

London Borough of Waltham Forest

**DRAFT**  
**STATEMENT of**  
**ACCOUNTS 2021/22**



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## Preface from the Leader of the Council

Over the last year we have seen the combined pressures of COVID-19 and the growing cost of living hit our borough hard.

As local government funding falls, demand for services has continued to rise – from requests for parenting support, to help for survivors of domestic abuse, to those looking to access mental health services.

Many more elderly people have needed support to stay in their homes, so we also saw the pandemic push demand for adult social care higher than ever before.

Against that backdrop, the Council has been doing everything it can to support residents during this challenging period.

From administering 200,000 vaccines and 91,000 covid tests in our buildings, to providing tens of thousands of food and medical supplies including 120,000 free masks, to supporting our business community with administering government loans and grants, we have had to set up and deliver a range of completely new services at pace.

We invested an additional £5.5 million to provide extra support for families impacted by the pandemic, and a further £1 million into children's services to protect vulnerable young people.

Through an innovative partnership with Citizen's Advice Waltham Forest, we were able to distribute £200,000 in the first three months of 2022 to those most impacted by the cost of living crisis, which residents received as vouchers or direct payments for food, essentials, and energy bills.

We worked shoulder to shoulder with voluntary and community sector partners to deliver over £850,000 of free school meals in school holidays.

We did all of this alongside keeping open the everyday services that residents rely on – such as bin collections, care homes, libraries, or support for the homeless. The smooth and effective delivery of these services is central to the daily lives and wellbeing of residents.

Despite the pressures created by the additional demand for services, we have also kept momentum going on major programmes that will transform the lives of residents for years to come.

Work to build over 1,000 new social housing homes continued during the pandemic and we helped over 9,000 existing social housing properties gain access to full fibre broadband.

Our pioneering jobs programme found new roles for 500 residents in growing sectors that will give lasting and fulfilling careers.

Following major renovation, we reopened Fellowship Square to the whole community and expect over 50,000 people will enjoy our free events there this summer, continuing our legacy as the first London Borough of Culture.

We also continued our campaign to secure government funding for the essential redevelopment of Whipps Cross Hospital, delivering our WhippsWontWait petition signed by over 11,000 residents to HM Treasury.

And our innovative project to retrofit an energy inefficient property in Waltham Forest has been widely recognised for its potential to be replicated across the UK to help address our shared climate emergency.

These are some of the extraordinary things we have been able to deliver through our track record of prudent financial planning and with the help of additional COVID-19 related funding. We have demonstrated a successful strategy around maximising the assets of the council – including Fellowship Square – and we continue to have a robust medium-term financial understanding that directs our decision making.

But as we emerge from the pandemic, there is clear evidence that service demand will not return to the old 'normal' after COVID-19. And with inflation growing to a record high, so too are our costs, putting the future of our vital and transformative services at risk.

Which is why, in 2022/23 we must continue to build on our excellent record of financial management by further strengthening and diversifying our income sources. This reflects our duty as a responsible local authority to ensure we have the resources to deliver what residents and communities need now and in the future. It is going to be an exciting year and I look forward to seeing what more we achieve together in the months ahead.



**Cllr Grace Williams**  
**Leader of Waltham Forest Council**

**SECTION – 1**

**REVIEW AND STATUTORY CERTIFICATIONS**

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## Narrative Report

### Introduction from the Strategic Director of Finance and Governance

I am pleased to introduce the Council's Statement of Accounts for the year ended 31 March 2022, like all local authority accounts they have been prepared in accordance with International Financial Reporting Standards (IFRS) and follow the format and layout prescribed in CIPFA's 2021/22 Code of Accounting Practice for Local Authorities ("the Code"). The Statement of Accounts has once again been produced promptly and to a very high standard and I would like to thank all of the Finance staff across the Council for their hard work and commitment throughout the course of the year.

### Welcome to Waltham Forest!

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

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

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



## Some Key Facts about the Area

### Population

- The Greater London Authority (GLA) 2021 round of population projections estimate that the Waltham Forest population will increase from 276,350 residents in 2021 to a total of 287,800 by 2026, an increase of 11,450 (4.1%). The fastest growing group is projected to be those aged 18-21 (13.5%) and 65+ (15.5%). By 2050, there is expected to be 321,930 people living in Waltham Forest, an increase of 45,580 persons (16.5%)<sup>[1]</sup>
- The net domestic migration, however, continues to be negative, with increasingly more people born in the UK moving out of the borough than moving in<sup>[2]</sup>. Current demographic projections forecast a further 5.7% population growth for Waltham Forest by 2022 (by over 15,000 people), which would make Waltham Forest the ninth fastest growing borough in London<sup>[3]</sup>.
- Waltham Forest has a younger than average population with 28% of residents being aged 0 to 21 compared to 27% in London and 26% nationally. Like London, Waltham Forest also has a high proportion of working-age adults aged 16 to 64 (66.9% compared to 67.2% in London and 62.3% nationally). There are proportionately fewer people aged over 65 living in Waltham Forest (11%) compared to London (12.2%) and the UK average (18.5%)<sup>[4]</sup>.
- Waltham Forest is one of the most ethnically diverse areas in London. More than half (53%) of residents are from a minority ethnic background (other than White British/Irish) compared to 42% in London as a whole according to 2020 figures. The largest ethnic group is White British/Irish (32%), followed by White Other (20%), Pakistani (11.5%) and Black African (7.8%)<sup>[5]</sup>.
- The White Other group that includes arrivals from EU accession countries has more than doubled in recent history from 6% to 15%. The percentage of residents from an Asian background has also increased from 15% to 21% as has the number of Black/Black British residents from 15% to 17%<sup>[6]</sup>.
- Waltham Forest is the 12th most deprived borough in London and was ranked 82nd out of the 317 local authorities in England in 2019 for deprivation, improving since 2015 from 7th and 35th most deprived respectively<sup>[7]</sup>
- Almost half (45%) of children in Waltham Forest are estimated to be living in poverty as of 2020<sup>[8]</sup>, above the London (38%) and the UK (31%) average<sup>[9]</sup>.

### Economy and Employment

- Waltham Forest residents currently have a median household income of £35,000. This places Waltham Forest 21 out of 33 London boroughs in terms of income. Despite this, residents have a higher income than both the United Kingdom (£33,120) and Great Britain (£33,280). Compared to 2014, household income in Waltham Forest has grown by £4,000 (12.7%)<sup>[10]</sup>.
- There is a relatively large range of incomes across Waltham Forest wards. Typically, those in the north of the borough earn more than those located in the south. Leyton residents have the lowest median household income of £27,790, whilst Endlebury has £43,210 - a difference of £15,420<sup>[11]</sup>.

<sup>[1]</sup> [Waltham Forest Statistics about the borough](#)

<sup>[2]</sup> Office for National Statistics

<sup>[3]</sup> GLA 2017-based population projections (central trend scenario)

<sup>[4]</sup> [Waltham Forest Statistics about the borough](#)

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

<sup>[6]</sup> [Waltham Forest Statistics about the borough](#)

<sup>[8]</sup> [Trust for London](#)

<sup>[9]</sup> [Action for Children](#)

<sup>[10]</sup> [Waltham Forest Statistics about the borough](#)

<sup>[11]</sup> *ibid*

<sup>[7]</sup> DCLG indices of deprivation 2019

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

## Some Key Facts about the Area (continued)

- According to the ONS's Annual Population Survey, the employment rate for the working-age population aged 16-64 in the 12 months to March 2020 was 73%, close to the London average of 69.6%. With over 156,200 residents in employment this is amongst the highest since the records began. Proportionally, Waltham Forest has the 7th highest employment rate in London<sup>[12]</sup>
- The Claimant Count is the stock of Universal Credit and Job Seekers Allowance claimants. Prior to Covid19, Waltham Forest had relatively low levels of universal credit claimants, just slightly above the London average (0.4% difference). Since lockdown began on March 23rd 2020, the amount of claimants has steadily risen to 9.8% (18,195 persons) which is 1.8% higher than the London average (8%, 480,945 people)<sup>[13]</sup>
- Although a relatively modest-sized economy, Waltham Forest has had strong business and employment growth in recent years, in line with national and regional trends<sup>[14]</sup>. Waltham Forest had a total of 12,135 business enterprises registered with HMRC for Value Added Tax and/or Pay As You Earn as of March 2021<sup>[15]</sup>. The number of businesses increased by 280 (2.4%) between 2020 and 2021, above the London growth rate.
- 94.2% of enterprises in Waltham Forest are micro businesses employing fewer than 10 people<sup>[16]</sup>.

