109,820
	Director of Provider and Commissioned Care		£113,468	£0	£27,346	£140,813
	Assistant Director of Adult Social Work		£101,412	£0	£24,440	£125,852
	Assistant Director of Safeguarding		£116,570	£0	£0	£116,570
	Head of Service - SEND		£88,592	£0	£21,351	£109,943
	Head of Safeguarding Partnership & QA		£90,036	£0	£21,699	£111,735
Leavers	Deputy Chief Executive and Corporate Director of Residents Services (J Palmer)	2	£194,033	£0	£0	£194,033
	Director of Public Health	3	£49,997	£42,409	£10,679	£103,085
	Head of Administrative, Technical Support, Licensing and Business Services	4	£59,912	£78,653	£2,428	£140,992

1. Employment commenced 15/02/2021
2, Retirement date 30/04/2020. Employment temporarily extended as interim 01/05/2020 - 11/01/2021 to support Council response to COVID-19
3. Employment ended 13/11/2020
4. Employment ended 30/04/2020. Employment temporarily extended as interim 02/06/2020 - 30/10/2020 to support Council response to COVID-19

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 2019/20.

Group	Job Title		2019/20 Contracted Salary	2019/20 Compensation for loss of employment	2019/20 EER's pension Contributions	2019/20 Total
Chief Executives Office	Chief Executive and Corporate Director of Administration (F Beasley)		£260,513	£0	£0	£260,513
	Head of Democratic Services		£100,822	£0	£24,298	£125,120
	Head of Legal Services and Borough Solicitor		£149,536	£0	£36,038	£185,574
	Head of Human Resources		£122,318	£0	£29,479	£151,797
Finance	Corporate Director of Finance (P Whaymand)		£191,775	£0	£0	£191,775
	Deputy Director Exchequer Services & Business Assurance		£128,687	£0	£15,536	£144,223
	Deputy Director Corporate Finance		£133,062	£0	£32,068	£165,130
Residents Services	Deputy Chief Executive and Corporate Director of Residents Services (J Palmer)		£237,316	£0	£0	£237,316
	Director Infrastructure, Business Improvement, Communications, Procurement, Waste		£164,607	£0	£39,670	£204,277
	Head of Planning, Transportation & Regeneration		£123,420	£0	£29,744	£153,164
	Head of Administrative, Technical Support, Licensing and Business Services		£114,604	£0	£27,620	£142,224
	Director Housing, Environment, Education and Health		£149,536	£0	£36,038	£185,574
Social Care	Corporate Director of Social Care (T Zaman)		£198,368	£0	£0	£198,368
	Assistant Director of Provider and Commissioned Care		£105,405	£0	£25,403	£130,808
	Assistant Director of Adult Social Work		£96,781	£0	£23,324	£120,105
	Assistant Director of Safeguarding		£103,121	£0	£0	
	Head of Service - SEND	1	£37,739	£0	£9,095	
	Head of Safe Guarding Partnership & QA	2	£48,770	£0	£11,754	£60,524
Leavers	Head of Pensions,Treasury and Statutory Accounts	3	£65,669	£0	£15,826	£81,496
	Assistant Director of Corporate Parenting	4	£79,159	£15,800	£19,077	£114,036
	Director of Children's Services	5	£56,875	£0	£13,707	£70,582

1. Employment in post commenced 14/10/2019
2. Employment in post commenced 26/08/2019
3. Employment ended 26/12/2019
4. Employment ended 15/01/2020
5. Employment ended 01/09/2019

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	2020/21 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	27	12	15	207	9	**216**
£20,001 - £40,000	9	6	3	312	105	**417**
£40,001 - £60,000	2	0	2	100	30	**130**
£60,001 - £80,000	2	2	0	137	102	**239**
£80,001 - £100,000	4	2	2	336	171	**507**
£100,001 - £150,000	4	1	3	432	295	**727**
Over £150,000	3	1	2	505	359	**864**
	51	**24**	**27**	**2,029**	**1,071**	**3,100**

	LBH EMPLOYEES					
Cost Band	2019/20 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	41	38	3	435	377	**812**
£20,001 - £40,000	12	9	3	315	215	**530**
£40,001 - £60,000	2	0	2	99	146	**245**
£60,001 - £80,000	0	0	0	0	0	**0**
£80,001 - £100,000	0	0	0	0	0	**0**
£100,001 - £150,000	0	0	0	0	0	**0**
Over £150,000	0	0	0	0	0	**0**
	55	**47**	**8**	**849**	**738**	**1,587**

	SCHOOL EMPLOYEES					
Cost Band	2020/21 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	23	0	0	108	14	**122**
	23	**0**	**0**	**108**	**14**	**122**

	SCHOOL EMPLOYEES					
Cost Band	2019/20 Number	Number of Number	Number of Other Number	Total Exit £'000	Pension Strain £'000	Total Exit £'000
£0 - £20,000	1	0	1	8	0	8
	1	**0**	**1**	**8**	**0**	**8**

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 2020/21 are as follows:

	Schools Budget Funded by Dedicated Schools Grant		
	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
Final DSG for 2020/21 before academy recoupment			305,735
Academy figure recouped for 2020/21			(145,375)
Total DSG after academy recoupment for 2020/21			160,360
Plus Brought-forward from 2019/20			15,002
Less Carry-forward to 2021/22 agreed in advance			(15,002)
Agreed initial budgeted distribution in 2020/21	38,619	121,741	160,360
In year adjustments	0	0	0
Final budgeted distribution for 2020/21	**38,619**	**121,741**	**160,360**
Less actual central expenditure	(48,820)		(48,820)
Less actual ISB deployed to schools		(121,923)	(121,923)
Plus Local Authority contribution for 2020/21	0	0	0
Total	(10,201)	(182)	(10,383)
Carry-forward agreed in advance			(15,002)
Carry-forward to 2021/22	**(10,201)**	**(182)**	**(25,385)**

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

	2020/21 £'000	2019/20 £'000
Revenue Grant Income Credited to Taxation and Non Specific Grant Income		
Section 31 Business Rates Grants	33,367	0
COVID-19 Sales, Fees & Charges Compensation	6,895	0
Revenue Support Grant	6,763	0
COVID-19 Hardship Fund	2,124	0
Covid-19 Contain Outbreak Management Fund	1,500	0
COVID-19 Test & Trace Support Payments	329	0
Housing Benefit Administration Subsidy	1,170	1,112
Local Council Tax Support Administration Subsidy	287	288
New Homes Bonus	3,739	3,665
Other Grants	499	6,174
Covid-19 Emergency Funding	18,272	6,861
EU Exit Preparation	0	360
Total Non-Specific Revenue Grants	**74,945**	**18,461**
Revenue Grant Income Credited to Services		
Department for Education		
Dedicated Schools Grant (DSG)	160,360	152,630
Pupil Premium	5,857	5,915
Sixth Form & Adult Learning Grants	1,419	1,580
Universal Infant Free School Meals Grant	2,619	2,572
Private Finance Initiative	1,778	1,778
Adult & Community Learning	1,516	1,575
PE & Sports Grant	955	956
Teachers Pay Grant	6,951	3,655
School Improvement Monitoring and Brokering Grant	238	0
Department for Communities and Local Government:		
Flexible Homelessness Support	0	1,783
Flexible Housing Support Grant	1,378	0
Rough Sleeping Initiative	2,095	0
Troubled Families Grant	866	1,148
Business Rates Cost of Collection Allowances	573	572
Homelessness Reduction Grant	765	0
COVID-19 Rough Sleepers - Everybody in	590	0
COVID-19 Rough Sleepers - Cold Weather Fund	140	0
COVID-19 Rough Sleepers - Protect	81	0
COVID-19 Reopening The High Street Safely	74	0
COVID-19 Community Champions	39	0
COVID-19 Compliance and Enforcement	15	0
Rough Sleeping Strategy	0	162
Department of Health		
Public Health Grant	17,810	17,071
Better Care Fund	19,401	18,361
Improved Better Care Fund		6,207
Independent Living Fund	493	493
Adult Social Care Support Grant	13,145	1,777
Winter Pressures Funding		1,041
COVID-19 Infection Control Grant	4,022	0
COVID-19 Community Testing	850	0
COVID-19 Workforce Capacity Fund	521	0
COVID-19 Adult Social Care Rapid Test Fund	500	0
Rough Sleeping Drug & Alcohol Treatment Grant Scheme	102	0
Arts Council		
Music Education Hub	455	481
Department for Work and Pensions:		
Housing Benefit Subsidy	106,404	115,905
Discretionary Housing Payments	1,121	837
COVID-19 Winter Grant Scheme	796	0
Home Office:		
Funding for Unaccompanied Asylum Seeking Children	7,024	5,738
Department for Environment, Food & Rural Affairs		
COVID-19 Emergency Assistance Grant for Food and Essential Supplies	308	0
Sports England		
COVID-19 National Leisure Recovery Fund	304	0
Other		
Other Grants	2,856	3,955
Contributions		
Other Contributions	43,902	45,565
Total Grants Credited to Services	**408,323**	**391,759**
Total Revenue Grant Income	**483,268**	**410,219**

CAPITAL GRANT INCOME

	2020/21 £'000	2019/20 £'000
Capital Grant Income credited to the Comprehensive Income and Expenditure Statement		
Disabled Facilities Grant	5,110	4,505
Education and Skills Funding Agency	3,996	16,535
Transport for London	947	1,920
Greater London Assembly	0	1,966
Department of Health	0	69
Department of Transport	51	0
Department for Business Energy and Industrial Strategy	213	0
Total Capital Grant Income	**10,317**	**24,995**
Schools Capital Contributions	1,346	1,470
S106 Contributions	1,202	1,215
Community Infrastructure Levy	2,971	4,541
Other Capital Contributions	283	331
Total Capital Grants and Contributions Received	**16,119**	**32,552**

Of the capital grant income applied to the Comprehensive Income and Expenditure account within Taxation and Non-Specific Grant income, £9,063k was used to fund the Capital Programme and £1,255k 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:

	2020/21 £'000	2019/20 £'000
Capital Grant & Contribution Receipts in Advance		
ESFA Grants	4,308	3,071
Green Homes Grant	3,650	0
S106	10,910	11,522
Total Capital Grant & Contribution Receipts in Advance	**18,868**	**14,593**

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.

	2020/21 £'000	2019/20 £'000
Opening Capital Financing Requirement	**410,578**	**401,190**
Capital investment		
Property, Plant and Equipment	57,431	77,875
Intangible Assets	1	1,920
Revenue Expenditure Funded from Capital under Statute	7,680	19,710
Long Term Investment in HFL	0	3,371
Loan to HFL	3,271	3,500
Sources of finance		
Capital receipts	(11,307)	(14,508)
Government grants and other contributions	(14,864)	(32,358)
Sums set aside from revenue:		
Direct revenue contributions	(24,065)	(35,208)
Minimum Revenue Provision (MRP) / loans fund principal	(24,042)	(14,569)
Other Revenue Provision	(269)	(345)
Closing Capital Financing Requirement	**404,414**	**410,578**
Explanation of movements in year		
Increase/(Decrease) in underlying need to borrow :		
- unsupported by Government financial assistance	(6,164)	9,388
Increase/(Decrease) in Capital Financing Requirement	**(6,164)**	**9,388**

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.

36. LEASES

In financial years prior to 2020/21 the Council acquired a private finance initiative (PFI) school and a contract for superloos 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. As at 31st March 2021 the Council has ended all the superloo finance leases.

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.

A number of vehicles and properties are also held under operating leases, for which regular rental payments are made but the risks and rewards of ownership of such asset do not lie with the Council. 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	**Finance Lease Liabilities**		**Minimum Lease Payments**	
Outstanding obligations on 31 March	**2020/21 £'000**	**2019/20 £'000**	**2020/21 £'000**	**2019/20 £'000**
Within 1 year (held in current liabilities)	219	228	446	563
2 - 5 years	318	563	468	954
Total costs payable in future years	318	563	468	954
Total future lease payments	**537**	**791**	**914**	**1,517**

Operating Leases - Lessee

Plant, Property and Equipment	**Operating Lease**	
Outstanding obligations on 31 March	**2020/21 £'000**	**2019/20 £'000**
Within 1 year	169	307
2 - 5 years	51	220
Total future lease payments	**220**	**527**

Operating lease obligations include commitments held by Hillingdon maintained schools as well as those held by the Council. Operating lease expenditure of £80k (£109k in 19/20) 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:

	Operating Lease	
Future Minimum Lease Payments:	**2020/21 £'000**	**2019/20 £'000**
Within 1 year	1,543	1,612
2 - 5 years	4,148	4,988
More than 5 years	9,429	10,132
Total future lease payments	**15,120**	**16,732**

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

The Council has entered into a number of Long-Term Contracts, committing itself to revenue expenditure over future years. However, there is one contract that has a fixed annual sum over £1,000k and is over 4 years in length.

- Liberata UK Ltd (Revenues & Benefits) - 01/06/2017 to 31/05/2022

Year	Annual Cost £'000
2021/22	1,033
2022/23	170

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 2020/21 the Council paid principal of £223k, interest of £327k and service charges of £2,848k. Current forecasts of future payments, assuming satisfactory performance over the remaining 4 years 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	1,779	219	227	2,225
2 - 5 years	5,763	318	150	6,231
Total	**7,542**	**537**	**377**	**8,456**

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 £223k matching the principal repayment. The outstanding liability of the capital value at 31 March 2021 is £537k, of this £219k is due within a year and therefore included in creditors and the remaining £318k is included as a deferred liability.

38. CONTINGENT LIABILITIES AND ASSETS

The Council has entered legal into proceedings to recover costs against an organisation from which it purchased a block of flats. The costs are estimated at £9.9m and relate to significant fire safety and structural defects works and associated costs.

The Council has entered into legal proceeding to recover historic unclaimed VAT, which could result in an asset for £200k.

The Council has a number of potential legal cases which are pending; the liabilities associated with these cases could total £1.5m collectively.

The Council has a number of potential claims which may be pending; the liabilities associated with these potential claims could total £600k collectively.

39. EVENTS AFTER THE BALANCE SHEET DATE

Events taking place after the 31st March 2021 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 2021, 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 square 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 £5,181k have been received this year and £4,972k has been paid over to the charging authority (Transport for London) with £209k retained by the Council to cover administrative expenses.

COVID-19 Agency Grants

Grants received from the Department of Business, Energy & Industrial Strategy (BEIS) of £59,816k have been processed through the Council's accounts, where the Council has acted as an agent on behalf of BEIS and have passported these funds to local businesses to support them during the COVID-19 pandemic. From the start of the year there have been a number of schemes run by BEIS, reflecting different levels of support dependent on how the various measure to combat the spread of COVID-19 have impacted on local businesses, ranging from periods of national lockdown to various degrees of local lockdowns based on the Government's tier system. In addition to this, a further £28k has been passported to Uxbridge BID as part of a scheme run by the MHCLG to support the nation's Business Improvement Districts.

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 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 2017.
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.

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 any expected loss:

	31 March 2021				31 March 2020			
	Rating at 31 March 2021*	Long Term £'000	Short Term £'000	Expected Loss £'000	Rating at 31 March 2020*	Long Term £'000	Short Term £'000	Expected Loss £'000
Credit Risk Exposures								
UK Banks:								
- Barclays Current Accounts	A	0	3,283	0	A	0	2,111	0
- HSBC Current Accounts	A+	0	38	0	A+	0	347	0
- HSBC Short-Term Deposit	A+	0	0	0	A+	0	401	0
- Lloyds Current Accounts	A+	0	19,163	0	A+	0	11,043	0
- Lloyds Short-Term Deposit	A+	0	1,360	0	A+	0	858	0
- NatWest Current Accounts	A	0	5,068	0	N/A	0	0	0
- RBS Current Accounts	N/A	0	0	0	A	0	1	0
- Santander Current Accounts	A	0	6,505	0	A	0	0	0
- Handelsbanken Current Account	N/A	0	0	0	AA-	0	6,504	0
Sub Total		**0**	**35,418**	**0**		**0**	**21,264**	**0**
Investments where credit loss is not applicable								
Money Market Funds	AAA**	0	21,700	N/A	AAA**	0	10,000	N/A
Pooled Funds (Long-Term)	Unrated	12	0	N/A	Unrated	10	0	N/A
Strategic Pooled Funds	Unrated	15,309	0	N/A	Unrated	13,651	0	N/A
Shares in Listed Companies (Long-Term)	Unrated	99	0	N/A	Unrated	66	0	N/A
Hillingdon First Limited	Unrated	3,800	6,771	N/A	Unrated	3,371	3,500	N/A
Cash Held By Council	N/A	0	31	N/A	N/A	0	27	N/A
Sub Total		**19,221**	**28,502**	**0**		**17,098**	**13,527**	**0**
Lease Receivables	N/A	13,576	1,543	0		15,120	1,612	0
Trade Receivables - Simplified Approach		0	32,808	(9,033)		0	26,352	(7,253)
Sub Total		**13,576**	**34,351**	**(9,033)**		**15,120**	**27,964**	**(7,253)**
Total		**32,797**	**98,272**	**(9,033)**		**32,218**	**62,755**	**(7,253)**

*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 2021 and 31 March 2020 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 2021				31 March 2020			
	PWLB £'000	Market £'000	Temporary Local Authorities £'000	Total £'000	PWLB £'000	Market £'000	Temporary Local Authorities £'000	Total £'000
Nominal Value	179,671	48,000	100,000	**327,671**	195,893	48,000	65,000	**308,893**
Premium	(9,579)	0	0	**(9,579)**	(9,624)	0	0	**(9,624)**
Accrued Interest	298	609	198	**1,105**	417	617	109	**1,144**
Amortised Value	**170,390**	**48,609**	**100,198**	**319,197**	**186,686**	**48,617**	**65,109**	**300,413**

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. 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 2021				31 March 2020 (Restated)			
	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%	16.27%	51,939	59,683	50%	27.42%	82,366	89,521
Between 1 and less than 2 years	50%	19.06%	60,833	68,212	50%	1.94%	5,833	11,771
Between 2 and less than 5 years	50%	8.62%	27,500	47,363	50%	9.15%	27,500	43,657
Between 5 and less than 10 years	100%	13.21%	42,167	71,306	100%	14.37%	43,167	65,623
Between 10 and less than 20 years	100%	18.69%	59,667	103,525	100%	20.97%	63,000	93,226
Between 20 and less than 30 years	100%	3.15%	10,071	40,992	100%	3.85%	11,571	30,494
Between 30 and less than 40 years	100%	5.96%	19,021	43,820	100%	6.32%	18,976	34,966
Between 40 and less than 50 years	100%	12.22%	39,000	50,089	100%	12.98%	39,000	47,459
Over 50 years	100%	2.82%	9,000	10,709	100%	3.00%	9,000	10,477
Total		**100.00%**	**319,197**	**495,698**		**100.00%**	**300,413**	**427,193**

In line with IFRS 7 'Financial Instruments: Disclosures' the Council is required to show a maturity analysis for financial liabilities that shows the remaining contractual maturities. This requires an assessment of the undiscounted cashflows and this has now been added to show the full undiscounted position.

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 2020/21 balances and with all other variables held constant) the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	269
Increase in interest receivable on variable rate investments	(571)
Decrease in fair value of investments held at FVPL charged against provision of services	420
Impact on Surplus or Deficit on the Provision of Services	**118**
Share of overall impact credited to the HRA	**8**
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)	41,328

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 £98k classified as shares in listed companies. Based on the holding value at 31 March 2021 a 5% fall in share prices would result in a £5k 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 2021 a 5% fall in share prices would result in transfer of £77k to Pooled Investment Fund Adjustment Account .

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 (£179,671k nominal value 31 March 2021; 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 £10,000k, £5,000k and £5,000k respectively are scheduled for rate change options. In addition, the Council holds £12,000k of fixed-rate market loans and £100,000k of short-term Local Authority borrowing.

Although the Council continued to utilise internal balances to reduce the need to borrow, significant external borrowing was also required during 20/21 to ensure liquidity was maintained. Throughout the period temporary local authority loans were taken, peaking at £100,000k in March. The portfolio increased by £18,780k as a result of an increase in temporary borrowing held over year end of £35,000k and £16,200k of naturally maturing longer term debt, leaving a balance at year-end of £327,671k.

Financial Assets

The Council had a weighted average balance of investments for 2020/21 of £53,026k. Throughout the year deposits were placed in instant access accounts, pooled funds, 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.

In 2019/20 the Council invested a total of £9,871k in its wholly owned subsidiary. A short-term loan of £6,500k and a long-term investment of £3,371k in shares in the subsidiary. In 2020/21 a further loan of £3,000k was issued to 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	2020/21 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 2020/21 the employer's contribution rate was 24.1%.

Employees contributed at variable rates between 5.5% and 12.5% of pensionable salary. As stated, the employer's contribution rate set for 2021/22 is 24.1% with any pension strain costs being directly attributable to the service area, as was the case in 2020/21.

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 2020/21 was 23.68% (the rate in 2019/20 was 16.48% for the period April to August increasing to 23.68% from September 2020). The total contribution to the fund by the Council in 2020/21 was £11,124k (£9,433k in 2019/20), of this amount £935k was outstanding at 31 March 2021 (£908k at 31 March 2020).

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 £457k paid in respect of on-going early retirement payments in 2020/21 (£486k in 2019/20).

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 2020/21 the Council paid a total of £36.3K, £33.2k in 2019/20) 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 2020/21. This means that in 2020/21 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 2021/22.

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 2021	**31 March 2020**	**31 March 2021**	**31 March 2020**	**31 March 2021**	**31 March 2020**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost of Services						
Current Service Cost	35,534	44,485	0	0	35,534	44,485
Past Service Costs (Including curtailments)	376	593	0	0	376	593
(Gain)/Loss Settlements	0	0	0	0	0	0
Administration Expenses	869	734	1	1	870	735
Financing and Investment Income and Expenditure:					0	
Net Interest Expense	11,936	14,974	50	55	11,986	15,029
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	**48,715**	**60,786**	**51**	**56**	**48,766**	**60,842**
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)	(132,028)	73,960	(49)	28	(132,077)	73,988
Actuarial gains and losses arising on changes in financial assumptions	324,770	(118,807)	213	(151)	324,983	(118,958)
Other	9,358	(85,838)	(68)	(411)	9,290	(86,249)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	**202,100**	**(130,685)**	**96**	**(534)**	**202,196**	**(131,219)**
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	(19,179)	(32,442)	(48)	(53)	(19,227)	(32,495)
Actual amount charged against the General Fund Balance for pensions in the year:						
Employer's contributions payable to scheme	(27,462)	(26,246)	0	0	(27,462)	(26,246)
Contributions in respect of unfunded benefits	(2,074)	(2,098)	(3)	(3)	(2,077)	(2,101)
Total Employers Contributions Payable to Scheme	**(29,536)**	**(28,344)**	**(3)**	**(3)**	**(29,539)**	**(28,347)**

In addition, the Comprehensive Income and Expenditure Statement included an actuarial loss of £202,196k in 2020/21 (£131,219k actuarial gain in 2019/20). 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 £26,199k (2020/21 actual £26,186k) in respect of contributions to the LBH Pension Fund during the financial year 2021/22.

44. PENSION SCHEMES BALANCE SHEET DISCLOSURES

	LBH Pension Fund		LPFA Pension Fund		Total	
	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000
Opening Benefit Obligation	1,353,063	1,518,557	2,711	3,567	1,355,774	1,522,124
Current Service Cost	35,534	44,485	0	0	35,534	44,485
Administration Expenses	869	734	0	0	869	734
Interest on defined liability	31,080	36,552	57	68	31,137	36,620
Contributions by Members	7,215	7,114		0	7,215	7,114
Remeasurement (gains) and losses:						
- Actuarial (gains)/losses arising from changes in financial assumptions	324,770	(118,807)	213	(151)	324,983	(118,958)
- Other	9,358	(85,838)	(68)	(429)	9,290	(86,267)
Past Service Cost including Curtailments	376	593	0	0	376	593
Liabilities Extinguished on Settlements	0	0	0	0	0	0
Estimated Unfunded Benefits Paid	(2,074)	(2,098)	(3)	(3)	(2,077)	(2,101)
Estimated Benefits Paid	(43,564)	(48,229)	(303)	(341)	(43,867)	(48,570)
Closing Defined Benefit Obligation	**1,716,627**	**1,353,063**	**2,607**	**2,711**	**1,719,234**	**1,355,774**

Reconciliation of fair value of scheme assets

	LBH Pension Fund		LPFA Pension Fund		Total	
	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000
Opening Fair Value of Employer Assets	837,351	904,602	457	832	837,808	905,434
Interest Income on Plan Assets	19,144	21,578	7	13	19,151	21,591
Contributions by Members	7,215	7,114	0	0	7,215	7,114
Contributions by the Employer	27,462	26,246	0	0	27,462	26,246
Contributions in respect of Unfunded Benefits	2,074	2,098	3	3	2,077	2,101
Remeasurement (gains) and losses:						
- The return on plan assets, excluding the amount in the net interest expense	132,028	(73,960)	49	(28)	132,077	(73,988)
- Other	0	0	0	(18)	0	(18)
Assets Distributed on Settlements	0	0	0	0	0	0
Administration Expenses	0	0		(1)	0	(1)
Estimated Unfunded Benefits Paid	(2,074)	(2,098)	(1)	0	(2,075)	(2,098)
Estimated Benefits Paid	(43,564)	(48,229)	(306)	(344)	(43,870)	(48,573)
Closing Fair Value of Employer Assets	**979,636**	**837,351**	**209**	**457**	**979,845**	**837,808**

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 18.1%

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) 20/21	Not Quoted in Active Markets (Level 2&3) 20/21	*Restated* Quoted in Active Markets (Level 1) 19/20	*Restated* Not Quoted in Active Markets (Level 2&3) 19/20	Quoted in Active Markets (Level 1) 20/21	Not Quoted in Active Markets (Level 2&3) 20/21	Quoted in Active Markets (Level 1) 19/20	Not Quoted in Active Markets (Level 2&3) 19/20	31 March 2021	31 March 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Equity Instruments										
Consumer	0	0	17,721	0	22	0	56	0	22	17,777
Manufacturing	0	0	0	0	11	0	23	0	11	23
Energy & Utilities	0	0	16,411	0	2	0	7	0	2	16,418
Financial Institutions	0	0	28,443	0	10	0	26	0	10	28,469
Health & Care	0	0	7,004	0	7	0	12	0	7	7,016
Information Technology	0	0	442	0	25	0	43	0	25	485
Other	36	67	0	24,906	7	0	16	0	110	24,922
Debt Securities									0	
Other	0	0	0	0	9	0	22	0	9	22
Private Equity	0	10,681	0	10,424	0	18	0	38	10,699	10,462
Real Estate	0	115,265	0	98,728	0	19	0	42	115,284	98,770
Investment Funds & Unit Trusts									0	
Equities	0	493,408	0	349,668	0	0	0	0	493,408	349,668
Bonds	0	317,185	0	198,891	0	0	0	0	317,185	198,891
Infrastructure	0	28,911	0	19,059	0	17	0	32	28,928	19,091
Other	0	1,131	0	52,949	0	0	0	0	1,131	52,949
Target Returns	0	0	0	0	23	17	55	34	40	89
Cash & Cash Equivalents	12,952	0	12,705	0	20	2	47	4	12,974	12,756
	12,988	**966,648**	**82,726**	**754,625**	**136**	**73**	**307**	**150**	**979,845**	**837,808**

LBH allocation between quoted and not-quoted investments has been re-allocated for 19/20 to better reflect the fair value hierarchy shown in the Pension Fund Accounts.

Pensions Assets and Liabilities recognised in the Balance Sheet

	2020/21 £'000	2019/20 £'000	2018/19 £'000	2017/18 £'000	2016/17 £'000	2015/16 £'000	2014/15 £'000
Present value of liabilities:							
LBH	(1,716,627)	(1,353,063)	(1,518,557)	(1,395,187)	(1,381,086)	(1,123,590)	(1,218,712)
LPFA	(2,607)	(2,711)	(3,567)	(3,783)	(4,283)	(4,660)	(5,201)
Fair Value of Assets:							
LBH	979,636	837,351	904,602	873,391	862,749	740,154	736,612
LPFA	209	457	832	1,111	1,450	1,613	2,123
Deficit in the scheme:							
LBH	(736,991)	(515,712)	(613,955)	(521,796)	(518,337)	(383,436)	(482,100)
LPFA	(2,398)	(2,254)	(2,735)	(2,672)	(2,833)	(3,047)	(3,078)
Total	**(739,389)**	**(517,966)**	**(616,690)**	**(524,468)**	**(521,170)**	**(386,483)**	**(485,178)**

The liabilities show the underlying commitments that the Council has in the long term to pay retirement benefits. The total liability of £1,719m is offset by the scheme assets of £980m to give the net pension liability of £739m 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 2019. The appointed actuary for LBH is Hymans Robertson LLP and for LPFA is Barnett Waddingham.

	LBH Pension Fund		LPFA Pension Fund	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
Financial Assumptions: (% p.a.)				
Pension Increase Rate	2.85%	1.90%	2.80%	1.95%
Salary Increase Rate	3.15%	2.20%	3.80%	2.95%
Discount Rate	2.00%	2.30%	1.60%	2.25%
Mortality Assumptions:				
Longevity at 65 for current pensioners:				
- Men	22.3	22.1	22.0	22.2
- Women	24.7	24.3	24.6	24.6
Longevity at 65 for future pensioners:				
- Men	23.3	22.8	23.3	23.6
- Women	26.2	25.5	26.0	26.1
Take-up of option to convert annual pension to tax free lump sum pre-April 2008	65%	65%	50%	50%
Take-up of option to convert annual pension to tax free lump sum post-April 2008	85%	85%	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

	LBH Pension Fund		LPFA Pension Fund	
Changes in Assumptions as at 31 March 2019	% Increase to Employer Liability	Increase to Employer Liability £'000	% Increase to Employer Liability	Increase to Employer Liability £'000
0.5% Decrease in Real Discount Rate	9%	157,448	4%	90
1 Year Increase in Member Life Expectancy*	3-5%	n/a	20%	509
0.5% Increase in the Salary Increase Rate	1%	8,977	0%	0
0.5% Increase in the Pension Increase Rate	8%	145,678	3%	85

*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 3-5%. 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 2020/21.

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 2019 to cover contribution rates of the Council for three years from April 2020. 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.

COVID-19

The IAS19 balance sheet is based on financial market values and future market expectation indicators as at 31 March 2021 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.

Looking at the period 1 April 2020 – 31 March 2021:

- There has been recovery in investment markets which have been sustained through the period 202/21. However, there is still an element of uncertainty as to whether this will continue into 2021/22.
- The key non-financial assumption made within the accounts is for life expectancy. However, at this stage it is not possible to extrapolate the longer-term impact of the higher death rate due to COVID19 in 2021/22 on either future mortality or morbidity rates.

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Other Financial Statements

The Housing Revenue Account (HRA) (page 102)

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 106)

This account reflects the statutory requirement to maintain a separate Collection Fund which shows the transactions of the billing authority in relation to National 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.

Hillingdon First Limited (page 109)

Provides background to the Council's wholly owned subsidiary Hillingdon First Limited and gives an overview of the first year of operation.

The Pension Fund Account (page 110)

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. Council's 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 2021 £'000	31 March 2020 £'000
Expenditure			
Repairs and maintenance		9,129	9,230
Supervision and management		19,455	18,955
Rents, rates, taxes & other charges		183	170
Increase in provision for bad debts		456	548
Depreciation of non current assets	*3*	11,046	10,781
Impairment or Reversal of previous impairment / revaluation loss		(6,763)	37,250
		33,506	**76,934**
Income			
Gross dwelling rents		(57,762)	(55,586)
Gross non dwelling rents		(1,729)	(1,742)
Charges for services and facilities		(3,356)	(3,362)
Contributions towards expenditure		(831)	(955)
		(63,678)	**(61,645)**
Net Cost of HRA Services as included in the HRA Income and Expenditure Statement		**(30,172)**	**15,289**
HRA Services share of Corporate and Democratic Core		986	896
Net Cost of HRA services		**(29,186)**	**16,185**
(Gain) on sale of HRA non current assets		(453)	(6,535)
Interest payable and similar charges		6,435	7,411
Interest & Investment Income		(9)	(294)
Capital Grant Income		(1,169)	(2,667)
(Surplus)/Deficit for the year on HRA services		**(24,382)**	**14,100**

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 2021 £'000	31 March 2020 £'000
HRA Balance 31 March		**(17,075)**	**(18,260)**
(Surplus)/Deficit for the year on HRA services		(24,382)	14,100
Adjustments between accounting basis & funding basis under regulations			
Gain/(Loss) on sale of HRA non current assets		453	6,535
Premium on early redemption of HRA debt		0	4
HRA share of contributions to or from the Pension Reserve		(1,043)	(1,712)
Revaluation of Non Current Assets		6,763	37,250
Annual Leave Accrual Adjustment		(93)	(26)
Revenue Expenditure funded by Capital Under Statute		(71)	(39)
Provision for repayment of debt		9,615	9,129
Capital Grant Income		1,168	2,667
Net Increase before transfer to reserves		**(7,590)**	**(6,592)**
Transfer to Major Repairs Reserve		9,240	7,777
Transfer to Earmarked Reserve		224	0
(Increase)/Decrease in year on HRA		**1,874**	**1,185**
HRA Balance at 31 March		**(15,201)**	**(17,075)**
HRA Earmarked Reserve		**(224)**	**0**
Major Repairs Reserves	7	**(12,784)**	**(15,228)**
Total HRA Balances		**(28,209)**	**(32,303)**

Notes to the Housing Revenue Account

1. HOUSING STOCK

The Council was responsible at 31 March 2021 for managing dwellings (including shared ownership).
The stock was as follows:

	Total Properties 31 March 2021	Total Properties 31 March 2020
1 Bed Properties	3,711	3,724
2 Bed Properties	3,464	3,473
3 Bed Properties	2,754	2,742
4 Bed plus Properties	251	248
Total	**10,180**	**10,187**

2. VALUE OF HRA ASSETS

	Net Book Value 31 March 2021 £'000	Net Book Value 31 March 2020 £'000
Council Dwellings	786,295	730,388
Other Land & Buildings	3,353	1,962
Vehicle, Plant & Equipment	4,590	6,875
Surplus Assets	423	275
Intangible Asset	104	219
Assets Held For Sale	0	0
Assets Under Construction	22,424	10,428
Total	**817,189**	**750,147**

The vacant possession value of dwellings within the Council's HRA as at 31 March 2021 was £3,127m; this differs from the balance sheet value of £788m, which is based on the economic use value of social housing. The difference of £2,339m 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 2021 £'000	Depreciation 31 March 2020 £'000
Council Dwellings	10,398	10,208
Other Land & Buildings	35	21
Intangibles	17	0
Surplus Assets	8	8
Vehicle, Plant & Equipment	588	544
Total	**11,046**	**10,781**

4. CAPITAL EXPENDITURE

Notes to the Housing Revenue Account

HRA Capital Expenditure during 2020/21 totalled £30,459k. This was financed by:

	31 March 2021 £'000	31 March 2020 £'000
Capital Receipts	6,560	8,875
Capital Grants & Contributions	1,169	2,667
Major Repairs Reserve	22,730	35,208
	30,459	**46,750**

Capital receipts from the sale of HRA RTB properties during 2020/21 totalled £5,026k of which £1,171k was paid to Central Government under the pooling arrangements, with £3,855k remaining with the Council.

5. RENT ARREARS

At 31 March 2021 the gross HRA rent arrears amounted to £2,798k (£2,647k in 2019/20).

6. BAD DEBT PROVISION

The provision for bad debts on all HRA debts as at 31 March 2021 was £2,013k (£1,876k in 2019/20). In year, there was an increase in the HRA bad debt provision of 456k and debts totalling £319k 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 2021 £'000	31 March 2020 £'000
Balance as at 1 April	15,228	31,878
Depreciation transferred to Reserve	11,046	10,781
Transfer to MRR	9,240	7,777
Capital programme funding	(22,730)	(35,208)
	12,784	**15,228**

The £12,784k held in this reserve will be used to finance 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 2020/21 was £1,043k.

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 2021 £'000**	**31 March 2020 £'000**
Council Tax Income		(152,429)	(147,152)
Contribution towards previous years' estimated Council Tax (Surplus)/Deficit	*1*	(50)	928
Write-offs Uncollectable Council Tax Debt		47	104
Write-back Uncollectable Council Tax Debt		(2)	(196)
Provision for Doubtful Council Tax Debts		1,470	749
London Borough of Hillingdon Council Tax Precept	*1*	120,786	114,500
Greater London Authority Council Tax Precept	*1*	33,907	32,202
Council Tax (Surplus)/Deficit for the Year		**3,729**	**1,135**
Opening Council Tax (Surplus)/Deficit Balance		384	(751)
Council Tax (Surplus)/Deficit for the Year		3,729	1,135
Brought Forward Council Tax (Surplus) / Deficit Balance		**4,113**	**384**

National Non-Domestic Rates (NNDR) & Business Rate Supplement (BRS)	**Note**	**31 March 2021 £'000**	**31 March 2020 £'000**
National Non-Domestic Rates Income		(275,967)	(382,438)
Business Rate Supplement Income		(10,110)	(13,048)
Contribution towards previous years' estimated NNDR (Surplus)/Deficit		(11)	582
Write-offs Uncollectable NNDR Debt		420	735
Write-back Uncollectable NNDR Debt		(13)	(16)
Provision for Doubtful NNDR Debts		3,765	298
Provision/(Release of Provision) for Backdated Appeal Losses	*3*	4,566	(395)
London Borough of Hillingdon Share NNDR Income	*2*	112,315	177,012
Greater London Authority Share NNDR Income	*2*	138,521	99,569
Central Government Share NNDR Income	*2*	123,545	92,194
Transitional Payment Protection Receivable		2,530	11,875
Payment to Greater London Authority in respect of BRS Income		10,100	13,038
NNDR Cost of Collection Allowance		573	572
BRS Cost of Collection Allowance		10	10
NNDR (Surplus)/Deficit for the Year		**110,244**	**(12)**
Opening NNDR (Surplus)/Deficit Balance		2,004	2,016
NNDR (Surplus)/Deficit for the Year		110,244	(12)
Brought Forward NNDR (Surplus)/Deficit Balance		**112,248**	**2,004**

Notes to the Collection Fund Account

1. Calculation of the Council Tax Base and 2020/21 Council Tax Revenues

he 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 2020/21 base agreed by full Council on 16 January 2020.

Band	Estimated No. of Properties	Discounts & Exemptions	Council Tax Support Scheme	Net Estimated No. of Properties	Band D Equivalent Ratio	Band D Equivalent 2020/21	Band D Equivalent 2019/20
A	1,163	(207)	(174)	782	6/9	522	511
B	6,511	(1,183)	(1,212)	4,116	7/9	3,201	3,440
C	26,857	(3,364)	(3,790)	19,703	8/9	17,514	17,088
D	47,681	(3,781)	(4,440)	39,460	9/9	39,460	38,779
E	19,056	(1,577)	(918)	16,561	11/9	20,241	19,909
F	10,131	(922)	(210)	8,999	13/9	12,999	12,788
G	5,312	(742)	(53)	4,517	15/9	7,528	7,440
H	474	(39)	(4)	431	18/9	862	840
Total	**117,185**	**(11,815)**	**(10,801)**	**94,569**		**102,328**	**100,795**
					Adjustment for Non-collection	(1,023)	(1,008)
					Ministry of Defence Contribution	766	683
					Council Tax Base	**102,071**	**100,470**
					London Borough of Hillingdon Band D Council Tax (£)	1,182.94	1,139.64
					Greater London Authority Band D Council Tax (£)	332.07	320.51
					Total Band D Council Tax (£)	**1,515.01**	**1,460.15**
					Demand on Collection Fund (£'000)	**154,638**	**146,701**

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 2020	2020/21 Precept	Release of Prior Year Estimated Surplus	2020/21 Council Tax Revenues	2020/21 Deficit	Balance 31 March 2021
	£'000	£'000	£'000	£'000	£'000	£'000
London Borough of Hillingdon	299	120,786	(39)	(117,836)	2,911	3,210
Greater London Authority	85	33,907	(11)	(33,078)	818	903
Total	**384**	**154,693**	**(50)**	**(150,914)**	**3,729**	**4,113**

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 1 April 2020 the aggregate Rateable Value across the 9,145 hereditaments within the borough totalled £808,617k, with rates payable determined by the National Non-Domestic multiplier which is set annual by Central Government. For 2020/21 the standard multiplier was 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 2020	2020/21 Budgeted Share of Income	Release of Prior Year Estimated Surplus	2020/21 Non-Domestic Rates Revenues	2020/21 Surplus	Balance 31 March 2021
	£'000	£'000	£'000	£'000	£'000	£'000
London Borough of Hillingdon	1,378	112,315	(421)	(79,238)	32,656	34,034
Greater London Authority	776	138,521	(237)	(97,727)	40,557	41,333
Central Government	(150)	123,545	647	(87,161)	37,031	36,881
Total	**2,004**	**374,381**	**(11)**	**(264,126)**	**110,244**	**112,248**

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. 473 such appeals relating to 377 separate hereditaments were outstanding with the Valuation Office Agency as at the 31 March 2021. Given the inherent uncertainty around the financial impact of such appeals, a provision of £7,048k has been established on the basis of past experience. This represents an decrease of £4,566k on the previously held provision, within this movement £72k was released to fund refunds paid during 2020/21, £51k was released where provision was no longer required and an additional £4,689k was added to the provision in respect of outstanding appeals.

Notes to Hillingdon First Limited

Background

In 2018, the London Borough of Hillingdon set up the 100% wholly owned subsidiary of Hillingdon First Limited (HFL). The aim of the company is to provide affordable housing to the residents of Hillingdon and contribute towards local regeneration. Whilst work went on in the background setting out the scope and business structure no activity was undertaken during 2018/19. In 2019/20 the company became operational and the Council started to fund the operation.

Financial and trading update

The initial £3.37m as equity investment is still in place and a further £3.00m of short-term loans were provided in 2020/21, adding to £3.50m provided in 2019/20. These loans were initially utilised to purchase land from the Council in South Ruislip and have subsequently enabled construction work over the two-year period. For 2020/21 interest payable to the Council on those loans totalled £271k and management overhead recharges stood at £119k.

The project on a housing development has progressed well during 2020/21 and sales are expected in early 2021/22. However, as no trading took place within the financial year, and due to the minimal transactions between the Council and HFL, no group accounts have been prepared for 2020/21.

Profit and Loss Account

	2020/21 £'000	2019/20 £'000
Sales Income		
Land Acquisition	0	3,655
Construction Costs	2,506	3,364
Other Expenses	240	113
Works in Progress	(2,746)	(7,132)
Operating (Profit) / Loss	**0**	**0**
Management and Overheads	119	110
Financing Costs	271	1
(Profit) / Loss Before Tax	**390**	**111**
Corporation Tax	0	0
(Profit) / Loss After Tax	**390**	**111**

Balance Sheet

	31 March 2021 £'000	31 March 2020 £'000
Works in Progress	9,878	7,133
Debtors	(3)	8
Cash at Bank	349	325
Creditors	(583)	(705)
Working Capital	**9,641**	**6,761**
Borrowing	(6,771)	(3,501)
Net Assets	**2,870**	**3,260**
Financed by:		
Share Capital	(3,371)	(3,371)
Retained Earnings	501	111
Net Liabilities	**(2,870)**	**(3,260)**

PENSION FUND ACCOUNT

	Note	31 March 2021 £'000	31 March 2020 £'000
Contributions	*4*	48,681	47,305
Transfers In from other pension funds	*5*	4,803	1,746
		53,484	**49,051**
Less: Benefits	*6*	(47,211)	(47,188)
Less: Payments to and on account of leavers	*7*	(3,541)	(6,870)
		(50,752)	**(54,058)**
Net additions/(withdrawals) from dealings with members		**2,732**	**(5,007)**
Less: Management expenses	*8*	(10,749)	(9,882)
Net additions/(withdrawals) including fund management expenses		**(8,017)**	**(14,889)**
Return on investments			
Investment income	*9*	13,667	23,101
Profit and losses on disposal of investments and changes in market value of investments	*10A*	170,519	(86,092)
Taxes On Income		(22)	(48)
Net return on investments		**184,164**	**(63,039)**
Net Increase/(Decrease) in the fund		**176,147**	**(77,928)**
Net Assets at start of year		**989,055**	**1,066,983**
Net Assets at end of year		**1,165,202**	**989,055**

NET ASSETS STATEMENT

		31 March 2021 £'000	31 March 2020 £'000
Investment Assets	*10*	1,161,568	986,131
Investment Liabilities	*10*	0	(17)
Total net investments		**1,161,568**	**986,114**
Current Assets	*11*	4,323	3,574
Current Liabilities	*12*	(689)	(633)
Net assets of the fund available to fund benefits at		**1,165,202**	**989,055**

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.