## Housing

- Properties in Waltham Forest had an overall average price of £530,449 over the last year. Overall, sold prices in Waltham Forest over the last year were 4% up on the previous year and 14% up on the 2019 peak of £464,443<sup>[17]</sup>.
- There are around 100,000 homes in Waltham Forest and 60% are owner-occupied, almost 1/5th of households are rented from the Council or a housing association. To support rapid population growth, 20,788 homes are expected to be built over the next decade.<sup>[18]</sup>
- On average, residents could expect to pay an estimated 14 times their annual earnings on purchasing a home in Waltham Forest. The ratio of average house prices to average earnings more than doubled from 5.69 to 13.61 between 2002 and 2018<sup>[19]</sup>.
- According to the Annual Population Survey, home ownership levels have been steadily increasing over the past decade. 38.4% (~38,600) of households have bought through a mortgage (higher than the London average of 28.3%), with 23% (~23,200) being owned outright (in-line with London at 24.4%).<sup>[20]</sup>

<sup>[12]</sup> ONS: office for National Statistics

<sup>[13]</sup> Waltham Forest Statistics about the borough <https://www.walthamforest.gov.uk/content/statistics-about-borough>

<sup>[14]</sup> ONS:UK business; activity, size and location

<sup>[15]</sup> ibid

<sup>[16]</sup> Waltham Forest Statistics about the borough <https://www.walthamforest.gov.uk/content/statistics-about-borough>

<sup>[17]</sup> Rightmove: [House Prices in Waltham Forest](#)

<sup>[18]</sup> ibid

<sup>[19]</sup> Waltham Forest Statistics about the borough

<sup>[20]</sup> ibid

## Some key facts about the Council

Waltham Forest Council has 60 elected members and is divided into 20 wards. The council operates a cabinet-style administration and Cabinet members meet monthly and make most administrative and political decisions. When required, decisions are taken to Full Council for approval or delegated to specialist, politically balanced Council committees.

## Did you know.....

### The Council is responsible for:

- 44 nurseries, schools and pupil referral units
- 6 swimming pools, gyms and leisure centres
- 79 parks, gardens, and open spaces
- Over 10,000 units of social housing
- Emptying bins for 107,000 households each week

### It also:

- collects £194.8m Council Tax and Business Rates each year
- administers £108m housing benefit
- provides social care to 30,000 adults
- maintaining 405km of roads, paths and verges
- Collected 95,944 tonnes of refuse and 30,994 tonnes of recycling and organic waste in last year.

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## Our key achievements 2021/22

During the last 12 months we have been able to take big, important steps towards recovering from the Covid-19 pandemic. After almost two years of lockdowns and almost 8,000 residents shielding, 2021 became the year we managed to vaccinate a majority of people and finally be able to gather and celebrate in our communities.

Public service has been at the heart of Waltham Forest's response to the pandemic and recovery, both in how residents helped each other and how the council has faced the challenges. In our steps towards recovery, we have engaged and worked closely with residents to shape the future of our service delivery. With the Public Service Strategy as a foundation, the Council started its work towards a strategic reset and the Fair Deal programme. Since the start we have continued to respond to the COVID-19 pandemic whilst also working to tackle a broader range of challenges. The Council has continued to work with residents, community groups and partner organisations to establish creative and innovative ways to respond to challenges and to support the most vulnerable people in our borough. Our ambition has been to make a positive contribution in our communities whilst intervening directly where we can make the biggest impact.

In Summer 2021, Waltham Forest Council began to deliver a £5.5m package of support for our most vulnerable residents. This Reset programme builds upon the Public Service Strategy and was delivered alongside the Council's ongoing response to the pandemic.

The scope of the Reset programme has broadened in the last six months, developing into the expanded 'Fair Deal'. This includes interventions to combat the stark impacts of the pandemic, to account for emerging issues, particularly the developing cost-of-living crisis, and to address entrenched discrimination and disadvantage through a greater focus on Equalities, Diversity and Inclusion.

Below is listed some of the major challenges we have taken upon us to tackle and what progress was made throughout the year. Finding solutions to these challenges will shape our work going into the new financial year.

Our Public Service Strategy has kept playing a key role and our achievements this year can be measured against our 4 priorities as set out within the Public Service Strategy:

Immediate priority:	Achievements in the last 12 months:
<p><b>Connecting people with jobs</b></p> <p><i>Principles:</i></p> <ol style="list-style-type: none"> <li>1. Creating a local jobs economy</li> <li>2. A single front door for jobs</li> <li>3. Opportunities for our children and young people</li> <li>4. Community support for jobs</li> <li>5. Waltham Forest as the green jobs borough</li> </ol>	<p><b>Business Recovery:</b> In March 2021 Cabinet approved the principles of a Business Recovery Plan that set out how we would support businesses to reopen safely, recover and build back better for the future. Since then, the team have:</p> <ul style="list-style-type: none"> <li>•Delivered over £10.5 million of COVID Business Support Grants to 1,362 businesses across the borough.</li> <li>•Delivered a wide range of information advice and guidance including 110 Newsletters to 11,000 businesses</li> <li>•Supported businesses to reopen safely providing reassurance from services from across the Council and deployed the High Street Welcome Back Fund</li> <li>•Developed the award winning Choose Local campaign showcased across the borough to encourage and promote the power of local spend</li> <li>•Delivered a number of bespoke business support programmes including Forge, Fashion District, Outset, Save the High street and more recently our Elevate to grow programme which will support 200 businesses</li> <li>•Saw accreditation of the boroughs first Creative Enterprise Zone in Blackhorse Road by the GLA in July 2021</li> </ul> <p><b>Jobs Recovery:</b> In September 2021 Cabinet approved our dynamic Jobs Recovery Programme to help give residents personalised support, develop clear job pathways, provide funded training and create good quality jobs in the Borough. It especially focuses on those who are experiencing structural inequalities. It has for example been supporting care leavers, youth offending service users, ex-offenders, and people on low incomes into work.</p> <p>In 2021/22 we have placed 289 residents into vacancies, 112 into apprenticeships, 125 into kickstarts and we are continuing to work closely with employers and training providers to address key skills gaps and creating new job academies to help develop more opportunities in construction, hospitality and cultural industries.</p> <p>The team has adopted an innovative Academy approach to respond to the labour market crisis and quickly established our HGV jobs academy pilot, providing a local solution to a national issue and helping residents and businesses in Waltham Forest. So far, we have placed 26 residents in training and employment with a further 108 candidates on programme for future cohorts. A similar approach is now being developed for hospitality and security roles.</p>

## Our key achievements 2021/22 (continued)

Immediate priority:	Achievements in the last 12 months:
<p><b>Connecting people with jobs (continued)</b></p>	<p><b>Adult Learning Service:</b> Over the last 5 years the service has supported approximately 4,000 residents each year who make about 5,000 enrolments on over 800 courses. Most of these are from pre-entry level to level 1. We help those in greatest need and reach a diverse range of people from all walks of life: 75% of learners are women, 67% are from minority communities and 23% have a disability or learning difficulty. The service is rated good by Ofsted.</p> <p>We have a fantastic community learning offer that brings residents together including classes in arts and crafts and creative skills. These have been used for social prescribing which the council has won a national award for through the Festival of Learning. The service made a significant contribution to covid recovery ensuring that learning remained unbroken throughout the pandemic through using a range of learning technologies that allowed classes to continue.</p> <p><b>Apprenticeships offer:</b> We are supporting an additional 142 council employees this year to continue their personal development via apprenticeships, along with 19 school employees. We have created our own inhouse data academy with 50 employees completing data apprenticeships from level 3 data technician to level 6 data scientist to develop new skills and knowledge to support residents while future proofing our employees' skills base. By utilizing the apprenticeship levy to fund these apprenticeship we are expecting to increase our annual apprenticeship spend from £671,524 this year to £1.3 million next year.</p>
<p><b>Safe and healthy lives</b></p> <p><i>Priority:</i></p> <ol style="list-style-type: none"> <li>1. Protecting people from Covid-19 and placing them at the centre of decision making</li> <li>2. New ways to work together</li> <li>3. Safe neighbourhoods and town centres</li> <li>4. Improving mental health support</li> <li>5. Homelessness and quality housing</li> </ol>	<p><b>COVID-19 vaccinations:</b> We have delivered 185,000 1st dose vaccinations in Waltham Forest since the first vaccinations in December 2020 – this is equivalent to around 2/3rds of the 12+ population of the borough receiving at least one dose of a Covid vaccination. Whilst the majority of these have been delivered through our mass vaccination centres at Walthamstow Library and Chingford Leisure Centre, over 6000 of these have been delivered at smaller community clinics held in faith settings, schools, community centres and other small venues – including from our vaccine bus - across the borough.</p> <p><b>COVID-19 resilience:</b> Over 97,000 supervised tests have been carried out since our test sites opened in December 2020 through to 31st March 2022 when they closed. Over 530,000 home test kits have been distributed to residents in the last 12 months through over 50 community collect locations and through our stay safe champions community engagements.</p> <p>Following the success of the check in team calling residents who were shielding during 20/21, the team of volunteers and staff have made 41,000 calls between 29th June 2021 to 24th February 2022. The team also provided support and signposting for residents who were self -isolating with, for example, access to food and medication, debt and finance advice and transporting children to school when parents have a legal duty to isolate.</p> <p><b>Violence against Women and Girls (VAWG) project:</b> : In the last 12 months approximately 4800 incidences of domestic abuse and 600 rape &amp; sexual assault offences were recorded by police and we know these police recorded incidences are just the tip of the iceberg. Our community-based services for survivors supported approximately 2400 survivors with advocacy, therapeutic support and safe accommodation. We responded to the impact of Covid 19 by opening a daily drop-in service, mobilising an economic abuse support service and increasing the capacity of therapeutic services for survivors.</p> <p>We launched an innovative programme of work partnering with community settings to provide more accessible support for people affected by gender-based violence. We are training staff in a range of businesses and settings including libraries, gyms, cafes and family centres to create safe disclosure spaces for survivors who want to access support.</p> <p>In summer 2021 we conducted a survey of local women and found that 89% experienced street based sexual harassment in our borough which is why we launched the Waltham Forrest Safe Streets App, to provide residents with a quick and easy way to report street harassment to the police and/or council and access specialist support.</p>