Paul Whaymand
Corporate Director of Finance
29 September 2021

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:

Braybourne Facilities - Bishop Ramsey Cleaners

Caterlink - Frays Academy

Caterplus

Cucina - Ruislip High School

Greenwich Leisure

Cleantec - Harlington School Cleaners

Taylor Shaw - Haydon Academy Catering

Hayward Services

- Hillingdon School
- Highfield School
- Guru Nanak

Heathrow Travel Care

Hillingdon & Ealing Citizens Advice

NHS - Michael Sobel House

The Pantry

- Frithwood & Hillside Schools
- Whiteheath Infant & Warrender School

Pabulum - West Drayton 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

Elliot Foundation Trust

- Hillingdon Primary School
- John Locke Academy
- Pinkwell 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

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
- Mellowlane School
- Brookside Primary School

Ruislip High School

Ryefield Primary School

Vyners Academy

Stockley Academy

Swakeleys Academy

Uxbridge Academy

William Byrd School

Willows Academy

London Borough of Hillingdon Pension Fund	31 March 2021	31 March 2020
Number of employers with active members	61	66
Number of employees in scheme		
London Borough of Hillingdon	4,972	4,839
Other employers	2,796	2,596
Total	**7,768**	**7,435**
Number of Pensioners		
London Borough of Hillingdon	6,187	6,082
Other employers	674	600
Total	**6,861**	**6,682**
Deferred Pensioners		
London Borough of Hillingdon	7,566	7,941
Other employers	2,659	2,630
Total	**10,225**	**10,571**

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 2021. Employers also pay contributions into the Fund based on triennial funding valuations. The last such valuation was as at 31 March 2019, this covers the three financial years following 2019/20 (2020/21, 2021/2022 & 2022/23). Currently employer contribution rates range from 18.5% to 37.4% of pensionable pay, as per the 2019 valuation.

d. Investments

The Pension Fund investments are managed externally by fund managers: Adams Street Partners, AEW UK, JP Morgan Asset Management, 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 2020-21) and governance is overseen by the Pensions Board (Four meetings in 2020-21). Pensions Committee and Pensions Board consisted of the following members in 2020/21:

Pensions Committee

Cllr Martin Goddard (Chairman)
Cllr Phillip Corthorne (Vice-Chairman)
Cllr Raymond Graham
Cllr Tony Eginton
Cllr John Morse

Pensions Board

Roger Hackett (Scheme Member Representative)
Tony Noakes (Employee Representative)
Zak Muneer (Employer Representative) Until Feb 2021
Hayley Seabrook (Employer Representative)
Shane Woodhatch (Employer Representative) From Feb 2021

2. BASIS OF PREPARATION

The accounts have been compiled in accordance to the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, 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 at 31 March 2021.

The accounts do not take into account obligations to pay benefits and pensions that fall due after the reporting date (31 March 2021). 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 2020/21, £41k of such fees is based on estimates (2019/20: £76k). 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. Contributions are accounted for in the period in which they fall due. Normal contributions received during the year are in accordance with the rates and adjustments certificate.

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 are 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 at 31 March 2021 was £294,037k (£275,145k at 31 March 2020).

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 adjustment in the forthcoming 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, primarily at 31 December 2020, 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 £13,369k. 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 2021. 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. 31 March 2021 valuations will be broadly based on a general outlook continued recovery COVID-19 related economic impact of 2019/20.	The total infrastructure alternative investments in the financial statements are £34,327k. 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 manager has confirmed its investments and valuation is not be impacted by Covid-19.	The total private finance investments in the financial statements are £1,248k. 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	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. Investments have recovered and stabilised, thus returning to growth. Subsequently, only 5% of investment portfolio is now classified as high risk from COVID-19. Deal activity has also recovered to pre-pandemic levels.	The total Private Debt investments in the financial statements are £59,005k. 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 2021 were not subject to any uncertainty clauses as the funds had fully recovered from the effects of COVID19, unlike 31 March 2020.	The total Pooled property investments in the financial statement is £188,926k. 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 2021 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 2021 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.

Sensitivity Analysis

Sensitivity to the assumptions for the year ended 31 March 2021	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	9%	157
0.5% p.a. increase in the Salary Increase Rate	1%	9
0.5% p.a. decrease in the Real Discount Rate	8%	146

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 2021 £'000	31 March 2020 £'000
Employees	10,231	10,109
Employers Contributions:		
Normal	32,737	30,333
Deficit Funding	5,713	6,863
	48,681	**47,305**

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 2021 £'000	31 March 2020 £'000
LB Hillingdon	34,759	33,793
Scheduled Bodies	13,528	13,174
Admitted Bodies	394	338
	48,681	**47,305**

5. TRANSFERS IN

	31 March 2021 £'000	31 March 2020 £'000
Individual transfers in from other schemes	4,803	1,746
	4,803	**1,746**

Notes to the Pension Fund Account

6. BENEFITS

By category	31 March 2021 £'000	31 March 2020 £'000
Pensions	(39,955)	(38,846)
Commutations and Lump Sum Retirement Benefits	(6,478)	(7,330)
Lump Sum Death Benefits	(778)	(1,012)
	(47,211)	**(47,188)**

By authority	31 March 2021 £'000	31 March 2020 £'000
LB Hillingdon	(43,708)	(42,567)
Scheduled Bodies	(3,177)	(4,246)
Admitted Bodies	(326)	(375)
	(47,211)	**(47,188)**

7. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	31 March 2021 £'000	31 March 2020 £'000
Refunds to members leaving service	(82)	(103)
Individual transfers out to other schemes	(3,459)	(6,767)
	(3,541)	**(6,870)**

8. MANAGEMENT EXPENSES

The administering authority incurred costs in managing the Fund for the period ending 31 March 2021 as follows:

	31 March 2021 £'000	31 March 2020 £'000
Administrative Costs	(963)	(825)
Investment Management Expenses	(9,548)	(8,767)
Oversight and Governance	(238)	(290)
	(10,749)	**(9,882)**

8A. INVESTMENT MANAGEMENT EXPENSES BREAKDOWN

2020/2021	£'000	£'000	£'000	£'000
	Total	**Management Expenses**	**Performance Fees**	**Transaction Costs**
Equities	(94)	(88)	0	(6)
Pooled Investments	(5,971)	(2,827)	(1,242)	(1,902)
Pooled Property Investments	(2,323)	(1,307)	(104)	(912)
Private Equity	(1,099)	(241)	(797)	(61)
	(9,487)	**(4,463)**	**(2,143)**	**(2,881)**
Custody Fees	(61)			
Total	**(9,548)**			

2019/2020	£'000 Total	£'000 Management Expenses	£'000 Performance Fees	£'000 Transaction Costs
Equities	(533)	(421)	0	(112)
Pooled Investments	(5,180)	(3,248)	(614)	(1,318)
Pooled Property Investments	(2,711)	(2,063)	(140)	(508)
Private Equity	(284)	(200)	(26)	(58)
	(8,708)	**(5,932)**	**(780)**	**(1,996)**
Custody Fees	(59)			
Total	**(8,767)**			

8B. TRANSACTION COSTS ANALYSIS BY ASSET CLASS

	31 March 2021 £'000	31 March 2020 £'000
Equities	(6)	(112)
Pooled Investments	(1,902)	(1,318)
Pooled Property Investments	(912)	(508)
Private Equity	(61)	(58)
	(2,881)	**(1,996)**

8C. EXTERNAL AUDIT COSTS

	31 March 2021 £'000	31 March 2020 £'000
Payable in Respect of External Audit	(40)	(22)
	(40)	**(22)**

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

9. INVESTMENT INCOME

	31 March 2021 £'000	31 March 2020 £'000
Income from Equities	1,398	5,810
Pooled Property Investments	2,108	6,452
Pooled Investments- Unit trusts and other managed funds	10,061	10,362
Interest on cash deposits	18	119
Other (for example from stock lending or underwriting)	82	358
	13,667	**23,101**

10. INVESTMENTS

	31 March 2021 £'000	31 March 2020 £'000
Investment Assets		
Equities	42	84,471
Pooled investments	943,976	706,512
Pooled property investments	188,926	165,448
Private equity	13,369	13,614
Other Investment balances		
Cash deposits	15,166	15,520
Investment income due	89	502
Sales Settlements Outstanding	0	64
Total investment assets	**1,161,568**	**986,131**
Investment liabilities		
Derivative contracts:		
Purchase Settlements Outstanding	0	(17)
Total investment liabilities	**0**	**(17)**
Net investment assets	**1,161,568**	**986,114**

10A. RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

2020/21	Value 1 April 2020 £'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 2021 £'000
Equities	84,471	3,657	(90,547)	2,461	42
Pooled Investments	706,512	216,071	(126,184)	147,577	943,976
Pooled Property Investments	165,448	14,970	(181)	8,689	188,926
Private Equity	13,614	11	(3,916)	3,660	13,369
	970,045	**234,709**	**(220,827)**	**162,386**	**1,146,313**
	970,045	**234,709**	**(220,827)**	**162,386**	**1,146,313**
Other investment balances					
Cash Deposits	15,520	0	0	0	15,166
Investment Income Due	502	0	0	0	89
Outstanding Sales	64	0	0	0	0
Adjustments to Market Value Changes	0	0	0	8,133	0
Total Investment Assets	**986,131**			**170,519**	**1,161,568**

2019/20	Value 1 April 2019 £'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 2020 £'000
Equities	128,054	14,695	(14,825)	(43,453)	84,471
Pooled Investments	774,128	117,948	(152,591)	(32,973)	706,512
Pooled Property Investments	135,049	103,606	(55,878)	(17,329)	165,448
Private Equity	17,329	105	(4,265)	445	13,614
	1,054,560	**236,354**	**(227,559)**	**(93,310)**	**970,045**
	1,054,560	**236,354**	**(227,559)**	**(93,310)**	**970,045**
Other investment balances					
Cash Deposits	10,472	0	0	207	15,520
Investment Income Due	1,183	0	0	0	502
Outstanding Sales	0	0	0	0	64
Adjustments to Market Value Changes	0	0	0	7,011	0
Total Investment Assets	**1,066,215**			**(86,092)**	**986,131**

Notes to the Pension Fund Account

10B. ANALYSIS OF INVESTMENTS

	31 March 2021 £'000	31 March 2020 £'000
Equities		
UK		
Quoted	42	84,471
	42	**84,471**
Pooled funds - additional analysis		
Fixed income unit trust	261,498	230,844
Diversified Growth Funds	50,833	55,573
Infrastructure Funds	34,327	27,265
Global Equity	537,065	324,053
Limited liability partnerships	60,253	68,777
	943,976	**706,512**
Other Investments		
Pooled property Investments	188,926	165,448
Private equity	13,369	13,614
	202,295	**179,062**
Cash deposits	15,166	15,520
Investment income due	89	502
Sales Settlements Outstanding	0	64
	15,255	**16,086**
Total investment assets	**1,161,568**	**986,131**
Investment liabilities		
Purchase Settlements Outstanding	0	(17)
Total investment liabilities	0	(17)
Net investment assets	**1,161,568**	**986,114**

10C. INVESTMENTS ANALYSED BY FUND MANAGER

Fund Manager	Market Value 31 March 2021 £'000	%	Market Value 31 March 2020 £'000	%
Investments Managed by London CIV Pool				
Legal & General Investment Management	668,045	58	384,373	39
London CIV Asset Pool	127,945	11	184,884	19
	795,990	69	569,257	58
Investments Managed Outside of London CIV Asset Pool				
Adams Street Partners	10,103	1	9,909	1
AEW UK	60,712	5	50,774	5
JP Morgan Asset Management	116,580	10	89,137	9
LGT Capital Partners	3,266	0	3,705	0
M&G Investments	1,248	0	4,674	0
Macquarie Infrastructure	20,862	2	26,699	3
Permira Credit Solutions	59,005	5	64,103	7
UBS Global Asset Management (Equities)	119	0	86,948	9
UBS Global Asset Management (Property)	78,990	7	67,517	7
Other*	14,693	1	13,391	1
	365,578	31	416,857	42
Total	**1,161,568**	**100**	**986,114**	**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 2020: £3,572k). 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 £30k (31 March 2020: £3,804k) 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 2021 £'000	31 March 2020 £'000
Debtors		
Employers' contributions due	63	51
Employees' contributions due	16	13
Cash balances	4,244	3,510
	4,323	**3,574**

12. CURRENT LIABILITIES

	31 March 2021 £'000	31 March 2020 £'000
Creditors		
Other local authorities (LB Hillingdon)	(172)	(172)
Other entities	(517)	(461)
	(689)	**(633)**

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, £168k was received in additional voluntary contributions by members, in 2019/20 and AVC Fund value was £5,249k. Any transfer of additional contributions into the Fund during the year are included in the employee contributions value as detailed in note 4.

Due to technical and administrative problems encountered by Prudential, the appointed AVC provider, updated fund value and contributions received for 2020/21 are yet to be made available.

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
Pooled Property investments	Level 3	Fair value in accordance with the RICS valuation - professional standards	Nav/Fair value-based pricing derived using recent market transactions on arm's length terms, where available	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date,
Unquoted equity	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.

Sensitivity of assets valued at level 3

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 at 31 March 2021.
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 2021 £'000	Value on Increase £'000	Value on Decrease £'000
Pooled investments - Limited Liability Partnerships (Infrastructure) a	10%	34,327	37,760	30,894
Pooled investments - Limited Liability Partnerships (Private Credit) b	10%	60,253	66,278	54,228
Pooled Property - UBS, AEW & LGIM c	10%	188,926	207,819	170,033
Private Equity - d	5%	13,369	14,037	12,701
Venture Capital	5%	41	43	39
Total		**296,916**	**325,937**	**267,895**

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 2021	Quoted Market Price Level 1 £'000	Using Observable Inputs Level 2 £'000	With Significant Unobservable Inputs Level 3 £'000	Total £'000
Financial Assets at Fair Value through Profit and Loss				
Equities	42	0	0	42
Pooled Investments	0	849,355	94,621	943,976
Pooled Property Investments	0	0	188,926	188,926
Private Equity	0	0	13,369	13,369
	42	**849,355**	**296,916**	**1,146,313**
Financial Liabilities at Fair Value through Profit and Loss				
Total	**42**	**849,355**	**296,916**	**1,146,313**

Values as at 31 March 2020	Quoted Market Price Level 1 £'000	Using Observable Inputs Level 2 £'000	With Significant Unobservable Inputs Level 3 £'000	Total £'000
Financial Assets at Fair Value through Profit and Loss				
Equities	84,471	0	0	84,471
Pooled Investments	0	610,429	96,083	706,512
Pooled Property Investments	0	0	165,448	165,448
Private Equity	0	0	13,614	13,614
Amount Receivable from Sales	64	0	0	64
	84,535	**610,429**	**275,145**	**970,109**
Financial Liabilities at Fair Value through Profit and Loss				
Payable for Investment Purchases	(17)	0	0	(17)
Total	**84,518**	**610,429**	**275,145**	**970,092**

14B. RESTATEMENT OF VALUATION HIERARCHIES

There were no restatements of valuations between hierarchies in 2020/21.

14C. RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

Level 3 Assets Reconciliation

	Value 1 April 2020	Transfers Into Level 3	Purchases at cost	Sales proceeds	Unrealised gains/(losses)	Realised gains/(losses)	Value 31 March 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Private Equity - Adams Street Partners, LGT Capital Partners & UBS	13,614	0	11	(3,916)	706	2,954	13,369
Private Finance - M&G	4,674	0	0	(2,322)	(1,196)	92	1,248
Infrastructure - Maquarie & LCIV	27,265	0	13,166	(8,088)	(2,728)	4,712	34,327
Venture Capital - UBS	41	0	0	0	0	0	41
Property - UBS Property, AEW UK & LGIM LPI	165,448	0	14,970	(181)	8,824	(135)	188,926
Direct Lending - Permira	64,103	0	0	(5,816)	718	0	59,005
Total Level 3 Assets	**275,145**	**0**	**28,147**	**(20,323)**	**6,324**	**7,623**	**296,916**

There were no transfers into level 3 assets in 2020/21.

14D. 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.

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.

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.

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 2021 £'000	31 March 2021 £'000	31 March 2021 £'000	31 March 2021 £'000	31 March 2020 £'000	31 March 2020 £'000	31 March 2020 £'000	31 March 2020 £'000
Financial Assets								
Equities	42	0	0	42	84,471	0	0	84,471
Pooled Investments	943,976	0	0	943,976	706,512	0	0	706,512
Pooled property investments	188,926	0	0	188,926	165,448	0	0	165,448
Private Equity	13,369	0	0	13,369	13,614	0	0	13,614
Cash	0	15,166	0	15,166	0	15,520	0	15,520
Other Investment balances	0	89	0	89	0	566	0	566
	1,146,313	**15,255**	**0**	**1,161,568**	**970,045**	**16,086**	**0**	**986,131**
Financial Liabilities								
Purchase Settlements Outstanding	0	0	0	0	0	0	(17)	(17)
	0	**0**	**0**	**0**	**0**	**0**	**(17)**	**(17)**
Total	**1,146,313**	**15,255**	**0**	**1,161,568**	**970,045**	**16,086**	**(17)**	**986,114**

15A. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

	31 March 2021 £000's	31 March 2020 £000's
Financial Assets		
Designated at Fair Value through profit and loss	170,519	(86,093)
	170,519	**(86,093)**

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).

Notes to the Pension Fund Account

Asset Type	Value as at 31 March 2021 £'000	Percentage Change %	Value on Increase £'000	Value on Decrease £'000
Global Equity	587,857	14.80%	674,860	500,854
UK Equity	42	14.80%	48	36
Bonds	261,498	5.70%	276,403	246,593
Alternatives	107,990	4.20%	112,526	103,454
Property	188,926	5.00%	198,372	179,480
Total	**1,146,313**		**1,262,209**	**1,030,417**

Note: Bonds valuation in the table above includes pooled fund held bonds.

Asset Type	Value as at 31 March 2020 £'000	Percentage Change %	Value on Increase £'000	Value on Decrease £'000
Global Equity	379,584	12.00%	425,134	334,034
UK Equity	84,471	18.00%	99,676	69,266
Bonds	230,845	6.00%	244,696	216,994
Alternatives	109,697	2.80%	112,769	106,625
Property	165,448	4.70%	173,224	157,672
Total	**970,045**		**1,055,498**	**884,592**

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 at 31 March 2021 and 31 March 2020 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.

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 2021	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	15,166	182	15,348	14,984
Bonds - pooled funds	261,498	3,138	264,636	258,360
Total change in assets available	**276,664**	**3,320**	**279,984**	**273,344**

	Value as at 31 March 2020	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	15,520	155	15,675	15,365
Bonds - pooled funds	230,845	2,308	233,153	228,537
Total change in assets available	**246,365**	**2,464**	**248,829**	**243,901**

Notes to the Pension Fund Account

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 at 31 March 2021, 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 at 31 March 2021 and as at the previous period ending 31 March 2020.

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 6.60%, based on the data provided by PIRC. A 6.60% 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 6.60% 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 2021	Potential market movement	Value on increase	Value on decrease
		6.60%		
	£'000	£'000	£'000	£'000
Pooled Funds	473,377	31,243	504,620	442,134
Private Equity/Infrastructure	47,696	3,148	50,844	44,548
	521,073	**34,391**	**555,464**	**486,683**

Assets exposed to currency risk	Asset Value 31 March 2020	Potential market movement	Value on increase	Value on decrease
		7.40%		
	£'000	£'000	£'000	£'000
Pooled Funds	195,267	14,450	209,717	180,817
Private Equity/Infrastructure	40,879	3,025	43,904	37,854
	236,146	**17,475**	**253,621**	**218,672**

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 AAAf 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 at 31 March 2021 was £19,410k (31 March 2020: £19,030k) and this was held with the following institutions:

Summary	Rating S&P	Balances as at 31 March 2021 £'000	Rating S&P	Balances as at 31 March 2020 £'000
Money market funds				
Northern Trust	AAAf S1+	15,366	AAAf S1+	15,720
Bank current accounts				
NatWest (Lloyds as at 31 March 2020)	A	4,044	A+	3,310
Total		**19,410**		**19,030**

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 (£4,044k). 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 at the 31 March 2021 these assets totalled £849,390k, with a further £15,366k 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 at 31 March 2019 setting rates for the period April 2020 to March 2023. The next triennial valuation will take place as at 31 March 2022.

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 2019 actuarial valuation, the Fund was assessed as 87% funded (75% at the March 2016 valuation). This corresponded to a deficit of £161m (2016 valuation: £269m) at that time. The slight improvement in funding position between 2016 and 2019 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 been 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).

Notes to the Pension Fund Account

Significant events

The figures in this report are based on our understanding of the benefit structure of the LGPS in England and Wales as at 31 March 2019. Details can be found at http://www.lgpsregs.org/.

McCloud ruling

The LGPS benefit structure has been reviewed following the Government's loss of the right to appeal the McCloud and other similar court cases. A proposed remedy to compensate all members of the fund has been issued by the LGPS Scheme Advisory Board (SAB).

LGPS SAB Secretariat have instructed us to prepare figures based on a worst-case scenario for the potential legal remedy, as follows:
a. Underpin to apply to all members of all ages
b. Underpin to apply to all members (including those who joined between 2012 and 2014, and those who joined after 2014)
c. Underpin to be assessed at the earlier of retirement or 2008 Scheme Normal Retirement Age (even if that is after 2022)
d. Underpin to apply to members entitled to immediate benefits on leaving, but not those who leave service without any entitlement to an immediate pension

Implementation of the ruling by all employers is now been co-ordinated by scheme administrators and relevant information required will be sourced from all employers via a standard template and then processed to remedy the situation for those affected.

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 (%) 1 April 2020 - 31 March 2023	Secondary Rate (£) 2020/21	2021/22	2022/23
20.20%	£5,313,000	£5,451,000	£5,592,000

The Primary rate above includes an allowance for administration expenses of 0.8% of pay. The employee average contribution rate is 6.5% of pay.
At the previous formal valuation at 31 March 2016, 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 at 31 March 2019 (alongside those adopted at the previous valuation for comparison) are shown below.

Description	31 March 2019	31 March 2016
Funding Basis Discount Rate	4.0%	4.0%
Benefit Increases (CPI)	2.3%	2.1%
Salaries Increases	2.6%	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 2019	31 March 2016
Male			
	Pensioners	22.1 years	22.6 years
	Non- Pensioners	22.8 years	24.0 years
Female			
	Pensioners	24.3 years	24.6 years
	Non- Pensioners	25.5 years	26.5 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.

The IAS19 balance sheet is based on financial market values and future market expectation indicators as at 31 March 2021 to comply with the accounting standard. The financial markets at the accounting date will have considered 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.