## Our key achievements 2021/22 (continued)

Immediate priority:	Achievements in the last 12 months:
Safe and healthy lives (continued)	<p>'Stand by Her' is a program that addresses misogyny in the earliest stages and empowers men to become allies to women. Over 50 men attended the training in 2021.</p> <p><b>No Space for Hate:</b> Our No Space for Hate programme highlights the positive role we can all play in stopping hate and making Waltham Forest an equally welcome and safe place for everyone. In partnership with Community Inc, we have supported 76 residents to become Bystander ambassadors. In February we launched the Stop Hate UK helpline available 24/7 to our residents.</p> <p>We have worked with community groups and organisations such as Leyton Orient and schools and colleges to spread the 'No space for Hate' message and 573 residents have now signed our 'No space for Hate' pledge. Corporations such as Tesco, Boots and Travelodge are a few of the businesses that have agreed to work with us in order to tackle Hate. In addition, we have implemented a number of safe spaces within the borough to promote community solidarity, as well as offer spaces for those that are victims of hate crime; have witnessed an incident or have faced hate related abuse or intimidation.</p> <p><b>Violence Reduction Partnership:</b> The VRP continues to build and respond to emerging need despite covid challenges. Partners worked together to create the boroughs first summer safeguarding plan and launched the Violence Reduction Neighbourhoods strategy which enables multiagency teams to work at a hyper local level to reduce violence. We continue to support the provision of community-based services such as the Outset Centre managed by Project Zero which now have up to 200 young people through its doors each week to engage in music workshops, sport, coding, employment support, empowerment groups, health promotion and more.</p> <p>The Youth at Risk and Adolescent Support Team have supported approximately 200 young people to achieve positive outcomes including improved school attendance, behaviour change and engagement in positive activities. The team also offer training and workshops to parents and practitioners covering a range of topics including gang awareness, missing episodes and online safety. To date 735 professional partners and parent/carer groups have attended workshop sessions. The Team have also delivered school-based workshops covering topics relating to keeping safe in the community. The workshops have been provided to 1,380 primary and secondary aged children.</p> <p><b>Best Start in Life:</b> Since the launch of the strategy over 12 new initiatives, with a focus on prevention and support in the first few years of a child's life, have been launched. Helping to narrow the gap in vulnerable children's play skills, the We Play programme was developed and now has 7 settings signed up, which will reach between 70-80 families in the summer term. Food poverty is also being combated through the Recipe Club programme which is taking sign-ups, 50 families a week are soon to be receiving a free meal box. Through this strategy hearing assessments have also been brought into the Children and Family centres and shortly birth registrations will be too. Huge strides have also been made towards the development of a shared identity which will be used by all partners who deliver the council's under 5s offer. This identity and a comprehensive birth pack, which contains an information booklet, library card and gift, will be launched in the summer of 2022.</p> <p><b>Preventing homelessness and tackling rough sleeping:</b> During the year we reduced Temporary Accommodation from 1386 to 1022 as at end of February 2022 and the number of rough sleepers from 18 to 5 in the November 2021 rough sleeper count. We successfully secured grants for the following programmes – Rough Sleepers Initiative 4, Rough Sleepers Initiative 5 Bid, Rough Sleepers Accommodation Programme (allowing the council to secure an additional 33 units of accommodation for rough sleepers), and Homelessness prevention grant. We also had successful implementation of virtual interviews for residents at risk of homelessness to provide an enhanced interview service for homeless applicants.</p>

## Our key achievements 2021/22 (continued)

Immediate priority:	Achievements in the last 12 months:
	<p><b>Volunteering:</b> Since March 2020, volunteers with our Legends of the Forest programme have contributed an incredible 50,000 hours in COVID-19 volunteering roles and wider community volunteering opportunities. In March 2022, the Council published its vision for the future of volunteering in Waltham Forest's first Volunteering Strategy. The Strategy was co-designed with community groups and volunteers, and sets out our vision to make Waltham Forest the best place to volunteer in London.</p> <p>Our new Volunteering strategy builds on the incredible number of residents who signed up to volunteer through the Council's 'Legends of the Forest' programme (over 3,000 new volunteer sign ups between April 2020 – June 2020). Over the last six months, over 10,000 hours of volunteering have benefited our communities.</p> <p><b>Supporting our voluntary and community sector:</b> The Council has significantly expanded our support and funding available to local voluntary and community groups. This includes the recent award of £150,000 to 16 local groups through the Support for Vulnerable Residents Fund, as well as our new Community in Fellowship Square Fund which supports community groups to host events such as the Holi Festival in March 2022.</p> <p><b>Whipps Cross redevelopment:</b> we launched a lobbying campaign, Whipps Won't Wait, to demonstrate the strength of local resolve to secure a new hospital at Whipps Cross. More than 11,000 signatures were gathered, triggering a response form from the government.</p>
<p><b>Our 15-minute neighbourhood</b></p> <p><i>Priority:</i></p> <ol style="list-style-type: none"> <li>1. Local neighbourhood life</li> <li>2. People-friendly streets</li> <li>3. Regeneration for everyone</li> <li>4. The greenest borough</li> <li>5. Celebrating culture in challenging times</li> </ol>	<p><b>15 Minute Neighbourhoods:</b> A borough-wide survey on 15-minute neighbourhoods in November and December 2021 was completed by 1,287 residents and a promotional video has received over 1,450 views. A consultation in November 2021 to ensure residents can play a greater part in helping agree funding for projects that meet community priorities through the Neighbourhood Community Infrastructure Levy received over 500 responses. Since February 2022, the Council has been working with the Young Foundation to complete comprehensive research and engagement to enhance our understanding of the views of residents about their local areas, realise our ambitions for 15-minute neighbourhoods and deliver the Waltham Forest 15-Minute Neighbourhood Vision and Strategy.</p> <p><b>Enjoy Waltham Forest programme:</b> Since beginning in 2014, the cycling focused Mini-Holland scheme has transformed into the more holistic Enjoy Waltham Forest programme. The scheme has created safer streets for walking and cycling and encouraged cycle journeys in the borough to more than double.</p>

## Our key achievements 2021/22 (continued)

Immediate priority:	Achievements in the last 12 months:
Our 15-minute neighbourhood (continued)	<p><b>The Fellowship Arts and Culture grant:</b> The grant is part of the Cultural Programme, building on the legacy of Borough of Culture to continue celebrating the dynamism and diversity of local areas. The Grant has received 40 applications so far, with proposals seeking to bring residents together and showcase the spirit of creativity that characterises Waltham Forest and the vibrancy of local areas. Further work is exploring how the Council can continue to take culture to every corner of the borough and facilitate cultural activities and events that celebrate the history and identity of local areas and communities.</p> <p><b>Climate Emergency response:</b> Following our declaration of a Climate Emergency in 2019, we have been working at pace at mitigating climate change. During 2021 we have been developing an insight lead, behaviour change strategy to help shape the Climate Emergency Action Plan. We launched a “Climate Choices” campaign, to create conversations around tough choices we will have to make to reach net zero by 2030.</p> <p><b>Carbon Literacy training</b> has been rolled out across the council with 36 senior leaders trained so far. Training provides learners with an awareness of climate change and provides tools to understand the impact of climate change in the borough and how they can make a difference in their roles.</p> <p><b>Eco Show Home:</b> Nearly half (47%) of our borough’s carbon emissions in 2019 come from housing, therefore making homes energy efficient through retrofitting is key to reducing carbon emissions. A victorian terrace in Greenleaf Road E17 was transformed into an Eco Show Home and launched tours for London Open House in September 2021 to demonstrate how period properties can reduce carbon and provide warm homes for residents. The house had a deep retrofit of energy efficiency measures, installation of solar photovoltaics and an air source heat pump, improving the efficiency rating from EPC band E to band A. There has been great interest, with 1625 people visiting the property over 20 open days and 56 private visits. In addition, council properties have been retrofitted through 47 external wall insulation measures and installing 133 cavity wall insulation measures, equating in 1628.15 tonnes of carbon reduction.</p> <p><b>Sustainable transport:</b> Throughout 2021 we continue to improve sustainable transport within the borough and have hosted 46,463 electric vehicle (EV) charging events across our public network and installed 188 EV charging points. We have introduced 8 new School Street schemes to increase the number of pupils travelling sustainably to school. 618 people participated in the Tour de Waltham Forest including 15 primary schools. This year saw 85 bike hangars installed in the borough and 2,620 people took part in cycle training through April 2021 and January 2022.</p> <p><b>Youth Climate Summit:</b> In 2021 young people took part in Waltham Forest’s first Youth Climate Summit to tie into COP26. The summit was co-created by young people and teachers from across the borough with over 7250 students from 59% schools across the borough taking part, in a mixture of virtual and in person events. The week ended with an event for secondary schools held in the Town Hall, hosted by the Leader of the Council, Cllr Grace Williams. Following on from the summit a CREST accredited Climate Leaders programme has launched for secondary school students.</p> <p><b>The Suntrap Centre:</b> The centre is helping create opportunities for children and young people to tackle the Climate Emergency. Following refurbishment, the Centre is working to become London’s first Climate Action Hub. 72% of schools in the borough have an Eco-lead and many have signed up to our eco-schools programme.</p> <p><b>EMD Cinema:</b> The redevelopment of the EMD Cinema is the Council’s flagship cultural regeneration scheme, the centrepiece of a new 15- Minute Cultural Neighbourhood in Walthamstow. On completion, it will provide a new 970 seat theatre, with additional bar/restaurant spaces and a new community space. It will generate interest and activity in the Town Centre, attracting local people and visitors to Walthamstow, and bringing jobs that will be key to supporting the economic recovery to the high street post Covid-19. Completion is forecasted for the end of 2022 and will see the venue refurbished and transformed into a live performance venue with a year-round programme of comedy, theatre and pantomime, hosted by the Council’s partner, Soho Theatre.</p> <p><b>Would you rather campaign:</b> Our innovative “Would you Rather” behaviour change campaign launched in February, with adverts placed around the borough alongside a digital campaign. The campaign is inspiring people to make lifestyle changes to reduce their carbon footprint. We continue to encourage behaviour change through the Eco Home on Greenleaf Road, showcasing a ‘menu of options’ available for retrofitting existing homes.</p> <p><b>Outstanding Outcomes for Children:</b> Social work caseloads have been sustained at manageable levels despite unprecedented demand; this has helped ‘stem the tide’ of increasing numbers of children at risk of significant harm. An in-depth and comprehensive children’s services self-evaluation contributed to a very positive ‘annual conversation’ with Ofsted. Our new approach to social work recruitment resulted in 27,836 views of our vacancies, 389 apply ‘clicks’ and 34 submitted applications for social work roles.</p>

## Our key achievements 2021/22 (continued)

Immediate priority:	Achievements in the last 12 months:
	<p>We have established of a new 'edge of care' service to maintain the number of children requiring care at below the national and 'similar area' average.</p> <p>We also established a 'critical friend' relationship with Kent County Council and conducted a peer review into adolescent safeguarding. The review provided challenge to our practice, highlighting areas of strength and areas requiring development to improve outcomes; the learning has been built into service planning.</p>
<p><b>Confidence in our future</b></p> <p><i>Priority:</i></p> <ol style="list-style-type: none"> <li>1. Facing and tackling inequalities head on</li> <li>2. Growing local economic strength</li> <li>3. Building the highest % of affordable housing in London</li> <li>4. Local leadership in building back greener</li> <li>5. A conversation about the future of Waltham Forest</li> </ol>	<p><b>Capital Investment:</b> In February 2022 Cabinet endorsed the Council's Capital Investment Strategy, committing £643 million of direct Council investment up to 2026/27, the Council's largest ever investment programme. Through this, the Council will play a significant and leading role in the economic growth of the borough, delivering new and affordable homes, creating new jobs, 15-minute neighbourhoods and cultural hubs, and responding to the Climate Emergency.</p> <p><b>Fellowship Square:</b> Fellowship Square is a once in a lifetime opportunity to create a vibrant new neighbourhood in the heart of the Borough. The refurbishment has secured the legacy of the historic Town Hall for future generations and since re-opening the new fountain has seen hundreds of visitors each day enjoying the fountain in warm weather. The ambitious project is split into two major delivery phases:</p> <p><b>Phase One:</b> The Refurbishment of the Grade II listed Town Hall and creation of Fellowship Square including the new state-of-the-art fountain, completed in Summer 2021 with a spectacular series of launch events spread across five weekends involving the local community from across the borough. This delivered 400 weeks of apprenticeships and work experience and 76 jobs to local residents alongside spend in the local supply chain to grow the local economy and drive recovery following the pandemic.</p> <p><b>Phase Two:</b> New civic building and residential development within Fellowship Square and Willow House delivering over 500 new homes with 50% affordable prioritised for local people 1,000's of new jobs and improved public realm.</p> <p><b>Affordable housing:</b> The Council is leading the largest programme of homebuilding in a generation, creating homes for people at affordable prices. Despite the ambition of this programme, the housing crisis continues, we must act now and find new ways to support residents in housing need. A £2 million investment for a new Families in Housing Need programme will focus on ensuring families have the skills, support and opportunities they need to have sustainable futures.</p> <p><b>Choose Local :</b> Our ongoing Choose Local campaign won the LGC Campaign of the Year 2021 national award for its work supporting small businesses throughout and after the Covid pandemic. 95% of residents who saw the campaign were persuaded to shop local more often.</p> <p><b>Equality, Diversity and Inclusion Strategy:</b> In June 2021, the Council published the ground-breaking State of the Borough report, an empirical evidence base to understand the inequalities which all too many residents experience within the borough. In Autumn last year, the Council developed an innovative multi-method engagement approach of community conversations to build on the evidence of the State of the borough through the lived experience of residents who face the greatest intersecting inequalities. This involved targeted workshops, innovative ethnographic research, digital surveys and face-to-face street-based engagement. The findings from the engagement were presented at March Cabinet.</p> <p>In March, the Council also partnered with the Democratic Society, world leaders in deliberative democracy, to deliver the EDI Making a Living Summit. Over the course of 3 days, residents and VCS representatives reviewed all of the evidence and lived experience, heard from experts and practitioners, and deliberated and decided on a series of recommendations around the making a living theme. These recommendations, alongside the actions to implement change, are presented at Cabinet in June 2022.</p> <p><b>Supporting people with the rising cost of living:</b> The Council has a range of initiatives to support residents during the cost-of-living crisis, particularly low-income households. To respond to food insecurity, since Summer 2021 we have almost doubled the amount of free fresh food surplus entering the borough and doubled the number of community food hubs supported via the Council's Distribution Centre.</p>