Description	31 March 2021 % per annum	31 March 2020 % per annum
Inflation /Pensions Increase Rate	2.9%	1.9%
Salary Increase Rate	3.2%	2.2%
Discount Rate	2.0%	2.3%

An IAS 19 valuation was carried out for the Fund as at 31 March 2021 by Hymans Robertson with the following results:

Description	31 March 2021 £m	31 March 2020 £m
Present Value of Promised Retirement Benefits	2,039	1,569
Active Members	770	503
Deferred Members	572	422
Pensioners	697	644

**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 at 31 March 2021 have been projected using a roll forward approximation from the latest formal funding valuation as at 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 at 31 March 2021 (and 31 March 2020) 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 at 31 March 2021. 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 2021 £m**	**31 March 2020 £m**
Present Value of Promised Retirement Benefits	(2039)	(1569)
Fair Value of Scheme Assets (bid value)	1162	989
Net Liability	**(877)**	**(580)**

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 2020/21) 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 impact of the Coronavirus pandemic on investment assets from 2019/20 has been reversed due to increased fund value from market gains through 2020/21. The fund, in conjunction with the its investment advisers, during 2020/21, reviewed the fund's portfolio and put in place a robust investment strategy geared towards withstanding and reducing market volatility. Investment strategy review is now an ongoing process and the portfolio is positioned to relatively react quickly to market volatility if necessary.

The Fund’s triennial valuation at 31 March 2019 reported a funding level of 87%. 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 72% of the Fund’s assets are held in liquid investments. A recent review undertaken in response to the Covid-19 effects as at 31st March 2021 determined that there was no material risk to the Fund of employers defaulting on their contributions. LGPS regulations remain in force with no expectation that the scheme will be wound up or substantive changes made to it.

19. 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. 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.

Governance

There are two members of the Pension Fund Committee who are deferred or retired members of the Pension Fund. Cllr Philip Corthorne (Vice-Chairman), a deferred member and Cllr Tony Eginton, a retired member. Each member is required to declare their interest at each meeting.

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 Chief Accountant. Total remuneration payable to key management personnel is set out below:

	31 March 2021 £'000	31 March 2020 £'000
Short term benefits	50	64
Post employment benefits	145	78
	195	**142**

NB: Increased Post-employment benefits figure for 2020-21 is attributable to reorganisation and addition of Deputy Director, Corporate Finance to the Pension Fund management structure.

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.

20. BULK TRANSFER

There were no bulk transfers in 2020-21.

21. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments (investments) as at 31 March 2021 totalled £50,576k (£65,687k at 31 March 2020).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the Private Equity, Infrastructure and Credit Solutions (Permira) 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.

22. CONTINGENT ASSETS

Two 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.

23. POST BALANCE SHEET EVENTS

Events taking place after the 31st March 2021 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 2021, 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.

London Borough of Hillingdon
Annual Governance Statement 2020/21

1. Introduction

1.1 The London Borough of Hillingdon (LBH) 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 used economically, efficiently and effectively. In discharging this overall responsibility, LBH 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 LBH 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 Regulations 2015 and Coronavirus Amendment 2020 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.

2. Executive Summary

2.1 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 2021 and, except where identified in Section 3 below, 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.

3. Significant Governance Issues

3.1. LBH 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 **2019/20 AGS** and in previous years have been addressed and the following points are noted:

3.1.1 **Brexit** – A wide range of activities were undertaken in the lead up to and preparation for Brexit. Strategic co-ordination was in place where CMT had oversight of Brexit related risks and controls by Group (Directorate). Preparedness and consideration of resilience related impacts on critical services and meeting statutory duties was regularly discussed and considered. LBH undertook a range of activities to raise awareness and signpost residents and businesses in line with guidance, utilising the 'Get Ready for Brexit' and EU Settlement Scheme campaigns and programme of social media posts. LBH worked collaboratively with partner agencies and stakeholders, enabling key concerns and the identification of priority issues, which could be escalated through wider reporting structures via the Resilience and Emergencies Division of MHCLG to support pan-London assessments of immediate and longer-term impacts of the UKs exit from the EU on London local authorities.

3.1.2 **Coronavirus** – The constantly developing progress of the Coronavirus pandemic presented LBH with a unique array of risks and major issues to address and respond to within tight timeframes. CMT consulted daily and the Covid-19 Gold Group remains in place to closely monitor developments to ensure we are following the latest advice and protocols from Public Health England and central government. Emergency Management and Response, Business Continuity and Covid-19 Gold work collaboratively to co-ordinate responsive measures and to ensure business continuity arrangements are in place. Non-critical staff have been redeployed and those with underlying heath issues were sent home. This enables the Council to face the challenge of protecting the most vulnerable people in the borough, whilst simultaneously balancing obligations to their residents, employees and stakeholders.

A governance structure was embedded to report, monitor and escalate key and emerging risks to the MHCLG through weekly reporting and communication via the Covid-19 Gold Group. Alternative ways of working were introduced, and governance arrangements were revised so that key Committee and Council meetings were held virtually and CMT was extended so that Covid-19 related issues became a standing agenda item.

In response to the risks identified, the Council implemented a comprehensive range of actions including:

- Food distribution and medicine deliveries to residents;
- Accommodation for all rough sleepers in the borough;
- Processed and issued Government financial grants;
- Increased Benefits applications as well as Council Tax and Business Rates adjustments; and
- Providing support for service users, vulnerable people, businesses and suppliers.

3.2 Following a review of the effectiveness of the system of internal control including the Council's risk management framework and its corporate governance arrangements no additional significant governance issues have been identified in **2020/21**.

3.3. The Council continues to operate in an environment of declining 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, LBH continues to review and transform services to drive improvement and efficiency through initiatives such as the successful BID programme, which has bridged the budget gap with 2020/21 savings of £6.3 million delivered, on track for delivery or covered in the short term by alternative savings or Covid-19 grant. This proven successful approach is set to be continued beyond 2020/21, enabling the Council to continue 'putting our residents first' despite the challenging financial conditions and demographic pressures.

Fran Beasley
Chief Executive
14 September 2021

Cllr Ian Edwards
Leader of the Council
16 September 2021

4. The Purpose of the Governance Framework

4.1 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 to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

4.2 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.

4.3 The governance framework has been in place at LBH for the year ended 31st March 2021 and up to the date of approval of the 2020/21 Statement of Accounts.

5. The Governance Framework

5.1 LBH has brought together the underlying set of statutory obligations, management systems and principles of good governance to establish a formal governance framework. The key elements outlined in the table overleaf demonstrate how LBH 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'. The table overleaf includes examples and hyperlinks to sources of further information which include detail about how the LBH has implemented its commitments.

1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.		
The Council's Commitment	**How the Council meets these principles**	**Governance in action**
1a **Behaving with integrity**	✔ The **Council's vision, 'Putting Our Residents First'** and priority themes; "Our People", "Our Natural Environment", "Our Built Environment" and "Financial Management". Our vision and priority themes underpin everything the Council does, including how it works with partners, makes decisions and serves communities.	
	✔ Rather than adopting a formal **Code of Corporate Governance**, the Council ensures that LBH's governance structure, decision-making process and areas of responsibility are covered in the Council's Constitution and Schemes of Delegation.	Constitution
	✔ The **Committee Standing Orders** (Part 4B), Procurement & Contract Standing Orders (Part 4H) & Scheme of Delegation to Officers (Part 3) are incorporated in the Constitution and reviewed annually.	
	✔ Part 5 of the Constitution sets out formal **'Codes of Conduct'** governing the behaviour and actions of all Council Members, co-opted members and Council officers. A formal 'Code of Conduct for Members and Co-opted Members' was adopted in July 2012. This Code requires that Councillors conduct themselves appropriately to fulfil their duties and 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. The authority periodically reviews the code and guidance to ensure these requirements reflect changes to the Council structure. A revised Code of Conduct for Officers and Protocol for Member/Officer Relations were approved by full Council in February 2015. The Member/Officer Protocol governs and regulates the relationship between the elected Members and appointed officers.	
	✔ The Council has a zero-tolerance approach towards fraud and corruption and this commitment is set out 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.	Counter Fraud
	✔ A formal **Whistleblowing Policy**, which sets out how the Council complies with the Public Interest Disclosure Act 1998, allows Council staff, contractors working for the authority and residents to raise complaints regarding any behaviour or activity connected to the authority, ranging from unlawful conduct to fraud or corruption.	
	✔ The **Member Register of Interests** records the pecuniary and non-pecuniary interests of Members and co-opted members of LBH. There is a separate 'Related Parties' register that all Members and a selection of senior officers are required to	Register of Interests

	complete each year declaring the relationship and nature of any related party transactions, which the authority has entered into.	
1b **Demonstrating strong commitment to ethical values**	✔ LBH has set out its vision of 'Putting Our Residents First' as detailed in **principle 1a**. The delivery of these priorities will be achieved through a combination of strategic management programmes. ✔ Please refer to **principle 1a** for further information on the **Codes of Conduct** which promotes and maintains high standards of conduct by its Members and co-opted members. ✔ Clear guidance is in place for members and officers regarding the acceptance of **Gifts and Hospitality** detailed in the Gifts and Hospitality Policy, Golden Rules for Employees and the Constitution. Gifts and hospitality of a nominal value over £15 is accepted following manager approval and recorded on a central register. Gifts and or hospitality where either the value attached or opportunity afforded makes acceptance inappropriate is refused and the refusal recorded on the Gifts and Hospitality Register. ✔ Hillingdon's **Standards Committee** sits outside of the Cabinet and reports directly to Full Council and promotes and maintains high standards of conduct across the Council and to monitor and oversee the respective Codes of Conduct which apply to both Councillors and Officers (including gifts and hospitality). ✔ The **Public Services (Social Value) Act 2012** is considered by Procurement during every tender.	Constitution Standards Committee
1c **Respecting the rule of law**	✔ The Council uses its legal powers, including the 'general power of competence' to promote its values and priorities to the full benefit of the residents and communities in LBH. ✔ The Council has **measures to address breaches of its legal and regulatory powers**. The Council's Monitoring Officer (the Borough Solicitor) has statutory reporting duties in respect of unlawful decision making and maladministration. ✔ The Council appoints Statutory Officers who have the skills, resources and support necessary to ensure the Council's statutory and regulatory requirements are complied with. ✔ The Chief Finance Officer (the Corporate Director of Finance) has statutory reporting duties in respect of unlawful and financially imprudent decision making. ✔ The Council ensures that it complies with CIPFA's Statement on the Role of the Chief Finance Officer in Local Government (2016) and the Role of Head of Internal Audit in Public Service Organisations (2019).	Constitution Role of the Chief Finance Officer

2. Ensuring openness and comprehensive stakeholder engagement		
The Council's Commitment	**How the Council meets these principles**	**Governance in action**
2a **Ensuring openness**	✔ 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. Further work is underway to improve the website through a transformation project. ✔ LBH's commitment to the seven **Nolan Principles of Public Life** (including openness) detailed in the Constitution. ✔ All **Council and Committee meetings are held in public** (other than in limited circumstances where consideration of confidential or exempt information means that the public are excluded), with agenda and reports being produced in paper form and on the Council's website. Key Council meetings are broadcast live on YouTube including full Council, Cabinet, Planning Committees and Licensing Sub Committees.	LBH Website Constitution Council Meetings Council's YouTube channel
2b **Engaging with institutional stakeholders**	✔ LBH has a set of general **consultation/engagement standards** that demonstrate a commitment for building strong relationships with residents, visitors and businesses throughout the borough. The standards set out LBH's commitment to engage, consult and respond to the views of local communities. The standards also support LBH's commitment to transparency and the need for sharing information with LBH residents. All resident and stakeholder feedback supports and informs the Council's corporate intelligence, which drives business planning, policy and decision-making including commissioning and procurement of services. A customer engagement approach is in place covering all Council services to align customer engagement to support the delivery of Council priorities. ✔ **Hillingdon Partners** is a voluntary body which 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 LBH with external organisations, regional bodies and central government. They have 9 priority areas for the focus of its work, with actions to address local priorities delivered through theme groups. Other statutory providers (**Health & Wellbeing Board** and **Safer Hillingdon Partnership**) are referenced in section 3b. ✔ The **Council's Policy Overview, Scrutiny and Select Committees** secure strong local stakeholder and expert witness participation in their reviews delivering 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 in the democratic process.	Hillingdon Partners Policy Overview, Scrutiny and Select Committees

	✔ LBH's **Employee Forum** is a consultative body and created to ensure that the views of the whole employee population can be heard in an open and transparent way. ✔ Regular virtual meetings are taking place with the **Hillingdon Foster Carers Association** to discuss and consult on issues pertinent to our Hillingdon foster carers who are corporate parents for our most vulnerable children. ✔ 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. These groups directly inform service developments and provide the platform for effective communication and engagement with council tenants and leaseholders.	
2c **Engaging with individual citizens and service users effectively**	✔ The Council supports different ways for residents to present their individual and community's **concerns directly to elected members**, for example via Ward Surgeries, Ward Budgets and the Members' Enquiries process. ✔ The Council has in place a well-established **Petition Scheme**, including e-Petitions. This is widely used by residents in the people in the borough to submit their views on local matters directly to decision-makers. ✔ A **Joint Strategic Needs Assessment (JSNA)** outlines the current and future health and wellbeing needs of the population over 3 to 5 years and informs the Council's service planning, commissioning strategies and links to strategic plans such as LBH's Joint Health and Wellbeing Strategy. The JSNA is 'live' and can be accessed via the LBH website and is updated throughout the year rather than being refreshed annually. ✔ **Hillingdon Youth Council** represents the young people of Hillingdon and 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 (up to 25 years with Special Educational Needs and Disability). It is a forum in which they can discuss and exchange their views and opinions about issues affecting young people. ✔ **Children in Care Council** engages and 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. Further, children in care received a fortnightly newsletter throughout the pandemic to strengthen engagement. ✔ LBH monitors **legislative changes,** considers implications and opportunities and ensures that the authority is substantially compliant with laws and regulations. CMT is briefed on upcoming changes and agreeing actions, reporting to Cabinet on specific issues as required. Legal Services review all Committee and Executive reports prior to decision, for Legal compliance.	Petition Scheme JSNA Youth Council Children in Care Council

3. Defining outcomes in terms of sustainable economic, social and environmental benefits		
The Council's Commitment	**How the Council meets these principles**	**Governance in action**
3a **Defining outcomes**	✔ **The Hillingdon Improvement Programme (HIP)** is LBH's strategic improvement programme which aims to deliver excellence as set out in the Council vision – 'Putting Our Residents First'. The HIP vision is to build a more customer focused organisation, to modernise business processes and to free up resources to provide improved services for our residents. The HIP has helped to change the culture of the organisation and continues to improve the services delivered to residents. This can be evidenced through the high satisfaction rates received from residents about customer care, waste and recycling services, libraries, LBH primary and secondary schools and how well they feel informed, through regular feedback. The HIP is consistently trying to improve Council services by continuing to deliver a range of innovative projects, drive forward major cultural change and enhance LBH's reputation. The programme is led by the Leader of the Council, and the Chief Executive is the Programme Director. Cabinet Members and Corporate Directors are also responsible for specific HIP projects. ✔ The **Performance Management Framework** is a Council-wide framework requiring all service areas and 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). ✔ 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 to HIP Steering Group through the Corporate Finance work stream.	HIP Budget Reports

	✔ LBH recognises there is a continued need for effective strategic and operational **risk management processes** and procedures. The 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. It is anticipated that the LBH insurance contracts will support the transfer of financial risk through a mixed portfolio of suppliers specialising in specific insurance sectors, alongside actions by the Risk and Insurance Team to raise awareness of such risks.	Risk Management Policy
3b **Sustainable economic, social and environmental benefits**	✔ Part 2, article 8 of the Constitution also sets out how the Authority works with its partners in LBH through the Health and Wellbeing Board, which is chaired by the Cabinet Member for Social Services, Housing, Health and Wellbeing and Chairman of Pensions Committee, which complies with the requirements of the Health and Social Care Act 2012. The **Health and Wellbeing Board** seeks to improve the quality of life of the local population and provide high-level collaboration between LBH, the NHS and other agencies to develop and oversee the strategy and commissioning of local health and social care services. ✔ The **Safer Hillingdon Partnership (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. The relevant Cabinet Member is a member of the SHP Board. Scrutiny of the SHP Board's performance is undertaken by elected councillors sitting on the Council's External Services Policy Overview Committee. ✔ LBH has introduced a significant number of measures to improve air quality in the borough as set out in the **Air Quality Action Plan.** ✔ The **Homelessness Prevention Strategy 2017-2022** demonstrates the Council's commitment to preventing homelessness and supporting those who become homeless. It sets out how the Council will work with partner agencies to intervene early to prevent homelessness wherever possible and to access suitable housing and support solutions for those faced with homelessness. ✔ LBH is on track to achieve its equality-related objectives (set in April 2018) as part of the **Council's Public Sector Equality Duty** set out in the Equality Act 2010.	Constitution Safer Hillingdon Partnership Air Quality Action Plan Homelessness Prevention Strategy Promoting Equality Targets

4. Determining the interventions necessary to optimise the achievement of the intended outcomes		
The Council's Commitment	**How the Council meets these principles**	**Governance in action**
4a **Determining interventions**	✔ Decision makers receive accurate, relevant and timely performance and intelligence to support objective and analysis of options, intended outcomes, financial impact and associated risks informing service delivery. ✔ LBH's **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 is reviewed at full Council meetings as required and also more comprehensively on an annual basis at each Annual General Meeting, as required. ✔ Part 2 of the Constitution outlines the **roles and responsibilities** of the Executive, Non-executive, Mayoralty, Overview, Scrutiny and Select Committees, Standards Committee and officer functions. Part 5 of the Constitution sets out the framework governing the conduct of Members and co-opted members and comprise of: • A structure of the Leader of the Council, a Cabinet, Regulatory Committees and Policy Overview, Scrutiny and Select Committees; • A Corporate Management Team; • Senior Management Teams; • The Audit Committee, led by an Independent Chairman; and • The Standards Committee and a Code of Conduct for Members and Co-opted Members. ✔ Part 2, article 7.08 of the Constitution sets out the **'Cabinet Scheme of Delegations'**. This governs the allocation of responsibilities and the discharge of executive functions by the Leader, the Cabinet and individual Cabinet Members. This is regularly updated to reflect changes to Cabinet Member portfolio responsibilities in line with business priorities and Directors' responsibilities. Executive decision-making is transparent and undertaken in accordance with regulations and the law, with flexibility for urgent decisions. ✔ Part 3 of the Constitution sets out the **'Scheme of Delegations to Officers'**. This governs the responsibilities allocated to officers to perform the authority's activities. Details of what decisions are taken in this way are included in the Scheme of Delegation in the Council's Constitution. Further specific delegations may be granted through recommendation in public reports to Committees. ✔ The schemes are updated when required 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.	Constitution
4b	✔ The Council plans its activity at a strategic level through its HIP which aims to deliver excellence.	

Planning interventions	✔ 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. Key areas are highlighted so that decision-makers can take corrective action where necessary.	
4c **Optimising achievement of intended outcomes**	✔ 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. Through the programme, savings of £6.3 million are being delivered for 2020/21, taking total savings since 2010 to approximately £146.4 million. The BID programme delivery and expenditure is overseen by the Leader of the Council and the Director of Corporate Resources & Transformation. ✔ The Council integrates and balances service priorities, affordability and other resource constraints, to take into account the cost of operations over the medium and longer-term including revenue and capital spend budgets. ✔ The **Public Services (Social Value) Act 2012** is considered by Procurement during every tender.	HIP & BID programme Public Services Act
5. Developing the entity's capacity, including the capability of its leadership and the individuals within it		
The Council's Commitment	**How the Council meets these principles**	**Governance in action**
5a **Developing the organisation's capacity**	✔ Please refer to **principle 3a** for further information on **HIP.** ✔ Please refer to **principle 4c** for further information on **BID.**	HIP
5b **Developing the capability of the organisation's leadership and other individuals**	✔ The Leader of the Council and the Chief Executive have defined roles and maintain a shared understanding of roles and objectives. The Chief Executive leads on implementing strategy and managing service delivery. ✔ LBH maintains a **Scheme of Delegation** setting out which decisions and powers have been delegated. ✔ A **training programme for Members** is conducted in each municipal year. All new Members are trained on the Code of Conduct by the Borough Solicitor and Head of Democratic Services and refresher training is delivered where appropriate. 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. LBH has put in place an induction and training programme for Members along with specific training on scrutiny, planning, audit and	Constitution

Page 258

	licensing rules. ✔ LBH's **training and development programme** enables staff and senior officers to access and complete a wide range of learning and development opportunities through the internal Learning & Development pages on LBH's intranet. This ensures they have the skills, knowledge and behaviours to deliver the Council's priorities. This training includes induction programmes, e-learning packages and a range of vocational development courses under the Qualifications and Credit Framework. ✔ The **Hillingdon Academy** is now well established as 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. ✔ The **Performance and Development Appraisal (PADA)** process at LBH 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. There are competency frameworks for all levels of staff, with descriptors outlining the performance that is expected at each level. Performance reviews are required to be completed on a bi-annual basis against the relevant competency framework. New software was introduced with a phased roll-out in 2020/21 and completed in May 2021, which requires employees to complete their personal objectives and development plans online. ✔ LBH is committed to promoting the **physical and mental health and wellbeing of the workforce** through both specific interventions and as a central part of the role of all managers. There is a dedicated programme with a wide range of support and guidance for employees and their managers covering mental health in the workplace, health and wellbeing initiatives and a 24/7 Employee Assistance Programme. ✔ The Council has an open approach to external, peer review and inspection and actively considers feedback.	Apprenticeship Programme
6. Managing risks and performance through robust internal control and strong public financial management		
The Council's Commitment	**How the Council meets these principles**	**Governance in action**
6a **Managing risk**	✔ LBH has established an effective **Risk Management Framework** that aids decision-making in pursuit of the organisation's strategic objectives, protects the Council's reputation and other assets and is compliant with statutory and regulatory obligations. ✔ The **Risk Management Policy and Guidance** outlines the roles, responsibilities and processes for capturing, reporting and taking action to mitigate key corporate and directorate risks. The Corporate Risk Register (CRR) enables the identification, quantification and management of key strategic risks. Directorate Risk Registers are updated quarterly, reviewed by each Senior Management Team and the most significant risks are escalated to the CRR where appropriate. The Head of Business Assurance has overall responsibility for the facilitation of the Council's Risk Management Framework and work in this area is	Risk Management Policy

	ongoing. LBH's Risk Management framework is reviewed annually by the Business Assurance team, Corporate Management Team and the Audit Committee. ✔ A **Corporate Risk Management Group (CRMG)**, chaired by the Corporate Director of Finance, reviews the CRR on a quarterly basis and advises the Cabinet and Corporate Management Team on the significant risks. The CRR is presented to the Audit Committee in the following quarter. Where appropriate, the MTFF embraces the potential financial impact of significant risks. ✔ **Risk Management training** for staff and Audit Committee Members is available via an e-learning training module and compulsory for managers as part of the induction process. Completion rates have been steady and Business Assurance continues to raise awareness and promote the module via staff publications. ✔ An updated refresher **GDPR training programme** was rolled out to LBH staff in June 2019 and October 2020 to ensure that all employees are aware of their responsibilities around data protection. LBH staff received GDPR training ensuring that staff all understand LBH's data handling and processing responsibilities remains a key workforce objective. This training forms part of the mandatory induction process for new staff and was included as a Performance and Development Appraisal objective as a mandatory target for all staff. ✔ The Council's **health and safety management system** assists in managing health and safety for the council's undertakings, integrating health and safety and the assessment of risk into the Council's daily business.	
6b **Managing performance**	✔ The Council puts in place **Key Performance Indicators** (KPIs) to monitor service delivery whether services are produced internally or through external providers. Reports compiling KPIs are submitted to SMTs, CMTs 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.	
6c **Effective overview and scrutiny**	✔ Part 2, articles 6 and 8 and Part 4E of the Constitution set out how the Council's non-executive decisions by Members are taken. **Policy Overview, Scrutiny and Select Committees** undertake regular monitoring of services, performance, the budget and an annual programme of major, 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.	Policy Overview, Scrutiny and Select Committees
6d	✔ LBH has robust internal control processes which support the achievement of its objectives while managing risks. LBH's approach is set out in the **Annual Corporate Risk Management report**, and Annual **Internal Audit Plan**.	

Robust internal control	✔ 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 which are generally consistent with CIPFA's 'Audit Committees – Practical Guidance for Local Authorities and Police 2018'. ✔ LBH maintains policies and arrangements to effectively manage both the internal and external risks of **fraud and corruption** against the Council which include; the Counter Fraud Strategic Plan, Whistleblowing, Anti Money Laundering and Anti Bribery Policies. ✔ 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 Business Assurance (& Head of Internal Audit) Annual Opinion. ✔ LBH has **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 which are referenced in **principle 4a**.	
6e **Managing data**	✔ The Council is committed to safeguarding the personal data it holds and sharing this data only in circumstances required or permitted by law. Personal data is processed in accordance with the **General Data Protection Regulations (GDPR)** and the Data Protection Act 2018. ✔ All personal information LBH keeps is stored safely, only accessed by people who need to access it, used safely and responsibly, and disposed of safely and securely when it is no longer required. This also includes transporting data, either physically or electronically. ✔ A corporate officer group, the **Hillingdon Information Assurance Group (HIAG)**, chaired by the Senior Information Risk Owner (the Head of Internal Audit & Risk Assurance) on behalf of the Corporate Management Team, meets quarterly to review progress on the agreed Information Governance Improvement Action Plan (IGIAP). Relevant policies, procedures and guidelines for staff are updated in line with the IGIAP. Where identified, learning from any data protection incidents that have occurred is integrated into the IGIAP. As a result of the introduction of the GDPR in May 2018, LBH reviewed all of its data protection policies and procedures. ✔ Following the introduction of **GDPR** LBH updated its data protection procedures and training programme, which was rolled out to all staff and Members in March 2018 and refresher training in June 2019 and October 2020. The training programme which included legislative changes and revised working practices was mandatory and completion rates were monitored at Corporate Director level. The revised training programme forms part of the mandatory induction process for all new staff and included as a Performance and Development Appraisal objective.	GDPR Date Protection Policy Information Governance Policy HIAG Terms of Reference The United

	✔ The Corporate Director, Social Care, is the appointed **Caldicott Guardian** and plays a key role in ensuring that LBH satisfies the highest practical standards for handling person identifiable information and embedding the 7 Caldicott Principles within practice. ✔ The Council **regularly reviews policies** relating to records management, data quality, and data protection and information security. These policies are accessible by all staff via the intranet. ✔ LBH passed the Code of Connection Audit in January 2020 ensuring our ICT Infrastructure is secure in order to gain access to the **Public Services Network (PSN)**. 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. ✔ LBH is committed to sharing appropriate data safely with agencies; where this improves effective and efficient service delivery and is compatible with the rights of individuals. Further to this, LBH is compliant with the **Data Security and Protection Toolkit** requirements in order to access systems and data provided by the NHS. ✔ LBH conducts **Data Protection (DP) compliance checks** throughout the Civic Centre and uses communication campaigns; email reminders signposting to information protection principles and guidance. The DP compliance checks and raising awareness provides assurance over the Council's adherence to the GDPR and to remind staff of their responsibility to take due care to protect information. Where data protection breaches occur, managers take appropriate remedial action which is then documented under the staff supervision procedures. ✔ The Council makes information 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.	Kingdom Caldicott Guardian DSP Toolkit Guidance FOI
6f **Strong public financial management**	✔ The Chief Finance Officer (CFO) (the Corporate Director of Finance) ensures that appropriate advice is given on all financial matters, proper financial records and accounts are kept and oversees an effective system of internal financial control. The CFO ensures well developed financial management is integrated at all levels of planning and control including management of financial risks, systems and processes. The Constitution (Part 4) details the financial regulations which underpin the financial arrangements. ✔ Please refer to **principle 4c** for further information on **BID**. ✔ In order to monitor the MTFF position and manage financial risk **comprehensive budget monitoring** is undertaken across the Council on a **monthly** basis and formally reported to Cabinet. Please refer to **principle 3a** for further information on the **MTFF**.	Constitution

7. Implementing good practices in transparency, reporting and audit to deliver effective accountability		
The Council's Commitment	**How the Council meets these principles**	**Governance in action**
7a **Implementing good practice in transparency**	✔ 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. ✔ Please refer to **principle 2a** for further information the **Council's website**. ✔ The Council has published **Privacy Notices**, which are key transparency requirements under the GDPR as individuals have the right to be informed about the collection, type and use of their personal data.	Council Spending Statement of Accounts Privacy Notices
7b **Implementing good practices in reporting**	✔ The Council explains how it **reviews its governance arrangements**, and how it has complied with CIPFA's "Delivering Good Governance in Local Government (2016)" principles by producing this Annual Governance Statement (AGS). A concise summary of the findings of the AGS is included within the Annual Report.	CIPFA/Solace Framework
7c **Assurance and effective accountability**	✔ LBH welcomes **peer challenge, internal and external review, audit, and inspections** from regulatory bodies and gives thorough consideration to recommendations. ✔ **Public Sector Internal Audit Standards** set out the standards for internal audit adopted by the Council.	PSIAS

6. Review of Effectiveness

6.1 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.

6.2 The CIPFA/SOLACE 2016 Framework '*Delivering Good Governance in Local Government'* (Chapter 5), sets out seven principles of good practice. The review of effectiveness has considered each of the principles, including the sub-principles and behaviours and actions that demonstrate good governance in practice.

6.3 The review has also been informed by a range of management information and improvement action, including:

6.3.1 A comprehensive annual programme of scrutiny and review by the Policy Overview and Scrutiny Committees as well as the Audit Committee.

6.3.2 The role of the Corporate Director of Finance, detailed in the Finance Schemes of Delegation. As a key member of the Corporate Management Team his role is to act as, and exercise the functions of, the "Chief Finance Officer" meaning the officer designated under section 151 of the Local Government Act 1972. As such he is actively involved in all material business decisions to safeguard public money and sound financial management on behalf of the authority.

6.3.3 The work of the external auditors as reported in their Annual Results Report. They carry out auditing of the Council's activities in accordance with the National Audit Office Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014. Their key responsibilities are to design their work to provide sufficient assurance to enable them to report to the Authority a commentary against specified reporting criteria (Financial sustainability, Governance and Improving economy, efficiency and effectiveness) on the arrangements the Authority has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

6.3.4 The work of Business Assurance, which develops its quarterly Internal Audit plans after assessment of risk and priorities including discussions with senior managers and reported quarterly to the CMT and the Audit Committee.

6.3.5 LBH continued to maintain effective financial management throughout the financial year with unallocated general reserves of £28.5 million and £9.1 million earmarked for potential Covid-19 pressures as at 31st March 2021.

6.3.6 LBH has a clear commitment to fit for purpose procurement function. Procurement ensures a value for money approach to quality and expenditure commitment. By engaging with groups, Procurement supports the delivery of financial and service requirements to meet corporate objectives with a 'Residents First' approach.

6.3.7 LBH Covid Recovery Board conducted a review of lessons to be learned from its response to the coronavirus pandemic. This included the following key risks affecting the authority:

- Impact on business as usual delivery of services;
- New areas of activity as part of the national response to coronavirus;
- Funding and logistical consequences of delivering a local government response; and
- Assessment of long-term disruption and consequences arising from the pandemic.

There is subsequently now a range of Business Improvement Delivery Reviews underway across the organisation.

6.3.8 Guidance from CIPFA confirmed that the conclusion on whether or not governance is fit for purpose should reflect normal operations.

6.4 The Head of Internal Audit (& Risk Assurance) has provided a '**Reasonable**' level of assurance on the Council's internal control environment and overall governance arrangements for 2020/21. There were several significant control weaknesses identified by IA during 2020/21. Work is ongoing to strengthen the Council's control environment in relation to the significant control weaknesses identified. These included (but are not limited to):

- Anti-Social Behaviour Environment Team (ASBET) Case Management;
- Tree Inspections;

- Music Service;
- Schools Purchasing and Payments, Governance and Financial Management;
- The Dedicated Schools Grant (DSG);
- Coronavirus; and
- Brexit.

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 - Amounts set-aside in the accounts towards potentially irrecoverable debts. This amount is netted against Debtors in the Consolidated Balance Sheet.

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.

Glossary

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.

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.

CORPORATE AND DEMOCRATIC CORE - The corporate and democratic core comprises all activities that local authorities engage in specifically because they are elected, multi-purpose authorities with a responsibility for making choices in the use of taxpayers' money. The cost of the activities is thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

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.

Glossary

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.

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.

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.

Glossary

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.

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.

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.

SERCOP - Service Reporting Code of Practice

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.

Glossary

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

AUDIT COMMITTEE - 2020/21 Annual Risk Management Report

Committee name	Audit Committee
Officer reporting	Muir Laurie, Deputy Director of Exchequer Services & Business Assurance
Items with report	Risk Management Annual Report
Ward	All

HEADLINES

This report presents to the Audit Committee the Corporate Risk Register (CRR) for Quarter 1 (April to June 2021), updated as at 13th September 2021. The report provides evidence to the Audit Committee about how identified corporate risks are being managed and the mitigating actions in place. This report follows a review of the CRR by the Corporate Risk Management Group (CRMG) on 13th September 2021.

This report presents to the Audit Committee the Risk Management Annual Report 2019/20. The report provides evidence to the Audit Committee about the movement of individual corporate risks across the year, how they have been managed by the Council and horizon scanning for the future. This report follows a review by the Corporate Risk Management Group (CRMG) on 24th August 2019.

RECOMMENDATIONS:

That the Audit Committee:

1. **Review the Risk Management Annual Report 2019/20 as part of its role to independently assure the Council's corporate risk management arrangements; and**
2. **Suggest any comments/amendments.**

SUPPORTING INFORMATION

We continue to attend Senior Management Team meetings and meet with individual Officer Leads to discuss the status of current risks and any new risks which may have been identified. Any risks which need to be escalated to the Corporate Risk Register will be reported to Corporate Management Team and Corporate Risk Management Group respectively.

Managing risks is necessary for the effective and efficient delivery of the corporate objectives of the Council. In addition, the Council's risk management framework underpins the Annual Governance Statement process.

BACKGROUND ITEMS

Risk Management Annual Report (attached)

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Risk Management Annual Report

2020/21

Contents

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0.1	01.09.2021	First Draft	Stephanie Rao, Internal Audit Manager
0.2	15.09.2021	Draft for CRMG	Stephanie Rao, Internal Audit Manager
1.1		Final for AC	Muir Laurie, Deputy Director of Exchequer Services & Business Assurance

1. Introduction

1.1 The London Borough of Hillingdon (LBH) has a statutory responsibility to ensure arrangements are in place for managing risks. The Accounts and Audit (England) Regulations 2015 state that a local government body shall ensure that its financial management is adequate and effective as well as having a sound system of internal control which facilitates the effective exercise of its functions and includes arrangements for the management of risk. Further, the CIPFA/Solace governance framework “Delivering Good Governance in Local Government (2016)” outlines the need for risk management to be embedded into the culture of the organisation, with members and officers recognising that risk management is part of their role.

1.2 Risk management is about managing opportunities and threats to objectives and in doing so help create an environment of “no surprises”. Risk management is a crucial element of good management and a key part of corporate governance. It should be viewed as a mainstream activity and something that is an integral part of everyday management of the organisation.

1.3 Risk Management is already inherent in much of what the Council does. Good practices such as safety systems, procurement and contract regulations, financial regulations and internal control are not labelled as Risk Management but these and many other processes and procedures are used to manage risk.

2. Purpose of Risk Management

2.1 The Council is committed to providing high quality services in the most efficient and cost effective way that puts its residents first. The management of risk is a core element of corporate governance to ensure the Council's priorities for improvement as well as day-to-day services are delivered as expected. For the purpose of this policy and guidance, risk is considered to mean anything that will, or has the potential to adversely affect the achievement of service improvement priorities and/ or disrupt day-to-day operational service delivery.

2.2 Risks can never be entirely eliminated but proportionate and targeted action can be taken to reduce risks to an acceptable level. It is essential that managers and their teams manage risks to achieve the following business benefits:

- Achieve the Council's priority in putting residents first;
- Ensure robust financial management;
- Protect staff and residents;
- Protect valuable assets; and
- Maintain and promote the Council’s reputation.

2.3 Managing risk is part of everyday business for the Council and is a process that involves; the early identification of risks, assessing their potential consequences and determining the most effective way to reduce the likelihood and/or impact of the risk. This policy and guidance provides a framework to ensure:

- Clear accountabilities and well defined roles and responsibilities for managing risks;
- Risks are promptly identified and their likelihood and impact on Council business is accurately assessed and appropriate action is taken to mitigate the potential risk;
- Employees have the knowledge and skills to identify and manage risks;
- Decisions are taken having considered relevant risks; and
- The impact of risk management is evaluated.

3. Role of Business Assurance

3.1 The role of Business Assurance (BA) is to provide independent and objective assurance on the risk management process. BA ensures effective risk management by supporting CMT to:

- Incorporate risk management into service improvement and everyday management arrangements such as service and financial planning;
- Identify, assess and manage risks so as to minimise the potential costs and disruption to services caused by undesired events;
- Make informed decisions based on a balance between risk and the benefits that may be realised from opportunities for service improvement;
- Encourage innovation and improvement through taking calculated and well managed risks to improve services for residents;
- Raise employee awareness of risk management through promotion, training, performance management and review;
- Produce the Annual Governance Statement in relation to the authority's system of internal control, corporate governance arrangements and risk management framework; and
- Work in partnership to manage risks.

3.2 The Council's approach to risk management requires managers and staff to undertake the following steps, which are illustrated below:

3.3 For further info about the Framework please refer to the Council's Risk Management Policy 2020-23.

3.4 Our risk management process is mapped to provide clarity and transparency within the BA team and the wider Council. A copy of the process map can be found at **Appendix A**.

4. Embedding Effective Risk Management in 2020/21

4.1 Risk management is integrated into a number of different management and service planning arrangements within the Council. Effective risk management helps to mitigate against the financial and reputational risks arising from the broad range of insurable risks to which LBH is exposed. This section of the report describes some of the key ways risk was identified, assessed and mitigated throughout day-to-day Council business in 2020/21.

4.2 Service and Financial Planning

4.2.1 Risk management is an embedded part of service and financial planning. Managing strategic risks is a core responsibility for senior managers in close liaison with Elected Members. The financial planning process requires Directorates to consider and report risks that may affect or arise from service improvement and financial budget proposals. The Council's capital programme includes risk management as part of the criteria to allocate resources.

4.2.2 At the start of the 2020/21 financial year, all budgets across the Council are reviewed and approved by the appropriate Head of Service, Assistant Director and Deputy Director, which ensures that risks can be identified and monitored throughout the financial year. During the financial year, budget monitoring is undertaken for all budgets on a monthly basis, with savings and other higher risk areas subject to enhanced oversight and scrutiny.

4.2.3 All projects included in the proposed Capital Programme have been linked to corporate priorities and/or the CRR and have been risk assessed against the Council's Risk Scoring Methodology.

4.2.4 The Care Governance Provider Risk Panel governs the quality of service providers in Social Care. The panel, on a monthly basis, reviews all pay uplift requests and any provider financial instability on a risk based approach.

4.3 Project Management

4.3.1 LBH has an organisational wide common approach to the management of any projects. The management of risks (positive and negative) is seen as one of the key requirements for delivering successful projects at the Council. Where a project management approach is required, the risks to achieving the project are monitored throughout the life of the project.

4.4 Committee Reports

4.4.1 All reports to Cabinet are signed off by the relevant Senior Finance Manager and subsequently, by Corporate Finance. Compliance with requirements on risk management is one of the criteria used to evaluate whether the Committee or Cabinet report is appropriate for sign off.

4.5 Contractual Arrangements

4.5.1 Any risks which are identified through the contract management process are recorded and managed for individual service providers and kept under review as part of the Council's contract management framework. Further, work is undertaken to ensure the contract management process is aligned and compliant to current legislative and regulatory requirements (such as GDPR Article 28) to minimise data breaches and subsequent potential fines.

4.6 Competency Framework and Automated PADA Process

4.6.1 There has been a growing focus on shaping our organisation's risk culture as a key approach to managing risk. This has been supported by refreshed competencies which are a set of behaviours that define the Council's expectations of its employees, so that they can be successful in their work.

4.6.2 A new automated PADA process which includes the new competency was developed and rolled out in March 2021. This new process will be an effective risk management tool to set, monitor and review staff performance against key objectives and competencies. This also demonstrates our organisation's development of risk maturity as the managers will be assessed on their risk management performance.

4.7 Promotion, Training and Support

4.7.1 All managers are encouraged to complete the e-learning risk management module, which is included in the mandatory induction process and checklist. The purpose of the e-learning module is to support the development of a robust approach to risk management within the Council. BA and the Corporate Risk Management Group (CRMG) continue to monitor training and support for risk management and provide further information/ briefings on risk management as and when needed. Completion rates have been steady and BA continues to promote the module via staff publications.

4.7.2 Training on risk management for elected Members and the Independent Chair of the Audit Committee is facilitated by BA. This is offered either on an individual basis as part of the induction process, or alternatively as part of the annual Member Development Day. In addition, a specific session on risk management is included as part of the Training and Development Plan for Audit Committee Members that is co-ordinated by Democratic Services.

4.7.3 The Council's Risk Management Policy and Guidance and the terms of reference for CRMG were last reviewed and updated in March 2021.

4.8 General Data Protection Regulations (GDPR)

4.8.1 An updated refresher GDPR mandatory training programme was rolled out to all LBH staff in June 2019 and then October 2020 to ensure that all employees are aware of their responsibilities around data protection. LBH staff received GDPR training ensuring that staff all understand LBH's data handling and processing responsibilities remains a key workforce objective. This training forms part of the mandatory induction process for new staff and was included as a Performance and Development Appraisal objective as a mandatory target for all staff.

4.9 Counter Fraud

4.9.1 Counter Fraud continues to adopt a risk-based approach to identify the highest risks when risk assessing fraud referrals and this commitment is set out in the Council's Counter Fraud Strategic Plan. Each fraud referral is assessed based on its systemic, financial, reputational and operational risk to the Council to enable appropriate allocation.

4.9.2 This approach is underpinned by the Council’s Fraud Universe and a full range of investigative policies and procedures. The Fraud Universe is regularly reviewed in collaboration with key stakeholders to enable the team to adapt to any emerging risks. As part of the commitment to creating a stronger counter fraud culture, a new improved program of Fraud Awareness is being delivered across the organisation and externally, which includes the use of social media.

4.10 Health and Safety System

4.10.1 LBH's Health and Safety (H&S) management system (Assure) assists in managing H&S for the Council's undertakings, integrating H&S and the assessment of risk into the Council’s daily business. Further to this, the auditing tool on Assure has been developed and is now in use by the H&S team. Dashboard reports now include incidents, DSE assessments, audits, actions, health surveillance attendance and risk assessments.

4.11 Insurance

4.11.1 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 current review and tender of LBH insurance contracts will support the transfer of financial risk through a mixed portfolio of suppliers specialising in particular insurance sectors, alongside actions by the Risk and Insurance Team to raise awareness of such risks.

4.11.2 Insurance dashboards have been embedded to further enable management to adopt a risk-based approach and decision-making regarding insurance claims and risk exposure. The dashboards are scheduled to be rolled out shortly and are tailored to specific service areas and include trend analysis, high profile cases, high cost and high frequency of claims. The dashboards also include recommendations of actions that can then be taken to minimise the impact and likelihood of future claims.

4.12 Risk Champions

4.12.1 Each Directorate (Group) has a risk champion representing their Directorate who will help and assist in the risk management process giving support, advice and guidance on best practice developments in risk management:

- To promote risk management within their Directorate and is being applied; and
- To ensure appropriate reporting to SMT's and CRMG.

4.13 Corporate Governance of Risk Management

4.13.1 The local authority has well established governance arrangements for monitoring and reviewing risks (refer to **Appendix B**).

5. Corporate Risk Register

5.1 The Council's CRR is an essential part of the Local Authority's corporate governance arrangements. The CRR provides evidence to the Corporate Management Team (CMT) and the Audit Committee about how identified corporate risks are being managed and the mitigating actions in place. All key corporate and directorate specific risks must be recorded in the relevant Council Risk Register and reviewed at least quarterly. There are currently 2 levels of risk register in full operation across the Council: the **Corporate** Risk Register and **Directorate** (Group) Risk Registers.

Corporate Risk Register

5.2 This is used for risks which are graded 'red' or are considered strategic and cross cutting which affects the longer term strategy of the Council.

Directorate (Group) Risk Registers

5.3 These are used for risks which are specific to a Directorate i.e. Corporate Services & Transformation, Planning, Environment, Education & Community Services, Infrastructure, Transport & Building Services, Finance, Children's and Adults Social Care. These are reviewed by the respective Senior Management Team (SMT) who assess whether the risk could have a significant effect on service delivery and planned priorities.

5.4 Risk owners must use the Council's Risk Scoring Methodology to assess a risk. The assessment of a risk is based on a combined score from the likelihood of the risk occurring and the impact in the event that the risk is fully realised. The risk scoring methodology shows the risk criteria in use to guide managers when assessing the likelihood/impact of the risk and the score the assessment will produce. Managers must assess and report the current risk (refer to **Appendix C** to review an analysis of directorate risks for 2020/21 Q4).

5.5 Risk Reporting

5.5.1 The CRR is reviewed and updated on a quarterly basis by senior managers and the Lead Cabinet Member for risk management. The CRR is then reviewed by CRMG and Audit Committee where it is then signed-off (pending no further changes). The quarterly CRR papers include a 1 page summary which contains a snapshot of all the risks, the direction of travel and the risk score. The table below contains the dates and groups who reviewed the CRR in 2020/21:

	CRMG	CMT*	Audit Committee
2020/21 Q1	24/08/2020	09/09/2020	01/10/2020
2020/21 Q2	06/01/2021	13/01/2021	04/02/2021
2020/21 Q3	29/03/2021	06/04/2021	20/04/2021
2020/21 Q4	05/07/2021	12/07/2021	29/07/2021

** = Change in process in 2021, CMT review risk papers via email circulation*

5.6 Analysis of Corporate Risk Register

5.6.1 The following tables highlight for 2020/21:

- The number of new and retired risks;
- The number of Corporate Risks where the risk scores have increased, decreased or remained the same; and
- The changes and movement of each individual risk in the CRR between Q1 and Q4.