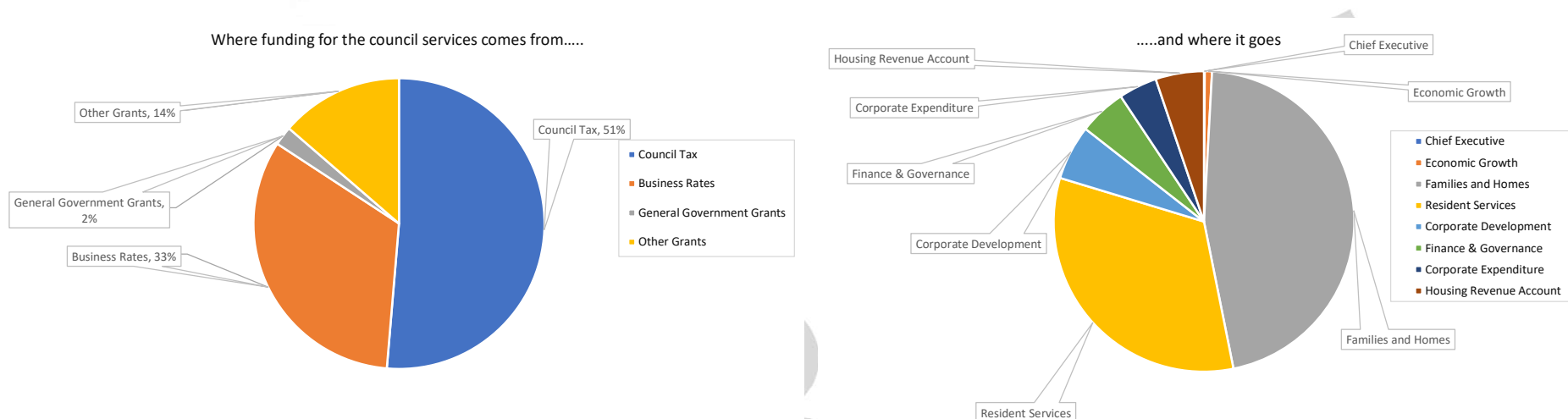
## Our key achievements 2021/22 (continued)

Immediate priority:	Achievements in the last 12 months:
<p><b>Confidence in our future (continued)</b></p>	<p>Since July we have been able to feed an extra 6,000 residents per week. The Household Support Fund was introduced in October to provide financial assistance for residents most hard hit by the cost-of-living crisis. Since October, we have committed over £2.3m in funding for families in need. Recognising that energy costs are continuing to increase for many, we are working with the HEET project to run outreach events in community venues in February and March 2022. Residents receive fuel saving advice and those eligible are referred to the Citizens Advice Grant Programme. By working closely with Citizens Advice, Waltham Forest's services have been able to reach networks of residents that might not otherwise be known to the Council.</p> <p><b>Ethnicity Pay Gap Strategy:</b> In 2021 Waltham Forest Council published its Ethnicity Pay Gap Strategy (2021-2025). Key achievements during this year have included delivering safe spaces workshops for staff, while the council's race equality staff network has delivered workshops for managers entitled: "What race has to do with it". The council has also worked with staff networks to co-develop and launch a 'Courageous Conversations Toolkit' to facilitate challenging discussions on discrimination, allyship and microaggressions. The council has also used the innovative Schwartz Rounds programme to deliver equality, diversity and inclusivity training and development for staff.</p> <p><b>All-Age Autism Strategy:</b> In October 2021 we published our All-Age Autism Strategy. Becoming an autism-friendly borough is not limited to only the provision of specialist support services and is not solely the role of social care. It reflects all aspects of life, from education to healthcare to employment and social and personal lives. The Strategy is based around a set of ten priorities that aim to cover all aspects of a person's life.</p> <p><b>Life Chances Programme:</b> In April 2021, a refreshed Life Chances Programme was launched adopting a Public Health approach and expanded its work to across the Life Course. The new programme focusses on 3 key areas: Building Healthy, Safe &amp; Cohesive Communities, Supporting Access to Lifelong Learning &amp; Employment, and Tackling Structural Inequality &amp; Disparity. The programme currently has 46 areas of work sitting within its portfolio including 15 strategies and 2 Fair Deal initiatives. Some of the many key achievements from the first year include:</p> <ul style="list-style-type: none"> <li>•Best Start in Life, Dementia, All-Age Autism, and Preparing for Adulthood Strategies launched</li> <li>•Children's Weight Management Programme launched</li> <li>•Children &amp; Young People's Week delivered, re-engaging 5000+ children, young people and families with services</li> <li>•Education Recovery Plan developed with key focus on student and staff mental wellbeing</li> <li>•150 young people offered employment opportunities and 101 Kickstart placements created</li> <li>•Tackling Racial Disparity, Bystander Intervention &amp; Stand by Her training pilots delivered in Schools</li> </ul> <p><b>Big Youth Conversation:</b> Our third Big Youth Conversation reached 1400+ young people aged 11 – 25 who live, work or study in the borough. Co-produced with the Life Chances Youth Taskforce the annual survey, and subsequent focus groups, collected the thoughts, ideas, and opinions of young residents. Based on the findings, the Youth Taskforce offered recommendations in 5 key thematic areas: Personal Safety, Spaces &amp; Activities for Young People, Mental Health Support, Climate Action, and Youth Voice &amp; Influence. From these recommendations the Life Chances Strategic Oversight Group, chaired by the Leader, have agreed to 3 big commitments in response: to conduct a mapping exercise and consultation around youth spaces, to produce a youth comms strategy to improve messaging, and to commission a quarterly youth forum where young people can discuss key issues with decision makers.</p>

## Financial Performance

The General Fund working balance has remained unchanged at £14.9m and is equivalent to 7% of net expenditure. This is in line with the Council's current policy to maintain a working balance of £10m to £15m which is set aside to protect services and Council Tax payers from unexpected financial events.

A summary of where the Council's money comes from, and what it was spent on in 2021/22 is set out below.



Actual expenditure in 2021/22 was managed to within the overall budget. **Page 34** of the Statement of Accounts sets out net revenue costs by service area in 2021/22, and the Expenditure and Funding Analysis in **Note 8** provides further details of the Council's income and expenditure.

### Capital Expenditure

The Council spent £143m on its capital programme in 2021/22, against an agreed revised budget of £179m. The majority of the shortfall is due to slippage on projects; the remaining budget associated with these schemes have been carried forward into next year. The programme is financed from a variety of sources, principally capital grants and contributions, borrowing and capital receipts from the sale of Council assets.

Capital Expenditure Summary	Expenditure 2021/22 (£m)
Schools	18
Resident Services	6
Corporate Development	1
Regeneration, Planning and Delivery	2
Property and Asset Management	43
Housing Delivery / Operations (General Fund)	27
Housing Assets (HRA)	18
Housing Delivery / Other Schemes(HRA)	28
<b>Total Expenditure</b>	<b>143</b>

Capital Financing Summary	Financing 2021/22 (£m)
Grants from Central Government	14
Grants from Other Bodies	12
Other Contributions	9
Major Repairs Reserve	12
Direct Revenue Financing/Reserves	8
Prudential Borrowing	67
Capital Receipts	21
<b>Total Financing</b>	<b>143</b>



## Revenue Expenditure

A summary of the outturn of the General Fund for 2021/22 at Directorate level is set out below. The 2021/22 actual figures are compared with the revised budget.

	A	B	C	B+C-A
	Final Revised Budget	BAU Actual	Covid-19 Actual	Over/(under Spending)
	£'000	£'000	£'000	£'000
Chief Executive	9	9	-	-
Corporate Development	3,330	3,145	32	(153)
Families	145,100	148,460	2,225	5,585
Finance & Governance	5,342	5,322	282	262
Economic Growth	3,681	3,871	35	225
Resident Services	83,309	85,827	713	3,231
Corporate Expenditure	26,346	30,921	1,225	5,800
<b>Total for Directorates</b>	<b>267,117</b>	<b>277,555</b>	<b>4,512</b>	<b>14,950</b>
Contingency	7,759	-	-	(7,759)
Financing and Investment	22,293	20,763	-	(1,530)
Levies	10,192	10,192	-	-
Other Operating Expenditure	(9,402)	(9,418)	-	(16)
Accounting Adjustment	(43,020)	(44,145)	-	(1,125)
Contribution to/(from) Earmarked Reserves	(11,625)	(11,515)	-	110
Contrib.to/(from)Earmarked Grant Reserves	(2,065)	(2,065)	(4,512)	(4,512)
Contrib. to/(from) Capital Grants	3,924	3,795	-	(129)
Capital Grants and Contributions Received	(21,800)	(21,768)	-	32
<b>Waltham Forest Expenditure</b>	<b>223,373</b>	<b>223,394</b>	<b>-</b>	<b>21</b>
New Homes Bonus	(2,107)	(2,107)	-	-
Revenue Support Grant	(18,908)	(18,908)	-	-
Other Government Grants	(7,606)	(7,627)	-	(21)
National Non-Domestic Rates (NNDR)	(30,386)	(30,386)	-	-
Top-up Grant	(48,439)	(48,439)	-	-
Council Tax	(115,014)	(115,014)	-	-
Collection Fund	(913)	(913)	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Capital Expenditure

The capital outturn was £142.9m in 2021/22. This investment is financed from a variety of sources, principally capital grants and contributions, external or prudential borrowing and sales of Council assets as shown in **Note 23**

Major items of capital expenditure consist of:

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

CAPITAL SUMMARY	Budget	Expenditure	Variance
	£'000	£'000	£'000
Schools	16,687	17,888	1,201
Adult Social Care	379	182	(197)
Public Health	4	4	-
Climate Emergency Funding Commitment	1,125	481	(644)
Resident Services	10,629	6,295	(4,334)
Corporate Development	1,010	1,010	-
Regeneration, Planning and Delivery	3,511	2,011	(1,500)
Property and Asset Management	55,598	42,668	(12,930)
Housing Delivery / Operations (General Fund)	25,764	26,853	1,089
Adjustment - Juniper House Affordable Housing	(6,563)	-	6,563
Housing Assets (HRA)	21,808	17,689	(4,119)
Housing Delivery / Other Schemes (HRA)	48,828	27,856	(20,972)
<b>Total</b>	<b>178,780</b>	<b>142,937</b>	<b>(35,843)</b>

## Balance Sheet

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

2020/21		2021/22	
£'m		£'m	
2,314	Property plant and equipment	2,365	
57	Heritage assets	57	
7	Investment property	9	
7	Other long and short term assets	2	
43	Long and short term investments	32	
141	Debtors	136	
43	Cash and Cash equivalents	64	
<b>2,612</b>	<b>TOTAL ASSETS</b>	<b>2,665</b>	
(364)	Long and short term borrowing	(389)	
(146)	Creditors and receipts in advance	(168)	
(22)	Provisions	(21)	
(740)	Pension Fund liabilities	(799)	
(49)	Other long term liabilities	(43)	
<b>(1,321)</b>	<b>TOTAL LIABILITIES</b>	<b>(1,420)</b>	
<b>1,291</b>	<b>NET ASSETS</b>	<b>1,245</b>	

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

Most external borrowing (over 80%) is fixed rate loans from the Public Works Loan Board, averaging 4.8% interest rates and repayable between 2022 and 2060.

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

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

The Council has maintained cash balances within target levels during 2021/22. A comprehensive cash flow and treasury management system ensures that surplus cash is invested wisely, that any new borrowing represents value for money, and that there is sufficient cash available to meet liabilities as they fall due.

## Usable and unusable reserves

Net assets in the Balance Sheet are matched by reserves which are classified as either usable or unusable. Unusable balances reflect statutory or accounting requirements and cannot be used to fund services. At 31 March 2022 total unusable reserves were £1,083m (£1,107m at 31/03/2021), see **Note 30** for further details.

Useable reserves on the other hand totalled £162m (£184m at 31/3/2021). This balance represents a combination of:

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

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

## The Collection Fund

The Collection Fund on **page 116** shows the transactions of the Council as a billing authority in relation to Business Rates and Council Tax. Total amounts collected (£194.8m in 2021/22) are distributed between the Council, the Greater London Authority and Central Government to help fund provision of services.

The Council Tax collection rate was 94.91% (93.75% in 2020/21), and we aim to improve this to 98% within 5 years. The Business Rates collection rate was 91.48% (78.66% in 20/21), against a target rate of 80%.

## Social Housing

The Council is required to prepare a separate account for social housing provision and to ensure that expenditure on repairs, maintenance and management is covered by rents and other charges for services and facilities. These transactions are set out in the Housing Revenue Account on **page 110**.

During 2021/22, 58 homes were sold under the Right to Buy scheme, 52 new homes were created and 8 homes demolished, resulting in a total of 9,987 dwellings (10,001 at 31 March 2021). The working balance on the Housing Revenue Account has increased from £3m to £5.4m during the year.



## Pension Fund

In addition to the Council, 49 other employers are members of the London Borough of Waltham Forest Pension Fund. These include, for example, local academy schools and not for profit organisations. The Pension Fund Accounts on **page 119** provide details of pension fund transactions during 2021/22.

The Fund held investment assets valued at £1,048m at 31 March 2022. (£1,053m at 31 March 2021). This portfolio is externally managed, and the most recent actuarial valuation has confirmed that the scheme was 80% funded as at 31 March 2019. Actuarial valuation at 31st March 2022 is currently underway and will be signed off by the actuary in quarter 1 of 2023. The updated funding position will therefore be quoted in the 2022/23 report.

## Group activities

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

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

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

## Outlook and Future Issues

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

Key risks have been identified as:

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

These risks will continue to be managed as follows:

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

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

## Further Information

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

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

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

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## Explanation of the Financial Statements

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

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

The **Core Statements** are:

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

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

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

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

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

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

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

The **Supplementary Statements** are:

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

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



## Statement of Responsibilities

### The Council's Responsibilities:

The Council is required:

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

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

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

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

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

The Strategic Director of Finance and Governance has also:

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

### Issue Date

The date that these Financial Statements were authorised for issue was **29 JULY 2022**. All known material events that have occurred up to and including this date which relate to 2021/22 or before have been reflected in the statements and notes.

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

I certify that this Statement of Accounts gives a true and fair view of the financial position of the London Borough of Waltham Forest as at 31 March 2022 and its income and expenditure for the year ended 31 March 2022 and I hereby authorise its issue.

\_\_\_\_\_  
Date

\_\_\_\_\_  
John Turnbull CPFA  
Strategic Director of Finance and Governance

## Approval of the Statement of Accounts 2021/22

The Audit and Governance Committee of the London Borough of Waltham Forest, constituted on the basis of political balance, under delegation from full Council, approved the Statement of Accounts for 2021/22 on **DD MMMM YYYY**.

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

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Date

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**Councillor Jack Phipps**

Chair, Audit and Governance committee

London Borough of Waltham Forest

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## INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements.

Opinion

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## SECTION – 2

### CORE FINANCIAL STATEMENTS

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## Comprehensive Income and Expenditure Statement

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

2020/21				2021/22			Note
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
£'000	£'000	£'000		£'000	£'000	£'000	
251	-	251	Chief Executive	272	-	272	
41,590	(40,996)	594	Economic Growth	48,977	(46,629)	2,348	
422,388	(288,135)	134,253	Families and Homes	435,711	(296,951)	138,760	
158,534	(147,575)	10,959	Finance & Governance	146,289	(130,912)	15,377	
145,451	(73,324)	72,127	Resident Services	175,901	(76,778)	99,123	
20,067	(2,398)	17,669	Corporate Development	21,455	(3,705)	17,750	
14,901	(1,145)	13,756	Corporate Expenditure	14,057	(1,484)	12,573	
56,090	(61,858)	(5,768)	Housing Revenue Account	48,862	(64,509)	(15,647)	
<b>859,272</b>	<b>(615,431)</b>	<b>243,841</b>	<b>Cost of Services</b>	<b>891,524</b>	<b>(620,968)</b>	<b>270,556</b>	
		10,678	Other operating expenditure			(2,148)	5
		31,810	Financing and investment income and expenditure			29,179	6
		(253,439)	Taxation and non-specific grant income and expenditure			(259,438)	7
<b>859,272</b>	<b>(615,431)</b>	<b>32,890</b>	<b>(Surplus)/deficit on provision of services</b>	<b>891,524</b>	<b>(620,968)</b>	<b>38,149</b>	
		766	(Surplus) or deficit on financial assets measured at FVOCI			(4,650)	30d
		(39,434)	(Surplus) or deficit on revaluation of property, plant and equipment assets			(13,755)	30a
		41,232	Remeasurement of the net defined benefit liability			26,932	30e, 31
		<b>2,564</b>	<b>Other Comprehensive income and expenditure</b>			<b>8,527</b>	
		<b>35,454</b>	<b>Total Comprehensive income and expenditure</b>			<b>46,676</b>	

## Movement in Reserves Statement

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

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves*	Total Council Reserves	Note
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Balance at 1 Apr 2020</b>	<b>(14,862)</b>	<b>(115,070)</b>	<b>(7,328)</b>	<b>(22,843)</b>	<b>(7,890)</b>	<b>(167,993)</b>	<b>(1,158,615)</b>	<b>(1,326,608)</b>	
<b>Movement in reserves during 2020/21</b>									
(Surplus)/deficit on provision of services	39,583	-	(6,693)	-	-	32,890	-	32,890	
Other Comprehensive income and expenditure	-	-	-	-	-	-	2,564	2,564	
<b>Total Comprehensive Income and Expenditure</b>	<b>39,583</b>	<b>-</b>	<b>(6,693)</b>	<b>-</b>	<b>-</b>	<b>32,890</b>	<b>2,564</b>	<b>35,454</b>	
Adjustments from income and expenditure charged under the accounting basis to the funding basis	(72,006)	-	16,001	(6,000)	14,164	(47,841)	47,841	-	14
<b>Increase or (decrease) before transfers to earmarked reserves</b>	<b>(32,423)</b>	<b>-</b>	<b>9,308</b>	<b>(6,000)</b>	<b>14,164</b>	<b>(14,951)</b>	<b>50,405</b>	<b>35,454</b>	
Transfer to/(from) - earmarked reserves	32,379	(19,077)	(5,298)	-	(8,946)	(942)	942	-	15
<b>Balance at 31 Mar 2021</b>	<b>(14,906)</b>	<b>(134,147)</b>	<b>(3,318)</b>	<b>(28,843)</b>	<b>(2,672)</b>	<b>(183,886)</b>	<b>(1,107,268)</b>	<b>(1,291,154)</b>	
<b>Movement in reserves during 2021/22</b>									
(Surplus)/deficit on provision of services	49,762	-	(11,613)	-	-	38,149	-	38,149	
Other Comprehensive income and expenditure	-	-	-	-	-	-	8,527	8,527	
<b>Total Comprehensive Income and Expenditure</b>	<b>49,762</b>	<b>-</b>	<b>(11,613)</b>	<b>-</b>	<b>-</b>	<b>38,149</b>	<b>8,527</b>	<b>46,676</b>	
Adjustments from income and expenditure charged under the accounting basis to the funding basis	(42,672)	-	11,894	11,288	5,305	(14,185)	14,185	-	14
<b>Increase or (decrease) before transfers to earmarked reserves</b>	<b>7,090</b>	<b>-</b>	<b>281</b>	<b>11,288</b>	<b>5,305</b>	<b>23,964</b>	<b>22,712</b>	<b>46,676</b>	
Transfer to/(from) - earmarked reserves	(7,090)	12,694	(2,442)	-	(4,982)	(1,820)	1,820	-	15
<b>Balance at 31 Mar 2022</b>	<b>(14,906)</b>	<b>(121,453)</b>	<b>(5,479)</b>	<b>(17,555)</b>	<b>(2,349)</b>	<b>(161,742)</b>	<b>(1,082,736)</b>	<b>(1,244,478)</b>	

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

## Balance Sheet

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

2020/21		2021/22	
31-March-2021		31-March-2022	
£'000		£'000	Note
2,314,168	Property, Plant and Equipment	2,365,300	16
56,845	Heritage Assets	56,845	18
7,351	Investment Property	8,703	19
530	Intangible Assets	494	
44	Long-term Investments	4,255	21
28,766	Long-term Debtors	23,410	27
<b>2,407,704</b>	<b>Total Long-term Assets</b>	<b>2,459,007</b>	
43,052	Short Term Investments	28,024	21
5,976	Assets Held for Sale	1,073	
72	Inventories	62	
112,501	Short term debtors	112,824	27
43,283	Cash and Cash Equivalents	63,841	20
<b>204,884</b>	<b>Current Assets</b>	<b>205,824</b>	
(7,911)	Cash and Cash Equivalents	(7,863)	20
(111,052)	Short-term Borrowing	(103,311)	21
(138,143)	Short-term Creditors	(161,657)	28
(9,697)	Short-term Provisions	(14,743)	29
(7,472)	Grants Receipts in Advance – Capital	(6,196)	13
<b>(274,275)</b>	<b>Current Liabilities</b>	<b>(293,770)</b>	
(12,755)	Long-term Provisions	(6,482)	29
(244,809)	Long-term Borrowing	(278,160)	21
(740,197)	Pension Liability	(799,329)	31
(4,266)	Financial Liability (accumulated losses in companies)	(3,826)	
(3,903)	Finance lease liability	(3,902)	24
(41,227)	PFI Creditors	(34,882)	25
<b>(1,047,157)</b>	<b>Long-term Liabilities</b>	<b>(1,126,581)</b>	
<b>1,291,156</b>	<b>Net Assets</b>	<b>1,244,480</b>	
(183,885)	Usable Reserves	(161,743)	
(1,107,271)	Unusable Reserves	(1,082,737)	30
<b>(1,291,156)</b>	<b>Total Reserves</b>	<b>(1,244,480)</b>	

## Cash Flow Statement

The **Cash Flow Statement** shows the changes in cash and cash equivalents of the Council during the reporting period.

The Statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council.

2020/21		2021/22	
£'000		£'000	Note
(32,890)	Net surplus or (deficit) on the provision of services	(38,149)	
109,141	Adjustment to surplus or (deficit) on the provision of services for non-cash movements	187,981	32
(62,834)	Adjustment for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	(74,020)	32
<b>13,417</b>	<b>Net cash flows from operating activities</b>	<b>75,812</b>	
(73,354)	Investing Activities	(80,193)	33
63,305	Financing Activities	24,988	34
<b>3,368</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>20,607</b>	
32,003	Cash and cash equivalents at the beginning of the reporting period	35,371	
<b>35,371</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>55,978</b>	20

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## Notes to the Core Financial Statements

### Note 1: Basis of Preparation

#### 1.1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Statement of Accounts has been prepared on a "going concern basis".

### Note 2: Accounting Policies

#### 2.1. Accruals of Income and Expenditure

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

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

- The Council operates a civil parking enforcement scheme under the provisions of the Traffic Management Act 2004. Contractual arrangements in place since 2010 delegate all operational aspects of parking enforcement to NSL Limited, including the issue of penalty charge notices, collection of fines, and banking of monies obtained. Since the Council has no direct control over the issuing of PCNs and no legal entitlement to the income until it has been deposited in the Council bank accounts, enforcement income is accounted for on a cash basis and recognised as the net amount of receipts.

#### 2.2. Cash and Cash Equivalents

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

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

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

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



**Note 2: Accounting Policies (continued)****2.4. Employee Benefits*****Benefits Payable During Employment***

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and recognised as an expense for services in the year in which employees render service to the authority. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the relevant service line in the Comprehensive Income and Expenditure Statement (CIES) but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

***Termination Benefits***

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

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

***Post-employment Benefits***

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

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

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

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

***The Local Government Pension Scheme***

The LGPS is accounted for as a defined benefits scheme.

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

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

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

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

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

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

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

The Council's contributions to the London Borough of Waltham Forest Pension Fund are charged to the General Fund via a transfer with the Pension Reserve via the MiRS in accordance with statutory requirements.

**Discretionary Benefits**

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

**2.5. Financial Instruments**

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

**Financial Liabilities**

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

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

The fair value of Public Works Loan Board (PWLB) loans is calculated using the certainty rate published by the PWLB on 31 March 2022.

For non-PWLB loans the fair value is deemed to be the standard new loan rate also published by the PWLB on 31 March 2022.

Where premiums and discounts have been charged to the CIES, regulations require the impact on the General Fund Balance to be spread over future years. In line with statutory requirements where premiums and discounts have been charged to the CIES, they are transferred to the Financial Instruments Adjustment Account (FIAA) via an entry in the MiRS. The General Fund is then charged with the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid via a transfer from the FIAA to the MiRS.

**Note 2: Accounting Policies (continued)****Financial Assets**

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

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

**Financial Assets at Amortised Cost**

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

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

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

**Financial Assets measured at FVOCI**

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

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

**2.6. Government Grants and Contributions**

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

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

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

**Community Infrastructure Levy**

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

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

**Note 2: Accounting Policies (continued)****2.7. Heritage Assets**

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

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

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

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

**2.9. Investment Property**

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

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

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

**2.10. Leases**

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

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

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

***The Council as Lessee*****Finance Leases**

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

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the financing and investment income and expenditure line in the CIES).

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

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the general fund balance, by way of an adjusting transaction with the capital adjustment account in the MiRS for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the CIES as an expense of the services benefitting from use of the leased assets. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. if there is a rent-free period at the commencement of the lease).

***The Council as Lessor***Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the balance sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the balance sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the CIES as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the balance sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received); and
- finance income (credited to the financing and investment income and expenditure line in the CIES).

The gain credited to the CIES on disposal is not permitted by statute to increase the general fund balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the general fund balance to the capital receipts reserve in the MiRS. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the general fund balance to the deferred capital receipts reserve in the MiRS. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the capital receipts reserve.

The written-off value of disposals is not a charge against council tax, as the cost of non current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the general fund balance in the MiRS.

## Note 2: Accounting Policies (continued)

### Operating leases

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

### 2.11. Overheads and Support Services

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

### 2.12. Property, Plant and Equipment

#### **Recognition**

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

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

#### **Measurement**

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the Balance Sheet using the following measurement bases:

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

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

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

**Impairment**

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

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

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

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

**Depreciation**

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

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

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

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

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

## Note 2: Accounting Policies (continued)

### Disposals

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

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

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

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

### 2.13. Service Concessions

Service concessions (also known as PFI and similar contracts) are contracts to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the contractor. The Council recognises the assets used under the contracts in its Balance Sheet within Property, Plant and Equipment because it both controls the services provided under these contracts and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

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

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

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

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

#### Provisions

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

Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Council becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.