Number of Corporate Risks brought forward from 2019/20	14
Number of new Corporate Risks in 2020/21	1
Number of retired Corporate Risks in 2020/21	1
Number of Corporate Risks where the Risk Scores have increased	1
Number of Corporate Risks where the Risk Scores have decreased	3
Number of Corporate Risks where the Risk Scores have remained static*	10
Total Number of Corporate Risks in 2020/21	**14**

20/21 Quarter / CRR Risk	Q1	Q2	Q3	Q4
1. Heathrow	**Improving E1**	**Static E1**		
2. Housing Needs	**Static B2**			
3. Children's Demand Asylum & Trafficked	**Improving B2**	**Static B2**	**Improving D3**	**Deteriorating C3**
4. Litigation	**Static B3**			
5. Budget	**Deteriorating C1**	**Static C1**		
6. Suppliers	**Static C1**			
7. HS2	**Static C2**			
8. NYGL	**Static D2**		**Retired D2**	
9. School Places	**Static D2**			
10. GDPR	**Static D1**			
11. Cyber Security	**Static D1**			
12. Mayor's Plan	**Retired F3**			
13. Brexit	**Improving C3**	**Static D1**		
14. Schools Grant	**Static E1**			
15. Coronavirus	**New Risk A1**	**Static A1**		

Key: The risk has not changed in this specific quarter

6. Other Risk Management Developments

6.1 Training

6.1.1 BA updates the CRMG of those who have completed the risk management e-learning module and report these to the Risk Champions on a quarterly basis. This helps to ensure that all managers are aware of their risk management responsibilities.

6.2 Internal Audit Findings

6.2.1 BA continues to communicate key findings from Limited and Nil assurance IA reports to CRMG for discussion. This enables current weaknesses to be considered as part of the review of the Corporate and Directorate Risk Registers.

6.3 Brexit

6.3.3 In April 2019 the EU and UK government reached agreement for an extension to Article 50 to the 31st October 2019, and then extended once again to the 31st January 2020 with exit terms and economic arrangements agreed. Brexit and related impacts continued to be monitored, Borough EU Settlement Scheme figures and captured as a risk on the Corporate Risk Register, which is updated quarterly and owned by the Chief Executive.

6.3.1 Across the organisation, a range of risk management activities in preparation for Brexit were undertaken. Strategic co-ordination was in place where CMT had oversight of Brexit related risks and controls by Directorate (Group). Preparedness and consideration of resilience related impacts on critical services and meeting statutory duties was regularly discussed and considered. LBH undertook a range of activities to raise awareness and signpost residents and businesses in line with guidance, utilising the 'Get Ready for Brexit' and EU Settlement Scheme campaigns and programme of social media posts. The Council worked collaboratively with partner agencies and stakeholders, enabling key concerns and the identification of priority issues, which could be escalated through reporting structures via the Resilience and Emergencies Division to support pan-London assessments of immediate and longer-term impacts of the UK's exit from the EU on London local authorities. The risk has been captured on the Council's Corporate Risk Register and is monitored on a quarterly basis.

6.4 Covid-19 Pandemic

6.4.1 The pandemic presented LBH with a unique array of challenging issues to address and respond to within tight timeframes. The Council continues to assess the key risk areas and impacts of the Covid-19 pandemic and has reassessed and updated risk registers and completed service and individual risk assessments. In response to the risks and impacts identified, the Council has undertaken a comprehensive range of actions that has been captured on the Council's Corporate Risk Register which includes; implementation of the Covid-19 Recovery Board and Recovery Plan, food distribution and deliveries to residents, accommodation for all rough sleepers in the borough, issued financial grants, processed Council Tax and Business Rates adjustments, as well as providing support for service users, vulnerable residents, businesses and suppliers.

6.4.2 The Council continues to assess key risk areas and impacts of the coronavirus pandemic and has updated its corporate and service risk registers, as well continued implementation of the Council's Coronavirus Recovery Plan. Work continues in partnership with PHE and Central Government which includes ongoing participation at Health Protection Board with partner agencies and weekly conference calls with Local Authority Chief Executives. This has resulted with the Council achieving the Joint Committee in Vaccination and Immunisation priorities 1st to 4th by March 2021.

6.4.3 The Council has implemented local Track and Trace, community lateral flow testing sites, monitors 18 managed quarantine facilities in the Borough and continues to respond to any variants of concern. Further activities are underway in relation to vaccination hesitancy and the lockdown easements to enable LBH to adapt our local response accordingly.

6.4.4 The combined impact of the central/local government response and activities undertaken has resulted in LBH incurring additional costs, income losses with potential delay to savings programmes and cost pressures (which have exacerbated some existing risks on our RRs). A detailed review of Covid-19 related financial grants was undertaken in January - March 2021. The impact of central and local government response and activities undertaken has resulted in LBH incurring significant additional costs combined with major losses of income, with delays to savings programmes and creating additional financial pressures.

6.4.5 As part of the recovery work there is currently a range of Business Improvement Delivery reviews underway across the organisation to help mitigate the huge impact on the financial resilience, service delivery and forward planning arrangements. There is a new 'normal' with significant changes and alternative ways of working to continue to deliver services to our residents, whilst making them more resilient and effective.

6.5 Small Business Grant Verifications

6.5.1 During the Covid-19 pandemic, IA, Counter Fraud and Exchequer Services worked collaboratively to process and verify the various business grants funded by Central Government. Staff were provided training to undertake the verifications process of grants paid to minimise the risk of monies being received by ineligible recipients. The main two types of grants which were being verified by team members were specifically the 'Small Business Rates Grants' and the 'Retail, Hospitality & Leisure Grant'. Cash grants of £25k have been given to businesses in these sectors with rateable value between £15k - £51k. Small businesses (rateable value below £15k) received a cash grant of £10k. Further grant schemes were announced throughout the year to support businesses impacted by various levels of national and local restrictions.

7. Forward Plan

7.1 Move to 'Risk Managed'

7.1.1 The Chartered Institute for Internal Audit's Risk Maturity Model is a benchmarking tool to assess the Council's organisation's risk maturity.

7.1.2 In accordance with this model our current risk maturity level is **'Risk Defined'**. A key objective of the forward plan is to develop the organisation's risk maturity to the next level of **'Risk Managed'**. The planned programme of work and activities support the development and key requirements to move the organisation to this level. Service level risk registers are still currently under development, with implementation deferred due to the reallocation of resource in 2019/20 and into 2020/21 to support Brexit and the ongoing Covid-19 response activities.

7.2 Automated PADA Process

7.2.1 Following the implementation of the automated PADA process, further work to incorporate the determination, assessment and management of risks into job descriptions is ongoing.

7.3 Operational Risk Registers

7.3.1 Business Assurance will continue working across the Council assisting in the development of Team/ Operational Risk Registers to embed operational risk management within the service, in line with the Council's risk management process and supported by associated escalation processes to Group and/ or Corporate risk registers. This allows the Council to identify and address emerging risks that may crystallise.

8. Emerging Risks

8.1 Coronavirus Pandemic (including impact of Covid-19)

8.1.1 We are in a healthcare crisis and major economic downturn, with the Council facing a multitude of challenges, all of which are exacerbating geopolitical risks. Risk professionals continue to analyse the pandemic's implications and effects to provide insights on the changing risk landscape. Some of the emerging risks the Council continue to face are set out below.

8.2 Governments could be left with higher debt

8.2.1 We are in a period of major change globally that will affect all aspects of the public sector. The impact of the pandemic combined with an increasing aging population, greater numbers and more complex child referrals, an increase in homelessness and a growing demand for services for children with special educational needs or disabilities, will inevitably lead to increasing cost pressures on local authorities. The scale of government’s transformation programmes, limited government capacity, ongoing financial constraint and the challenges of an ageing population mean that both the delivery of public services and the expectations of those who rely on them are changing.

8.2.2 Subsequently, local authorities across the country continue to face increased pressure to cut investment in preventative and early help measures in order to meet existing demand, which impacts on the future sustainability of the services and ability to meet statutory duties within a finite budget.

8.3 Continuation of Grant Funding

8.3.1 Local Authorities have delivered a range of services funded by Coronavirus grants. There is uncertainty as to how long funding will continue, however the lasting impact of the pandemic will be felt for many years to come. These issues are likely to have a significant impact in the short and long term and could affect financial reporting.

8.4 Citizen Behaviour

8.4.1 More widely, governments will need to understand how, if at all, citizen behaviour has changed going forward. In some areas, the pandemic may leave a lingering legacy on demand such as in higher education, for which the numbers of international students could be subdued in the short and medium term with significant implications for those institutions that rely on them for income. More positively, insight from the crisis could inform new strategies to relieve pressure on infrastructure and public services, or drive behaviour change to help meet net zero carbon targets.

8.4.2 Citizen response to the pandemic has caused numerous operational issues for local authorities, including:

- Increased demand for local authority services, including adult and child social care, services for the homeless, public health and support for the vulnerable (which is further exacerbated by other macro events, such as the demand and support needs of those fleeing Afghanistan);
- A reduction in key sources of income;
- Closure of local authority offices, premises and facilities;
- Increased cohort requiring Council tax and business-rates relief; and
- Staff sickness and absences.

8.5 Housing and Social Care

8.5.1 Social care and housing weakened by years of declining real-terms public funding and rising demand, has been impacted by the pandemic. Further, the social care sector in the UK is facing shrinking care capacity and exponentially rising demand, driven by factors such as underfunding and a lack of joined-up thinking. A survey by the Association of Directors of Adult Social Services has found rising demand pressures, reporting that more people with care and support needs are seeking help to escape abuse, and 35% seeing rising numbers of rough sleepers needing support. Sixty-eight per cent said more people were presenting with mental health issues, and a similar proportion (69%) said more people were being referred for support from the community.

8.6 Cyber Security

8.6.1 Cyber-attacks against all businesses including local authorities continues to be listed as one of the top ten risks and continue to grow in both volume and sophistication. Local authorities are facing significant challenges and pressure as they are more at risk than any business, school or bank due to the sensitive information they hold on residents that could be used to build up a 'profile'. Further to this, supply chain attacks are prevalent and an effective method of deploying malware. The vetting of the cyber security approach of key suppliers is essential to reduce this risk.

8.7 Dedicated Schools Grant

8.7.1 The Dedicated Schools Grant (DSG) is the main grant that central government allocates to local authorities for educational provisions in their areas. The DSG is divided into three nominal blocks: schools, high needs and early years. Local authorities face significant financial pressure due to the Children & Families Act 2014 expanding the number eligible for support, and in turn, the proportion of the DSG required to fund 'Special Educational Needs and Disabilities' within the High Needs Block. Formal 'Safety Valve' negotiations with DfE are scheduled, where further detail to be provided to DfE as part of the 'Safety Valve' negotiations including more a detailed project recovery plan and resourcing and the associated governance arrangements to reduce the deficit.

9. Further Information

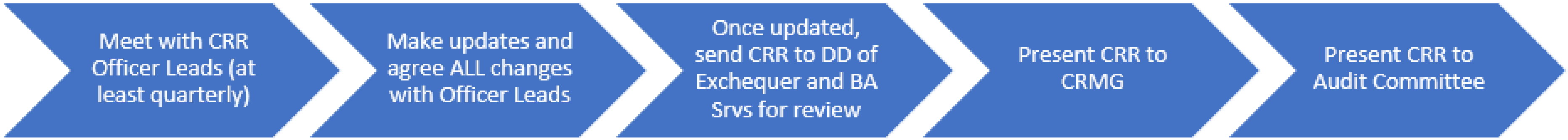
9.1 The Council's Annual Risk Management Report for 2020/21 was produced by Business Assurance; please contact the Deputy Director of Exchequer Services & Business Assurance if there is anything in this report you wish to discuss in this respect.

Muir Laurie
Deputy Director of Exchequer Services & Business Assurance
16th September 2021

APPENDIX A

Corporate and Directorate Risk Management Process Map

Corporate Risk Register Process:



Directorate Risk Register Process:

Risk Champions:

- Lydia Newman – ***CS&T*** = Corporate Services & Transformation
- Paul Whaymand – **Finance**
- Mark Billings – ***PEECS*** = Planning, Environment, Education & Community Services
- Perry Scott – ***IT&BS*** = Infrastructure, Transport & Building Services
- Sandra Taylor – ***ASC*** = Adult Social Care
  CYPS = Children & Young Peoples' Services

APPENDIX B

Corporate Governance of Risk Management

Full Council
Receive and consider the annual reports

Audit Committee

Report to Full Council annually on risk management process

Cabinet

Report to Full Council annually on significant risks as part of the Annual Budget Report

The Leader of the Council

Review the significant risks (Corporate or Cross cutting risks) quarterly and provide feedback to officers as appropriate

Portfolio Holders

Each Group Director to review their Directorate Risk Register (including related Corporate or Cross cutting risks) with the relevant Cabinet Member/s at least quarterly

Governance Functions

Executive Functions

Corporate Risk Management Group (CRMG)
Review the significant risks (Corporate or Group risks) quarterly, reporting to CMT.
Communicate and action any feedback from CMT, the Leader of the Council, or Audit Committee as appropriate.

Senior Management Team (SMT)
Ensure Risk Registers are up-to date/accurate/capture the key risks
Consider any significant Directorate risk for inclusion in the Corporate Risk Register

Service Managers
Manage risks in the Directorate Risk Register and the Corporate Risk Register

APPENDIX C

CORPORATE SERVICES & TRANSFORMATION DIRECTORATE RISK REGISTER

SUMMARY OF RISKS - 2020/21 QUARTER 4

Risk No.	Summary Risk Description	DoT	Rating
(1)	Public Sector Equality Duty	⟺	D3
(2)	Running an Election	⟺	E3
(3)	Timely completion of resident's birth registration	*Retired*	C4
(4)	Managing resident access across, telephone, website & face-to-face	⟺	E3
(5)	Storage Capacity at Uxbridge Mortuary	*New*	C4

***DoT** = Direction of Travel (Risk Movement over the last 3 months)*

RISK MATRIX SCORING OF RISKS - 2020/21 QUARTER 4

LIKELIHOOD	Very High (A)				
	High (B)				
	Significant (C)	(3) (5)			
	Medium (D)		(1)		
	Low (E)		(2) (4)		
	Very Low (F)				
		Small (4)	Medium (3)	Large (2)	Very Large (1)
		IMPACT			

PLANNING, ENVIRONMENT, EDUCATION & COMMUNITY SERVICES DIRECTORATE RISK REGISTER

SUMMARY OF RISKS - 2020/21 QUARTER 4

Risk No.	Summary Risk Description	DoT	Rating
(1)	Rent Arrears	⇔	C3
(2)	School Redundancies	⇔	E4
(3)	Public Health Functions	⇔	B2
(4)	Increase in "Prevent" Activity	⇔	E3
(5)	Oak Processionary Moth	⇔	B4
(6)	Burial Process	⇔	C3
(7)	Large Rate Payer Businesses	⇔	C2
(8)	Flood and Water Management Act	⇔	E4
(9)	Imported Food Office	⇔	D3
(10)	Regulatory and Food Health and Safety demand	⇔	D3

***DoT** = Direction of Travel (Risk Movement over the last 3 months)*

RISK MATRIX SCORING OF GROUP RISKS - 2020/21 QUARTER 4

LIKELIHOOD		IMPACT: Small (4)	Medium (3)	Large (2)	Very Large (1)
	Very High (A)				
	High (B)	**(5)**		**(3)**	
	Significant (C)	**(8)**	**(1) (6)**	**(7)**	
	Medium (D)		**(9) (10)**		
	Low (E)	**(2)**	**(4)**		
	Very Low (F)				

INFRASTRUCTURE, TRANSPORT & BUILDING SERVICES DIRECTORATE RISK REGISTER

SUMMARY OF RISKS - 2020/21 QUARTER 4

Risk No.	Summary Risk Description	DoT	Rating
(1)	Failure of business continuity regarding ICT and telephony	⇔	E2
(2)	Fire safety	⇔	E2
(3)	New Years Green Lane and Park Lodge Farm, Harefield	*Retired*	D2
(4)	Network Resilience	⇔	D2
(5)	ICT Disaster Recovery	⇔	D2

DoT *= Direction of Travel (Risk Movement over the last 3 months)*

RISK MATRIX SCORING OF GROUP RISKS - 2020/21 QUARTER 4

LIKELIHOOD					
	Very High (A)				
	High (B)				
	Significant (C)				
	Medium (D)			(3) (4) (5)	
	Low (E)			(1) (2)	
	Very Low (F)				
		Small (4)	Medium (3)	Large (2)	Very Large (1)
		IMPACT			

FINANCE DIRECTORATE RISK REGISTER

SUMMARY OF RISKS - 2020/21 QUARTER 4

Risk No.	Summary Risk Description	DoT	Rating
(1)	Security of investments, particularly bank deposits	⇔	E1
(2)	Outstanding Municipal Mutual Insurance claims	⇔	E2
(3)	Impact of Business Rates Retention	⇔	D1
(4)	Pension Fund	⇔	D2
(5)	Maintained schools funding	⇔	D1
(6)	Impact of Council Tax Reduction Scheme (CTRS)	⇓	D1
(7)	Changes to Procurement Regulation in response to Covid-19	*Retired*	C3
(8)	Council Tax Collection Rates	*Retired*	D2
(9)	National Non-Domestic Collection Rates (NNDR)	⇔	D2

DoT *= Direction of Travel (Risk Movement over the last 3 months)*

RISK MATRIX SCORING OF GROUP RISKS - 2020/21 QUARTER 4

LIKELIHOOD					
	Very High (A)				
	High (B)				
	Significant (C)		**(7)**		
	Medium (D)			**(4) (8) (9)**	**(3) (5) (6)**
	Low (E)			**(2)**	**(1)**
	Very Low (F)				
		Small (4)	**Medium (3)**	**Large (2)**	**Very Large (1)**
		IMPACT			

CHILDREN'S SOCIAL CARE DIRECTORATE RISK REGISTER

SUMMARY OF RISKS - 2020/21 QUARTER 4

Risk No.	Summary Risk Description	DoT	Rating
(1)	Increase in demand	⇔	D3
(2)	Inspection of Youth Offending / Justice	⇔	B3
(3)	Serious youth violence and violent knife crime	⇔	D2
(4)	Further Ofsted Inspection of Children's Services (ILACS)	⇔	D4
(5)	Emergency Duty Team	⇔	C2
(6)	High Needs SEN placements	⇔	C2
(7)	Timeliness of Education Health and Care Needs Assessments	⇔	C3

DoT *= Direction of Travel (Risk Movement over the last 3 months)*

RISK MATRIX SCORING OF GROUP RISKS - 2020/21 QUARTER 4

LIKELIHOOD					
	Very High (A)				
	High (B)		(2)		
	Significant (C)		(7)	(5) (6)	
	Medium (D)	(4)	(1)	(3)	
	Low (E)				
	Very Low (F)				
		Small (4)	Medium (3)	Large (2)	Very Large (1)
		IMPACT			

ADULT SOCIAL CARE DIRECTORATE RISK REGISTER

SUMMARY OF RISKS - 2020/21 QUARTER 4

Risk No.	Summary Risk Description	DoT	Rating
(1)	Adult Care Providers (Quality of Care)	↔	E3
(2)	Home to School Transport	↔	E3
(3)	Community Deprivation of Liberty (DoL)	↔	E3
(4)	Demand on Adult Social Care Budgets	↔	D2
(5)	Anchor out of hours call centre	↔	D3
(6)	Mental Health	↔	E3

***DoT** = Direction of Travel (Risk Movement over the last 3 months)*

RISK MATRIX SCORING OF GROUP RISKS - 2020/21 QUARTER 4

LIKELIHOOD		Small (4)	Medium (3)	Large (2)	Very Large (1)
	Very High (A)				
	High (B)				
	Significant (C)				
	Medium (D)		**(5)**	**(4)**	
	Low (E)		**(1) (2) (3) (6)**		
	Very Low (F)				
			IMPACT		

AUDIT COMMITTEE - 2021/22 Quarter 1 Corporate Risk Register

Committee name	Audit Committee
Officer reporting	Muir Laurie, Deputy Director of Exchequer Services & Business Assurance
Items with report	Summary CRR 2021/22 Quarter 1 Detailed CRR 2021/22 Quarter 1 Appendix A - Risk Management Scoring Methodology
Ward	All

HEADLINES

This report presents to the Audit Committee the Corporate Risk Register (CRR) for Quarter 1 (April to June 2021), updated as at 13th September 2021. The report provides evidence to the Audit Committee about how identified corporate risks are being managed and the mitigating actions in place. This report follows a review of the CRR by the Corporate Risk Management Group (CRMG) on 13th September 2021.

RECOMMENDATIONS:

That the Audit Committee:

1. **Review the CRR for Quarter 1 (1st April to 30th June 2021) as part of its role to independently assure the Council's corporate risk management arrangements; and**
2. **Suggest any comments/amendments.**

SUPPORTING INFORMATION

Business Assurance continues to attend senior management team meetings and meet with individual Officer Leads to discuss the status of current risks and any new risks which may have been identified since the last review. Any risks which need to be escalated to the CRR will be discussed with the relevant corporate director and reported to CRMG on a quarterly basis.

The key movements in the CRR since 2020/21 Quarter 4 are as follows:

- Risk 3 - Asylum / Unaccompanied Minors / Trafficked Children & Young People

  The Risk Rating has changed from ‘C3’ to ‘B3’ due to increased numbers of UASCs at the front door.

- Risk 6 - Financial Resilience of Contracts

  The risk title has changed from “Financial Resilience and Appetites for Public Sector Contracts” to “Financial Resilience of contracts” and the risk rating has changed from “C1” to “C2” due to the successful roll out of the Covid vaccine, enabling a near return to normality and businesses to begin trading again.

- Risk 7 - High Speed 2 Rail Link

  This risk has been retired due to controls embedded to mitigate the restoration of land and disruption across the borough. There will be ongoing monitoring of this risk on the relevant Directorate Risk Register.

- Risk 10 - Cyber Security

  The Cabinet Lead has changed from “Cllr. J. Bianco” to “Cllr. D Mills”.

- Risk 11 – Brexit

  The risk rating has changed from ‘C3’ to ‘D3’ as the deadline for applications to be made to the EUSS was 30 June 2021.

BACKGROUND ITEMS

Summary CRR 2021/22 Quarter 1 (attached)
Detailed CRR 2021/22 Quarter 1 (attached)
Appendix A - Risk Management Scoring Methodology (attached)

CORPORATE RISK REGISTER

SUMMARY OF CORPORATE RISKS - 2021/22 QUARTER 1

Risk No.	Summary Risk Description	(Group)	DoT	Rating
(1)	Heathrow Airport Expansion	(PEECS)	↔	E1
(2)	Meeting Housing Needs	(PEECS)	↔	B2
(3)	Asylum/Trafficked Children & Young People	(Social Care - CYPS)	↓	B3
(4)	Litigation Claims	(Finance)	↔	B3
(5)	Ability to Deliver a Balanced Budget in the Medium Term	(Finance)	↔	C1
(6)	Financial Resilience of Contracts	(Finance)	↑	C2
(7)	High Speed 2 Rail Link	(PEECS)	***Retired***	C2
(8)	Early Years and School Places	(PEECS)	↔	D2
(9)	The General Data Protection Regulations	(Corp Resources & Srvs)	↔	D1
(10)	Cyber Security	(IT&BS)	↔	D1
(11)	Brexit	(Corp Resources & Srvs)	↑	D3
(12)	Dedicated Schools Grant (DSG)	(Finance)	↔	E1
(13)	Coronavirus	(Corp Resources & Srvs)	↔	A1

***DoT** = Direction of Travel (Risk Movement over the last 3 months)*

RISK MATRIX SCORING OF CORPORATE RISKS - 2021/22 QUARTER 1

LIKELIHOOD		Small (4)	Medium (3)	Large (2)	Very Large (1)
	Very High (A)				**(13)**
	High (B)		**(3) (4)**	**(2)**	
	Significant (C)			**(6) (7)**	**(5)**
	Medium (D)		**(11)**	**(8)**	**(9) (10)**
	Low (E)				**(1) (12)**
	Very Low (F)				
		IMPACT			

*Refer to **Appendix A** for Risk Scoring Methodology*

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DETAILED CORPORATE RISK REGISTER

Corporate Risk Register for:	2021/22 - Quarter 1 (1st April to 30th June)	Previous Review:	5th July 2021

<table>
<tr><th rowspan="2">Risk No.</th><th rowspan="2" colspan="3">Risk Description (including Cause & Consequence)</th><th colspan="2">Risk Mitigation</th></tr>
<tr><th>Actions Taken to Date</th><th>Further Action Required</th></tr>
<tr>
<td rowspan="7">1</td>
<td rowspan="7"><u>Risk:</u>
Heathrow Airport Expansion - The risk of Heathrow Airport (HA) being granted permission to expand.
<u>Cause:</u>
The Government has now indicated their preference for aviation expansion in the south east to be delivered by a Northwest Runway at Heathrow. This preference has been taken forward via the publication of a National Policy Statement (NPS).
The NPS has now been adopted and puts in place the principle to expand Heathrow.
<u>Consequence:</u>
1. Deterioration of environmental quality around Heathrow Airport (HA).
2. Negative impact on the quality of life for Hillingdon residents, including the demolition of a substantial number of housing and community facilities.
3. Potential negative impact on the value of Hillingdon residents' homes.
4. Potential impact on businesses in the surrounding area.</td>
<td>Officer Lead</td><td>Cabinet Lead</td>
<td rowspan="7">1. LBH continues to monitor air quality in the vicinity of Heathrow Airport.
2. Outcome of Judicial Review received 1st May 2019. LBH subsequently applied for Permission to Appeal which was granted permission by the Court of Appeal.
3. Heathrow Airport Limited statutory consultation for a Development Consent Order closed in September 2019.
4. Current activity undertaken in relation to any ongoing or potential legal challenges will not be included in this risk entry.</td>
<td rowspan="7">1. Any further action required in relation to any ongoing or potential legal challenges will not be included in this risk entry.</td>
</tr>
<tr><td>Dan Kennedy</td><td>Cllr. I. Edwards (Leader)</td></tr>
<tr><td>Risk Rating</td><td>Direction of Travel</td></tr>
<tr><td>E1</td><td>Static</td></tr>
<tr><td colspan="2">Risk Appetite Statement</td></tr>
<tr><td colspan="2">The Council vehemently opposes the Heathrow Airport expansion and is committed to supporting the needs of our residents and the protection of our borough. Any intitiaves to expand Heathrow will be challenged.</td></tr>
</table>

Page 297

DETAILED CORPORATE RISK REGISTER

<table>
<tr><th rowspan="2">Risk No.</th><th rowspan="2" colspan="3">Risk Description (including Cause & Consequence)</th><th colspan="2">Risk Mitigation</th></tr>
<tr><th>Actions Taken to Date</th><th>Further Action Required</th></tr>
<tr><td rowspan="6">2</td><td rowspan="6"><u>Risk:</u>
Meeting Housing Needs - The risk of not meeting housing needs in LBH.
<u>Cause:</u>
This risk arises from the challenging, buoyant housing market and a decreased supply of affordable housing (temporary/permanent) in the borough. This is coupled with the Welfare Reforms (including Benefits caps, Universal Credit and Homelessness Prevention) along with the need to ensure private sector housing meet requirements which has increased the demand for affordable housing in the borough. In addition, the measures during the Covid-19 pandemic including the requirement to accommodate and support all rough sleepers.
<u>Consequence:</u>
1. Inadequate housing can lead to a detrimental impact on the health, wellbeing, and educational attainment of residents. It can also increase poverty and have a negative impact on the safety of households.
2. Lack of affordable housing puts significant pressure on the Council's finances.
3. There is a potential reputational risk for the Council in relation to the homelessness of residents and/or of the Council failing to meet its statutory responsibilities in this area.</td><td>Officer Lead</td><td>Cabinet Lead</td><td rowspan="6">1. Delivery of affordable housing using LBH resources continues to be considered.
2. The Council is implementing a programme of buying back former 'Right to Buy' (RTB) properties and new developments.
3. Housing Association stock is used where possible to generate housing options.
4. Management scrutiny for prevention cases, providing social a tenancy for those in high needs places.
5. Series of successful bids for grant funding to tackle rough sleeping has been achieved.
6. Obtained provision of food, clothing and toiletries for rough sleepers temporarily accommodated.
7. Demand, resource, Covid pressures and emerging risks monitored daily.
8. Staff are working on a rota basis to ensure resilience of service delivery.
9. All rough sleepers in the Borough have been accommodated as part of the response to Covid-19.
10. Undertaking a programme of compliance checks to ensure properties meet required standards.
11. Working with Procurement to implement a dynamic purchasing framework for Temporary Accommodation properties which requires landlords to comply with required standards.</td><td rowspan="6">1. Ongoing development of a range of options for procurement of temporary accommodation and private sector lettings to prevent or discharge homelessness.
2. To minimise the loss of properties for use to prevent homelessness, landlords are being contacted to secure their property for use under new temporary accommodation schemes or for conversion to an assured short hold tenancy.
3. Continue to proactively identify homelessness cases to identify alternative housing options for households.
4. Options to move on rough sleepers to settled accommodation are being progressed.</td></tr>
<tr><td>Dan Kennedy</td><td>Cllr. E. Lavery</td></tr>
<tr><td>Risk Rating</td><td>Direction of Travel</td></tr>
<tr><td>B2</td><td>Static</td></tr>
<tr><td colspan="2">Risk Appetite Statement</td></tr>
<tr><td colspan="2">The Council is committed to being fully compliant with Housing regulations and local Policies. The Council has a zero tolerance risk appetite towards deliberate or accidental violations of regulatory requirements.</td></tr>
</table>

DETAILED CORPORATE RISK REGISTER

Item 3

<table>
<tr><th rowspan="2">Risk No.</th><th rowspan="2" colspan="3">Risk Description (including Cause & Consequence)</th><th colspan="2">Risk Mitigation</th></tr>
<tr><th>Actions Taken to Date</th><th>Further Action Required</th></tr>
<tr><td rowspan="6">3</td><td rowspan="6"><u>Risk:</u>

Asylum / Unaccompanied Minors / Trafficked Children & Young People - Meeting the increasing demands in the borough of Asylum / Trafficked Children & Young People on Council services due to financial pressures coupled with changes to primary legislation which places a duty on the Local Authority to support Care leavers until the age of 25.

<u>Cause:</u>

The risk arises because as a port authority we are responsible for UASC arriving into the country via Heathrow. This is coupled with the impact of the National Dispersal Scheme that is not yet legislated for and Government action to accommodate asylum seekers arriving in the South Coast due to the Covid-19 pandemic.

<u>Consequence:</u>

1. Negative financial impact on the Council's budget due to shortfall in grant funding received.

2. Increased challenge with regards to capacity to meet needs of this cohort.

3. Increased risk of reputational damage when trying to balance the need to provide statutory services vs. Delivery within a finite budget.</td><td>Officer Lead</td><td>Cabinet Lead</td><td rowspan="6">1. Ongoing monitoring of trends which have been modelled over the MTFF cycle.

2. All new unaccompanied asylum-seeking children (UASC) cases are referred timely to the National Dispersal Scheme.

3. The Department for Education (DfE) and Home Office has completed a review of grant funding for UASC (over the age of 18 years old) resulting in increased funding.

4. During lockdown the Home Office placed adult asylum seekers in 4 hotels in Heathrow, some of which have now claimed to be minors.

5. Budget monitoring has oversight of additional placements and looks at the application of appropriate grant funding.

6. Following initial success the Court found against the LA and we had to provide care/accommodation/age assessments for an additional 5 young people

7. Written to the Home Office regarding request for additional financial support due to increased cohort placed in hotels at Heathrow.

8. Commissioned additional age assessment resources through Sanctuary finalised in February 2021, funded by the Covid Grant.</td><td rowspan="6">The risk rating has changed from "C3" to "B3" due to the projected increase demand and support needs for Afghan refugees.

1. Ongoing work with UK Border Agency (UKBA) on issues of safeguarding S20 legislation re Periodical Payment Orders out of hours social work practice. We are contributing to induction programmes for UKBA staff.

2. Revised NTS goes live in July 2021 (as at 30/6/21).

3. Acknowledgement for additional financial support received and ongoing engagement with the Home Office.

4. Subsequent dispersal work to be undertaken following the end of lockdown regarding those placed temporarily in Heathrow hotels.

5. Ongoing lobbying by DCSs, CEOs for additional funding and or resource to support the necessity to undertake age assessments.</td></tr>
<tr><td>Tony Zaman</td><td>Cllr. O'Brien</td></tr>
<tr><td>Risk Rating</td><td>Direction of Travel</td></tr>
<tr><td>B3</td><td>Deteriorating</td></tr>
<tr><td colspan="2">Risk Appetite Statement</td></tr>
<tr><td colspan="2">The Council is committed to helping vulnerable young people, within the confines of our statutory duties and budget responsibilities.</td></tr>
</table>

DETAILED CORPORATE RISK REGISTER

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<tr><th>Actions Taken to Date</th><th>Further Action Required</th></tr>
<tr><td rowspan="6">4</td><td rowspan="6"><u>Risk:</u>
Litigation Claims - The risk of litigation claims against the Council that are handled by Insurers.
<u>Cause:</u>
This risk arises from the high number and large value of a broad type of insurance claims.
<u>Consequence:</u>
1. Potentially there are significant financial implications, including costs of defending claims and of meeting any awards made against the Council.
2. Potential reputational damage arising from negative media/press reports.
3. Potential negative impact on Council service delivery.</td><td>Officer Lead</td><td>Cabinet Lead</td><td rowspan="6">1. Strong relationships and agreements are in place with Solicitors to ensure they advise us of sensitive and relevant issues. Where the Council is unable to defend claims the Solicitors will seek to settle claims without an admission of liability.
2. Upon receipt of high profile/ high value claims Corporate Directors/ senior managers are notified to immediately. Incidents which have potential to become claims are being raised with the Insurance Team by managers.
3. Equal Pay Employment Tribunal claims are monitored by the Head of HR.
4. The Earmarked General Insurance Reserve for 2020/21 has an opening balance of £1.1m.
5. The Insurance Team are in the process of improving the management info reports from the LACH system and case throughput information from our claims handler.
6. Trend analysis has been undertaken and incorporated into the monthly insurance position to strengthen and aid strategic decision making.
7. The Insurance Team deals with all complex claims, liaising with relevant services, insurers, and solicitors to provide a robust defence where possible in order minimise financial loss to the Council.
8. The Insurance Team have created Dashboards for Corporate Directors, providing details of current litigation claims. The Insurance Dashboards were circulated in Quarter 1 of 2021/22.</td><td rowspan="6">1. Ongoing monitoring by the Insurance Team of the number of claims and their value, to identify and assess any emerging patterns to help prompt appropriate action i.e. preventative action, raise awareness across the Council, etc. The likelihood of historical abuse claims continues to increase slightly in light of the continued publicity of such claims. Continued monitoring of this position by the Insurance team is required.
2. The Insurance Team will continue to try and raise awareness with service managers of the importance of adhering to the Council's relevant insurance policies, particularly in relation to Health & Safety.
3. Continued development and refinement of the management info reports. This will help inform operational and strategic decision making in relation to the Council's insurance coverage and appetite to risk in this area. This is a significant piece of work which is continuing to be progressed in 2021/22.
4. The Insurance Team to continue to create Dashboards for Corporate Directors, providing details of current litigation claims.</td></tr>
<tr><td>Muir Laurie</td><td>Cllr. M. Goddard</td></tr>
<tr><td>Risk Rating</td><td>Direction of Travel</td></tr>
<tr><td>B3</td><td>Static</td></tr>
<tr><td colspan="2">Risk Appetite Statement</td></tr>
<tr><td colspan="2">The Council is committed to keeping litigation claims at a minimum, where it is able to. The regular monitoring, trend analysis reports, training and building relationships across Council services help reduce and manage claims more effectively. This helps minimise the burden of litigation to the Council.</td></tr>
</table>

Page 300

DETAILED CORPORATE RISK REGISTER

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<tr><th>Actions Taken to Date</th><th>Further Action Required</th></tr>
<tr>
<td rowspan="7">5</td>
<td rowspan="7"><u>Risk:</u>
Ability to Deliver a Balanced Budget in the Medium Term - The risk of the Council being unable to deliver a balanced budget in the medium term.
<u>Cause:</u>
This risk arises from the significant reductions in funding from Central Government whilst at the same time increasing the burden on LAs. This is against a backdrop of increasing expectations from Residents of the Council and its services and more recently the impact of Covid-19.
<u>Consequence:</u>
1. Potential that the Council will be unable to meet its statutory obligation to set and operate within a balanced budget.
2. Moving forward more increased transformation savings targets will need to be achieved.
3. Further drawdowns from the Council's financial balances/reserves may need to be considered as one offs.</td>
<td>Officer Lead</td><td>Cabinet Lead</td>
<td rowspan="7">1. Governance arrangements for the Council's Business Transformation Programme have been agreed by the Leader of the Council. Business Transformation projects are now captured in one place to help ensure they are all closely aligned to the MTFF.
2. The month 3 monitoring position shows a £361k underspend and balances at the year end forecast at £26,462k. Covid-19 pressures are £16,641k with all of this covered by government Covid-19 grant.
3. £8,054k of savings are included in the budget for 2021/22 and there are £2,362k of savings brought forward from 2020/21 which gives an overall total of £10,416k. £2,856k of this sum is already delivered or on track for deliver. The remainder (£7,560k) is at an early stage of delivery or is impacted by Covid and being funded by Covid grant.
4. The financial risk in relation to the impacts of Covid-19 is tracked monthly and includes reporting to central government an analysis of costs incurred and loss of revenue.
5. MTFF Challenge sessions were undertaken in June/July and a first cut of the refreshed MTFF position reported to the Leader in August. Further challenge sessions are planned for October.</td>
<td rowspan="7">1. The Councils Business Transformation Programme is being refreshed for the next 2-3 years. This will be key to helping manage the MTFF position over this period.
2. Work is ongoing to deliver a balanced budget for future years as part of the MTFF/rolling programme. Additional savings proposals that are achievable and supported are required in the medium term.
3. Covid-19 monitoring ongoing to limit financial impact. Preparedness activities to be undertaken in anticipation of any second wave.
4. Programme of BID reviews ongoing across all services within the Council.</td>
</tr>
<tr><td>Paul Whaymand</td><td>Cllr. M. Goddard</td></tr>
<tr><td>Risk Rating</td><td>Direction of Travel</td></tr>
<tr><td>C1</td><td>Static</td></tr>
<tr><td colspan="2">Risk Appetite Statement</td></tr>
<tr><td colspan="2">The Council is committed to delivering a balanced budget. We constantly challenge all areas across the Council to find efficiencies, make savings and put forward ideas on how savings targets can be achieved.</td></tr>
<tr></tr>
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<tr><th>Actions Taken to Date</th><th>Further Action Required</th></tr>
<tr>
<td rowspan="7">6</td>
<td rowspan="7"><u>Risk:</u>

Financial Resilience of Contracts- The risk of external suppliers and providers, which the Council contracts, failing to deliver the required level of service due to their financial difficulties and/or going out of business.

<u>Cause:</u>

This risk arises from the delicate state of the economy which leaves many of LBH's external providers having to operate in an increasingly challenging economic climate, with further financial uncertainty created by Covid-19 and Brexit.

<u>Consequence:</u>

1. Potential inability of suppliers to continue contracted levels of service delivery.

2. Council could fail to deliver in some of its statutory duties either through a reduction of service by an external provider or complete failure to operate.</td>
<td>Officer Lead</td><td>Cabinet Lead</td>
<td rowspan="7">1. Supplier risk protocols are in place with financial evaluation embedded within standard tender documents and Member Reports which ensure due consideration is provided to suppliers' financial risk.

2. The MTFF has allocated significant sums through inflation to deal with pressures experienced by social care providers.

3. Procurement service restructure following BID review. Head of Procurement and Commissioning appointed February 2021.

4. The Council believes it has sufficient balances and reserves to cover the impact of any significant contract or supplier failure.

5. Detailed conversations with specific supplier concerning their financial situation take place where required. There are open book arrangements in place which look at justifying cost changes. A formal process has been implemented for addressing fee uplift requests from providers.</td>
<td rowspan="7">The risk title has changed from "Financial Resilience and Appetites for Public Sector Contracts" to "Financial Resilience of contracts" and the risk rating has changed from "C1" to "C2" due to the successful roll out of the Covid vaccine, enabling a near return to normality and businesses to begin trading again.

1. Procurement, working with Finance colleagues will update Supplier Financial Health Guidance and Procedure notes to ensure appropriate risk-based checks are undertaken on suppliers during the tender phase. This will be extended to include guidance and procedures for the assessment of financial health over the period of the contract.

2. The Council will move from Equifax to D&B for supplier financial health checks. This will include a dynamic database to ensure any changes to supplier health are flagged automatically through the D&B system.

3. More training and guidance is required for Contract Managers across the Council, so they understand the role and responsibilities of contract managers in tracking supplier financial resilience. This will also allow clarity on the roles of Procurement and Finance in monitoring suppliers financial health.</td>
</tr>
<tr><td>Paul Whaymand</td><td>Cllr. M. Goddard</td></tr>
<tr><td>Risk Rating</td><td>Direction of Travel</td></tr>
<tr><td>C2</td><td>Improving</td></tr>
<tr><td colspan="2">Risk Appetite Statement</td></tr>
<tr><td colspan="2">This is a significant financial risk which the Council has to manage in order to provide services to our residents. We continue to look at our options in the market and review our operating model, focusing on what we pay and what we have to pay.</td></tr>
<tr></tr>
</table>

DETAILED CORPORATE RISK REGISTER

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<tr><th rowspan="2">Risk No.</th><th rowspan="2" colspan="3">Risk Description (including Cause & Consequence)</th><th colspan="2">Risk Mitigation</th></tr>
<tr><th>Actions Taken to Date</th><th>Further Action Required</th></tr>
<tr><td rowspan="6">7</td><td rowspan="6"><u>Risk:</u>
High Speed 2 Rail Link - The consequence of the HS2 route going through the borough.
<u>Cause:</u>
This risk arises from the construction of HS2 with the proposed route going through the borough.
<u>Consequence:</u>
1. Loss of residential and commercial premises and significant environmental impact.
2. Major disruption across the borough during the construction works.
3.Potential loss of amenities (permanent or temporary) e.g. Ruislip and Uxbridge Golf Courses and Hillingdon Outdoor Activity Centre (HOAC).
4. Significant road closures expected.</td><td>Officer Lead</td><td>Cabinet Lead</td><td rowspan="6">1. Continuing to liaise with HS2 Ltd to influence work and engagement with residents for a joined-up approach.
2. The Council has entered into a Legal Agreement; this will help to ensure that appropriate mitigation is provided by HS2 Ltd; this includes a local amenity fund.
3. The Council continues to respond to complaints from residents about the work of HS2 Ltd and secured improvements.
4. The Council continues to push for a greater reduction in both HS2 related traffic and construction impacts.
5. LBH won its appeal against HS2 in the Court of Appeal in July 2020.
6. Current activity undertaken in relation to any ongoing or potential legal challenges will not be included in this risk entry.</td><td rowspan="6">This risk has been retired due to controls embedded to mitigate the restoration of land and disruption across the borough. There will be ongoing monitoring of this risk on the relevant Directorate Risk Register.
1. Continue to reinforce the message to residents that HS2 is a Government scheme the Council has limited control over.
2. LBH continues to challenge the proposed HS2 design, seeking to secure further improvements to reduce the impact on the borough in line with the Select Committees requests.
3. Any further action required in relation to any ongoing or potential legal challenges will not be included in this risk entry.</td></tr>
<tr><td>Dan Kennedy</td><td>Cllr. I. Edwards (Leader)</td></tr>
<tr><td>Risk Rating</td><td>Direction of Travel</td></tr>
<tr><td>C2</td><td>Retired</td></tr>
<tr><td colspan="2">Risk Appetite Statement</td></tr>
<tr><td colspan="2">The Council maintains its vehement opposition to HS2 in support of the needs of residents and protection of our borough. To the extent the Council is legally required, it will undertake its regulatory functions but at all times seek to minimise the impacts of HS2 construction traffic and wider consequences for our residents.</td></tr>
</table>

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<tr><th rowspan="2">Risk No.</th><th colspan="3" rowspan="2">Risk Description (including Cause & Consequence)</th><th colspan="2">Risk Mitigation</th></tr>
<tr><th>Actions Taken to Date</th><th>Further Action Required</th></tr>
<tr><td rowspan="7">8</td><td rowspan="7"><u>Risk:</u>
Early Years and School Places – The risk of not meeting the demands for early years and school places.
<u>Cause:</u>
This risk arises from the Council's statutory responsibility to ensure that every child in the borough has a school place within a reasonable distance from their home.
<u>Consequence:</u>
1. The Council would be in breach of its statutory duty to ensure sufficient school places are secured.
2. Potentially significant financial pressures for the Council, mainly capital expenditure.</td><td>Officer Lead</td><td>Cabinet Lead</td><td rowspan="7">1. Overall, the latest school places analysis indicates demand for primary places is reducing with some pockets of pressure related to new residential development. At this stage officers are keeping under review the position on primary school places
2. For the secondary sector officers are reviewing the need for additional school places and all options are being considered.
3. Briefings to Members delivered.
4. Needs assessment in relation to Special Educational Needs and Disability (SEND) school places is being refreshed.
5. Plans are being refreshed for the new School Places Plan for the Borough.</td><td rowspan="7">1. Officers are undertaking a review of demand for all types of school places, covering special educational needs, primary and secondary phases, and the need for alternative education provision for children not able to attend mainstream school.
2. Present options to members for managing the provision of primary school places.
3. Utilise information from the SCAP return to inform the school places planning forecast.
4. Reviews of alternative provisions and school exclusions are currently underway.</td></tr>
<tr><td>Dan Kennedy</td><td>Cllr. O'Brien</td></tr>
<tr><td>Risk Rating</td><td>Direction of Travel</td></tr>
<tr><td>D2</td><td>Static</td></tr>
<tr><td colspan="2">Risk Appetite Statement</td></tr>
<tr><td colspan="2">The Council is committed to being fully compliant with statutory Education regulations as well as local policies. The Council has a zero tolerance risk appetite towards any deliberate or accidental violations of regulatory requirements.</td></tr>
<tr><td colspan="2"></td></tr>
</table>

DETAILED CORPORATE RISK REGISTER

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<tr><th rowspan="2">Risk No.</th><th colspan="2" rowspan="2">Risk Description (including Cause & Consequence)</th><th colspan="2">Risk Mitigation</th></tr>
<tr><th>Actions Taken to Date</th><th>Further Action Required</th></tr>
<tr>
<td>9</td>
<td><u>Risk:</u>
The General Data Protection Regulations - The risk of loss or mishandling of any personal data (including that of residents or staff) held by the Council.
<u>Cause:</u>
This risk arises from a minority of staff not complying with the Council's Data Protection (DP) Policy due to a lack of awareness or lack of due consideration.
<u>Consequence:</u>
1. Significant financial penalty (up to €20m) imposed by the Information Commissioner’s Office for a serious breach in data protection.
2. Significant negative impact to the Council's reputation.
3. Residents and/or staff who are the subject of any potential data loss/mishandling may as a result be vulnerable to crime.</td>
<td><table>
<tr><th>Officer Lead</th><th>Cabinet Lead</th></tr>
<tr><td>Fran Beasley</td><td>Cllr. I. Edwards (Leader)</td></tr>
<tr><th>Risk Rating</th><th>Direction of Travel</th></tr>
<tr><td>D1</td><td>Static</td></tr>
<tr><th colspan="2">Risk Appetite Statement</th></tr>
<tr><td colspan="2">LBH is committed to full compliance with all DP regulation as well as the relevant internal policies. Identified DP breaches or incidents of non-compliance will be actioned promptly and proportionately. The Council has a zero tolerance risk appetite towards deliberate or accidental violations of the DPA regulatory requirements.</td></tr>
</table></td>
<td>1. Information Governance Lawyer has reviewed all current privacy notices and continues to review any new privacy notices data protection matters as part of an ongoing programme of work.
2. All new contracts are Article 28 (of the GDPR) complaint. A small number of contracts that required updating were addressed via a new tender, with new contractors awarded.
3. Completion of the GDPR and DP e-learning training programme is mandatory for all new staff.
4. All officers have completed the combined GDPR and DP e-learning training programme and the DPO has provided training to all members.
5. Internal Audit review of GDPR arrangements complete and issued an opinion of 'reasonable' assurance.
6. Obtained Data Security and Protection Toolkit compliance, which is evidence-based submission which incorporates the GDPR requirements.
7. Legal reviewed and confirmed that there are no key actions to be undertaken with regards to data flow with the EU.
8. Mandatory GDPR refresher training rolled out to all staff.</td>
<td>1. The Hillingdon Information Assurance Group (HIAG) programme of work which includes actions aimed at strengthening the Council’s DP arrangements. These include:
• Updated combined GDPR and DP e-learning training programme completion rates will be monitored and reported to CMT via HIAG.
• Rollout of ICT and Data Protection training as part of the migration to Microsoft.
• Regular DP spot checks have been postponed due to the majority of staff working remotely and the reprioritising of resource in response to the impacts of Covid-19.
• Alternative ways of working during the pandemic; and
• HIAG to review and monitor the work programme for the implementation of GDPR and to provide a summary to CMT on a regular basis.
2. Continue to promptly report Data Protection incidents and take appropriate management action.
3. Continuation of record of processing activity.
4. Finalise implementation of Internal Audit recommendations.</td>
</tr>
</table>

DETAILED CORPORATE RISK REGISTER

Item 3

<table>
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<tr><th>Actions Taken to Date</th><th>Further Action Required</th></tr>
<tr>
<td rowspan="7">10</td>
<td rowspan="7"><u>Risk:</u>

Cyber Security - The risk to the Council’s ICT systems due to ransomware, malware, viruses and a continually adapting external cyber-threat environment.

<u>Cause:</u>

This risk arises from the continual threat and attacks by cyber criminals, gangs, hackers, etc. along with staff not adhering to good email and data protection practices.

<u>Consequence:</u>

1. Potential reputational, operational, and financial damage to the Council if attacks to our network are successful.

2. Negative impact on staff and resident service users if an attack is successful and the Council’s ICT systems are adversely affected for a significant time-period.</td>
<td>Officer Lead</td><td>Cabinet Lead</td>
<td rowspan="7">1. To manage the risk we:
• Ensure ICT health checks are performed on a regular basis and are Public Services Network (PSN) compliant;
• Carry out testing on our security;
• Ensure ICT security protection systems and anti-virus measures are in place to protect and to meet new threats;
• Communications to staff and Members to ensure awareness of virus threats; and
• Monitor all email and internet traffic.
2. Cyber policies and procedures updated.
3. Team members attend regular Local Information Security for London meetings.
4. Email filtering has been moved to Microsoft 365 advanced threat protection.
5. Remaining networked data is being moved to Microsoft 365, improving protection, patching, monitoring and rationalise application versions.
6. User devices are now connecting through new security channels.
7. Regular round table cyber incident exercises are carried out by the IT team.
8. Further Anti-Phishing rules have been added to protect high risk accounts.
9. ICT Security and Cyber Incidents SharePoint sites setup to track incidents, reporting, configuration, and advice.
10. Web proxies for restricting web access replacement programme commenced.</td>
<td rowspan="7">The Cabinet Lead has changed from “Cllr. J. Bianco” to “Cllr. D Mills”.

1. This is the current "general" risk, though risk of such attacks can vary from day to day depending upon the global cyber-attack environment. We remain vigilant.

2. Internal Audit Assurance review to be undertaken on ICT Information Security

3. A communications plan is in process with the communications team to include further updates to staff directly, including in the Managers monthly roundup and Team Hillingdon.

4. The Active security software will continue to be regularly updated.</td>
</tr>
<tr><td>Perry Scott</td><td>Cllr. D. Mills</td></tr>
<tr><td>Risk Rating</td><td>Direction of Travel</td></tr>
<tr><td>D1</td><td>Static</td></tr>
<tr><td colspan="2">Risk Appetite Statement</td></tr>
<tr><td colspan="2">The Council is committed to protecting all of its ICT assets. Any identified breaches of compliance will be actioned promptly and proportionately. The Council has a zero-tolerance risk appetite towards deliberate or accidental violations of the DPA regulatory requirements.</td></tr>
<tr></tr>
</table>

DETAILED CORPORATE RISK REGISTER

<table>
<tr><th rowspan="2">Risk No.</th><th rowspan="2" colspan="3">Risk Description (including Cause & Consequence)</th><th colspan="2">Risk Mitigation</th></tr>
<tr><th>Actions Taken to Date</th><th>Further Action Required</th></tr>
<tr>
<td rowspan="7">11</td>
<td rowspan="7"><u>Risk:</u>

Brexit - Unknown financial and economic pressures impacting the Council and service demand.

<u>Cause:</u>

This risk arises from the UK's exit from the European Union on the 31st January 2020. Exit terms and economic arrangements have been agreed with consequences for future policy are currently being finalised.

<u>Consequence:</u>

1. Impact on foreign nationals' right to remain (and work) in the UK affecting staffing levels.

2. Risk of not meeting demands of our vulnerable services users.

3. Reputational damage when trying to balance need to provide stat services vs. delivery within a finite budget.

4. Possible consequences on business growth could affect our rateable growth going forward.

5. Inability of suppliers to continue levels of service delivery.</td>
<th>Officer Lead</th><th>Cabinet Lead</th>
<td rowspan="7">1. Ongoing monitoring and trend analysis of demand pressures.

2. Formal arrangements with Met Police & community groups to monitor tensions.

3. The Brexit Risk Matrix and Action Plan was populated to map out the risks and potential impacts of Brexit on LBH.

4. Undertook a range of activities to raise awareness and signpost residents and businesses in line with guidance, utilising the 'Get Ready for Brexit' campaign and programme of social media posts.

5. Promotion of the EU Settlement Scheme (EUSS) to residents at community events and via Hillingdon People and Social media.

6. Review and analysis of LBH EUSS application statistics.

7. Working with the Roads and Transport Policing Command who are leading on any possible traffic implications.

8. Recruitment of Environmental Health Officers underway at Heathrow to support processing of commercial consignments.

9. Procurement processes, guidance, notices, and information updated in accordance with Government guidance.

10. Submitted bid for funding from Department for Environment, Food, and Rural Affairs (DEFRA) for additional resource regarding demand for the processing of animal consignments.</td>
<td rowspan="7">The risk rating has changed from ‘C3’ to ‘D3’ as the deadline for applications to be made to the EUSS was 30 June 2021.

1. Remain abreast of developments to ensure a swift and robust response.

2. Continuation of tracking developments, with close working between Finance, Partnerships and Planning teams.

3. Complete data and information requests from Government as and when required.

4. Ongoing consideration of the impacts of Covid-19 on Brexit.

5. Ongoing dialogue and monitoring with local charity groups and Citizens Advice Bureau identify community tensions and how the Council can further assist residents.

6. Representatives from Legal Services to attend training for local authorities from the Law Centres Network on EU citizen eligibility changes.

7. EU Transition talks with DEFRA, committed to funding shortfall in resources for rest of fiscal year, submitted a funding bid to DEFRA £1.3m.</td>
</tr>
<tr><td>Fran Beasley</td><td>Cllr. I. Edwards (Leader)</td></tr>
<tr><th>Risk Rating</th><th>Direction of Travel</th></tr>
<tr><td>D3</td><td>Improving</td></tr>
<tr><th colspan="2">Risk Appetite Statement</th></tr>
<tr><td colspan="2">The Council is committed to being fully compliant with UK and EU legislation and regulations. This is a significant financial and economical risk which the Council has to manage in order to provide services to our residents. We constantly challenge all areas across the Council to find efficiencies and transformative solutions.</td></tr>
<tr><td colspan="2"></td></tr>
</table>

<table>
<tr><th rowspan="2">Risk No.</th><th colspan="3" rowspan="2">Risk Description (including Cause & Consequence)</th><th colspan="2">Risk Mitigation</th></tr>
<tr><th>Actions Taken to Date</th><th>Further Action Required</th></tr>
<tr><td rowspan="6">12</td><td rowspan="6"><u>Risk:</u>
Dedicated Schools Grant (DSG) - The pressure on the Dedicated Schools Budget which has a cumulative deficit of £25.4m at the end of 2020/21 and budgeted in-year budget gap of £7.3m gap for 2021/22.
<u>Cause:</u>
The implementation of the Children & Families Act 2014 has expanded the number eligible for support and in turn the proportion of the DSG required to fund Special Educational Needs and Disabilities (SEND) within the High Needs Block. Alongside this there is an ongoing increase in the SEN population with complex learning needs.
<u>Consequence:</u>
1. DfE requirement to produce a Deficit Recovery Plan to balance the DSG within 5 years as deficit balance is in excess of 1% of the overall budget.
2. Risk of having to meet deficit from Council's general reserves and the resulting impact on wider financial resilience of the Council.
3. Increased risk of reputational damage and challenge when trying to balance the statutory requirement to provide these services within an unsustainable funding envelope.
4. Increased demand in the High Needs Block on other elements of the DSG.</td><td>Officer Lead</td><td>Cabinet Lead</td><td rowspan="6">1. Special Education Needs (SEN) is subject to a BID review. Number of work streams are being implemented which will produce savings over the next five financial years:
• High cost placement review;
• Education Health and Care Plan (EHCP) funding formula for Further Education;
• Review of SEND Staffing Structure; and
• Review of provision in Early Years setting.
2. Ongoing lobbying of government e.g. recent work by the Society of London Treasurers and London Councils.
3. Schools Forum subgroup formed to coordinate and review what schools can contribute to assist with the Deficit Recovery Plan, while being consulted on any emerging proposals.
4. Review and modelling of pupil population undertaken.
5. Month 3 position shows an overspend of £5.3m on the already budgeted deficit and an accumulated deficit of £38m at the year end.
6. A deficit recovery plan was submitted to the DfE in April 2021.
7. Formal 'Safety Valve' negotiations with DfE are set up for the end of September where deficit recovery plan and funding will be discussed.</td><td rowspan="6">1. Continue to lobby government to resolve the underlying funding issue that primarily relates to new burdens arising from the 2014 Act.1. Continue to lobby government to resolve the underlying funding issue that primarily relates to the new burdens emerging from the 2014 Act.
2. Work is ongoing to develop savings options alongside the Business Improvement Delivery work that has commenced within the MTFF process.
3. Work to scope possibilities of an alternative funding regime and band funding rate for further education college placements with local provider.
4. Contribute to the formulation of the High Needs Efficiency Plan with specific emphasis into local provision ensuring effective and efficient use of available capital resources.
5. Tracking of Deficit Recovery Plan recommendations and actions.
6. Further detail to be provided to DfE as part of the 'Safety Valve' negotiations including more detailed project recovery plan and resourcing and the associated governance arrangements.</td></tr>
<tr><td>Paul Whaymand</td><td>Cllr. M. Goddard</td></tr>
<tr><td>Risk Rating</td><td>Direction of Travel</td></tr>
<tr><td>E1</td><td>Static</td></tr>
<tr><td colspan="2">Risk Appetite Statement</td></tr>
<tr><td colspan="2">This is a significant financial risk which the Council has to manage within the confines of our statutory duties and budget responsibilities. The Council is committed to ensure the Dedicated Schools Budget is balanced whilst ensuring the SEN population have access to services. We continue to scope possibilities of an alternative funding regime and utilising local provision.</td></tr>
</table>

Risk No.	Risk Description (including Cause & Consequence)			Risk Mitigation: Actions Taken to Date	Risk Mitigation: Further Action Required
13	**Risk:** ***Coronavirus*** - The risk to human health for residents and workers in the borough, financial and economic impacts, central government's lockdown, social distancing, and easement measures impacting residents, businesses, and the Council (service delivery and demands). **Cause:** The constantly developing progress of the Coronavirus pandemic in the UK presents LBH with a unique array of issues to address and respond to within tight timeframes. **Consequence:** The constantly developing progress of the Coronavirus pandemic in the UK presents LBH with a unique array of issues to address and respond to within tight timeframes.	Officer Lead: Fran Beasley Risk Rating: **A1**	Cabinet Lead: Cllr. I. Edwards (Leader) Direction of Travel: **Static**	1. Working within central government, Public Health England (PHE), London and sub-regional resilience arrangements. 2. Coronavirus Gold Group co-ordinate activity. 3. Activated Corporate Emergency Response Plan and Business Continuity Plans to ensure delivery of critical services. 4. Monitoring and reporting of key impacts, demand, resource and emerging risk areas to government and London Resilience. 5. Accommodated rough sleepers / homeless residents in the Borough. 6. Published the LBH Local Outbreak Plan. 7. Processed and issued 35 financial grants, Council Tax & Business Rates adjustments with varying criteria. Finance undertook a detailed review in 2020/21 Q4. 8. Community Champions Initiative established. 9. Data Sharing Protocols are in place, enabling access to data with the NHS. 10. Managed the vaccinations in line with Joint Committee on Vaccination and Immunisation priorities and operated testing facilities in collaboration with NWL NHS. 11. Undertook surge testing in response to the identification of a variant of concern. 12. Readiness activities were undertaken in preparation of the lockdown easements to enable LBH to adapt our local response and demand pressures accordingly.	1. Continued communication to staff through the All-Staff Email and Intranet to provide regular updates. 2. Continued work in partnership with PHE and Central Government and ongoing participation at Health Protection Board with partner agencies. 3. Weekly conference calls with Local Authority CEOs are ongoing. 4. Ongoing monitoring of vaccine take up. 5. Continued monitoring of impacts and community tensions, meetings with communities and utilisation of the Community Champions Initiative fund. 6. Development of targeted communication place in relation to vaccination hesitancy. 7. Continue to keep under review the 15 managed quarantine facilities in the Borough. 8. Continue to respond to any variants of concern. 9. Continued review of demand pressures and baseline post lockdown. 10. Facilitate a task force visit for the Cabinet Office in August 2021 (as at 30/6/21).
		Risk Appetite Statement: The Council is undertaking all possible measures to limit the impact of a Coronavirus outbreak within the borough. In doing so, the Council is ensuring that the required support will be in place for vulnerable residents and businesses (in line with Government guidance).			

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APPENDIX A - RISK SCORING METHODOLOGY

Attributes:

				Risk rating	Risk rating	Risk rating	Risk rating
Greater than 90%	This week	LIKELIHOOD	**Very High (A)**	A4	A3	A2	A1
70% to 90%	Next week / this month		**High (B)**	B4	B3	B2	B1
50% to 70%	This year		**Significant (C)**	C4	C3	C2	C1
30% to 50%	Next year		**Medium (D)**	D4	D3	D2	D1
10% to 30%	Next year to five years		**Low (E)**	E4	E3	E2	E1
Less than 10%	Next ten years		**Very Low (F)**	F4	F3	F2	F1
				Small (4)	**Medium (3)**	**Large (2)**	**Very Large (1)**

THREATS:

Attributes:	**IMPACT**			
Financial	up to £250K	£250k - £1million	£1million - £5million	Over £5million
Service Provision	Slightly reduced	Service suspended short term/ reduced	Service suspended long term/ statutory duties not delivered	
Health & Safety	Sticking plaster/ first aider	Broken bones/ Illness	Loss of life/ major illness	Major loss of life/ large scale major illness
Objectives	Objectives of several teams not met	Group objectives not met	Corporate objectives not met	
Morale	Negative attitude	Some hostility/ minor non co-operation	Industrial action	Mass staff leaving/ unable to attract staff
Reputation	No media attention/ minor letters	Adverse local media	Adverse national publicity	Remembered for years
Government Relations		Poor assessment(s)	Service taken over temporarily	Service taken over permanently

OPPORTUNITIES:

Attributes:	**Minor (4)**	**Moderate (3)**	**Major (2)**	**Outstanding (1)**
Financial	Some financial gain	High financial gain	Major financial gain	Huge financial gain

Reputation	Minor improvements to image	Some enhancement to reputation	Enhanced reputation	Significantly enhanced reputation

AUDIT COMMITTEE FORWARD PROGRAMME 2021/22

Committee name	Audit Committee
Officer reporting	Anisha Teji , Democratic Services
Papers with report	None
Ward	All

HEADLINES

This report is to enable the Audit Committee to review planned meeting dates and the forward programme.

RECOMMENDATIONS

That the Audit Committee:

1. **Confirms the dates for Audit Committee meetings; and**
2. **Makes suggestions for future agenda items, working practices and / or reviews.**

SUPPORTING INFORMATION

The meeting on 29 September 2021 will start at 17:10.

Meetings	Room
09 November 2021	**CR6**
01 February 2022	**CR6**
28 April 2022	**CR3**

Meeting Date	Item	Lead Officer
09 November 2021	**Private meeting with Corporate Director of Finance to take place before the meeting	
	EY 2020/21 Auditor's Annual Report (to include VFM commentary) and Completion Certificate	Corporate Director of Finance /Ernst & Young
	Internal Audit Progress Report Quarter 2 2021/22 (incl. the Quarter 3 2021/22 Internal Audit Plan)	Head of Internal Audit and Risk Assurance
	Internal Audit Strategy	Head of Internal Audit and Risk Assurance
	Counter Fraud Progress Report Quarter 2 2021/22	Head of Counter Fraud
	Deputy Director of Exchequer Services & Business Assurance	Internal Audit Strategy
	Forward Programme	Democratic Services

Meeting Date	Item	Lead Officer
01 February 2022	**Private meeting with Deputy Director of Exchequer Services & Business Assurance to take place before the meeting	
	EY 2020/21 Grant Certification	
	Internal Audit Progress Report Quarter 3 2021/22 (incl. the Quarter 4 2021/22 Internal Audit Plan)	Head of Internal Audit and Risk Assurance
	Counter Fraud Strategy 2022 – 25	Head of Counter Fraud
	Counter Fraud Progress Report Quarter 3 2021/22	Deputy Director of Exchequer Services & Business Assurance
	2021/22 Q2 Corporate Risk Register -	Deputy Director of Exchequer Services & Business Assurance
	Forward Programme	Democratic Services

Meeting Date	Item	Lead Officer
28 April 2022	**Private meeting with Ernst & Young to take place before the meeting	
	2021/22 External Audit Plan.	Corporate Director of Finance / Ernst & Young
	Internal Audit Progress Report Quarter 4 2021/22 (incl. the Quarter 1 2022/23 Internal Audit Plan)	Head of Internal Audit and Risk Assurance
	Internal Audit Annual 2022/23 Plan	Head of Internal Audit and Risk Assurance
	Counter Fraud Progress Report Quarter 4 2021/22	Deputy Director of Exchequer Services & Business Assurance
	Counter Fraud Annual 2022/23 Plan	Deputy Director of Exchequer Services & Business Assurance
	2021/22 Q3 Corporate Risk Register Part II	Deputy Director of Exchequer Services & Business Assurance
	Forward Programme	Democratic Services

Meeting Date	Item	Lead Officer
July 2022 – TBC	**Private meeting with Corporate Director of Finance to take place before the meeting	
	Internal Audit Annual 2021/22 Report	Head of Internal Audit and Risk Assurance
	Counter Fraud Annual 2021/22 Report	Deputy Director of Exchequer Services & Business Assurance
	Counter Fraud Progress Report Quarter 4 2021/22	Deputy Director of Exchequer Services & Business Assurance
	2021/22 Q4 Corporate Risk Register - Part II	Deputy Director of Exchequer Services & Business Assurance

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