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

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

**Contingent Liabilities**

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

**Contingent Assets**

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

**2.15. Reserves**

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

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

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

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

**2.17. Schools**

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

**2.18. VAT**

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

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

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

Paragraph 3.3.4.3 and Appendix C of the Code adapt IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors on an annual basis to limit the impact of standards that have been issued but not yet adopted to those listed in Appendix C of the Code in the relevant year of account (in this case the 2022/23 Code).

This means that only the standards listed below are included in the requirements for IAS 8 for standards that have been issued and not yet adopted.

The standards introduced by the 2022/23 Code where disclosures are required in the 2021/22 financial statements in accordance with the requirements of paragraph 3.3.4.3 of the Code are:

Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:

- IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
- IAS 37 (Onerous contracts) – clarifies the intention of the standard
- IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
- IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

None of the matters covered in the annual improvements are dealt with in detail in the 2022/23 Code. During the consultation process on the 2022/23 Code CIPFA/LASAAC did not envisage them having a significant effect on local authority financial statements.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).

There are no changes in accounting requirements for 2022/23 that are anticipated to have a material impact on the Council's financial performance or financial position.

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

In applying the accounting policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be materially impaired as a result of a need to close facilities and substantially reduce levels of service provision.
- School service concessions – the Council is deemed to control the services and the residual assets created under the contracts for Lammas School, Grouped Schools and Frederick Bremer School. The accounting policies for service concessions have been applied to these contracts and assets recognized on the Council's Balance Sheet.
- The Council has completed a school by school assessment across the different schools operated within the Borough in order to determine the individual accounting treatments. Judgements have been made to determine the arrangements in place and the accounting treatment of the Non-Current Assets. As a result, the Council recognises school assets for Community schools on the Balance Sheet. The Council does not recognise assets relating to Academies, Voluntary Aided (VA), Voluntary Controlled (VC) or Free Schools as the view has been adopted that these entities were deemed to be owned by the relevant Dioceses or Trust following consultation and review
- The Council has reviewed its partnership arrangements entered into under section 75 of the National Health Service Act 2006 and determined that the Better Care Fund is a non pooled fund and, therefore, only accounts for the Council's own expenditure and income in the relevant service line within the Comprehensive Income and Expenditure Statement.

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
Property, plant and equipment - depreciation	<p>Assets are depreciated over useful lives that are dependent upon assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p> <p>Assets have been valued by the Authority's external valuers on the basis of 5 years rolling valuation programme. In the current economic climate, the Balance Sheet valuation of £2,369m may be subject to fluctuations.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £2.5m for every year that useful lives had to be reduced.</p> <p>If the asset valuation of all property plant and equipment were to fall by 1% a reduction in value of £23.7m would arise. This would normally be reversed to the Revaluation Reserve. Where revaluation losses exceed unrealised gains, the net loss would be charged to the Consolidated Income and Expenditure Statement and subsequently written off to the Capital Adjustment Account.</p>
Valuation of operational and council dwellings - Covid-19 impact	All property valuations undertaken by the Council's valuers were undertaken as at 31 March 2020, and then indexed back to 31 March 2019, 31 March 2018 and 1 April 2017 using local and regional indices for reporting values in the Statement of Accounts	The outbreak of Covid-19 had had an unprecedented impact on global financial markets and as at the valuation date, less weight can be attached to previous markets evidence to inform opinions of values. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid.
Fair Value Measurements	<p>When the fair values of financial assets and liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or discounted cash flow model). The Council uses the "Investment Method" of valuation to measure the fair value of its investment properties.</p> <p>Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties the valuation officer will use their expertise and experience).</p>	The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels and the respective covenant strength of tenants. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties.
Provisions	The Council has made a number of provisions. Provisions are defined as probable future liabilities based on past events and therefore, there are inherent uncertainties related to amounts set aside as provisions. If future liabilities exceed the amount set aside in a provision, the additional expense would have to be met from the Council's revenue accounts.	An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £2.1m to the provision needed.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	<p>The effect on the net pensions liability of changes in individual assumptions can be measured. Variations in the key assumptions will have the following impact on the net liability:</p> <ul style="list-style-type: none"> <li>• A 0.1% increase in the discount rate will reduce the net liability by £22.9m</li> <li>• a 0.1% increase in inflation will increase the net liability by £23.1m</li> <li>• An increase of one year in longevity will increase the net liability by £48.8m</li> </ul>

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

Item	Uncertainties	Effect if actual results differ from assumptions
Arrears	<p>At 31 March 2022, the Council had a balance of sundry debtors of £8.2m. Bad debt provision is reviewed annually and adjusted in accordance with current collection performance.</p> <p>However, with the impact of Covid-19 the Council, it is difficult to ascertain that such an allowance would be sufficient. The Council will continue to closely monitor this position.</p>	If collection rates were to deteriorate, a doubling of the amount of doubtful debts would require a doubling of the bad debt provision, which would be charged to the Council's Revenue Account.
Business Rates	<p>The Council collected approximately £70m in business rates including £48.43m top-up from the London pooling pilot.. From 2019/20 the council will retain 75% of the business rates income it collects.</p> <p>The 2017 revaluation a new check challenge appeal process was introduced by the Valuations Office. We currently have 16 checks outstanding and a total of 2197 have been received since the list was created.</p> <p>The Council has made a provision on the basis of past experience which is held in the collection fund.</p>	The Council's safety net position is currently 92.5% while it remains part of the pooling pilot. Its loss would therefore be capped at £5.2m.

**Note 5: Other Operating Expenditure**

2020/21		2021/22
£'000		£'000
9,355	Levies	10,176
1,310	Payments to the Government housing capital receipts pool	1,310
752	Pension administration expenses	769
(739)	(Gains)/losses on the disposal of non-current assets	(14,403)
<b>10,678</b>	<b>Total</b>	<b>(2,148)</b>

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

2020/21		2021/22
£'000		£'000
17,641	Interest payable and similar charges	16,659
14,833	Net interest on the net defined benefit liability (asset)	15,033
(999)	Interest receivable and similar income	(1,623)
(133)	Income and expenditure relating to investment properties and changes in their fair value	(262)
468	Changes in fair value of investment properties	(628)
<b>31,810</b>	<b>Total</b>	<b>29,179</b>

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

2020/21		2021/22
£'000		£'000
(109,368)	Council tax income	(118,680)
(53,701)	Non-domestic rates income and expenditure	(76,072)
(18,804)	Revenue support grant	(18,908)
(21,817)	Non-ringfenced government grants	(4,913)
(23,975)	Covid-19 grants	(9,334)
(25,774)	Capital grant and contributions	(31,531)
<b>(253,439)</b>	<b>Total</b>	<b>(259,438)</b>

## Note 8: Expenditure and Funding Analysis

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

2020/21				2021/22		
Net Expenditure in the Comprehensive Income and Expenditure Statement	Adjustments between Funding and Accounting Basis	Net Expenditure Chargeable to the General Fund and HRA Balances		Net Expenditure in the Comprehensive Income and Expenditure Statement	Adjustments between Funding and Accounting Basis	Net Expenditure Chargeable to the General Fund and HRA Balances
£'000	£'000	£'000		£'000	£'000	£'000
251	-	251	Chief Executive	272	-	272
635	(2,717)	(2,082)	Economic Growth	2,347	(3,244)	(897)
134,499	(28,259)	106,240	Families and Homes	138,761	(27,577)	111,184
72,218	(9,782)	62,436	Resident Services	99,123	(11,355)	87,768
17,701	(1,630)	16,071	Corporate Development	17,750	(1,622)	16,128
11,004	(10,869)	135	Finance & Governance	15,377	(9,192)	6,185
13,301	(1,088)	12,213	Corporate Expenditure	12,573	(1,082)	11,491
(5,768)	14,647	8,879	Housing Revenue Account	(15,647)	11,853	(3,794)
<b>243,841</b>	<b>(39,698)</b>	<b>204,143</b>	<b>Net Cost of Services</b>	<b>270,556</b>	<b>(42,219)</b>	<b>228,337</b>
(210,951)	(16,307)	(227,258)	Other Income and Expenditure	(232,407)	11,442	(220,965)
<b>32,890</b>	<b>(56,005)</b>	<b>(23,115)</b>	<b>(Surplus)/Deficit</b>	<b>38,149</b>	<b>(30,777)</b>	<b>7,372</b>
		(137,260)	Opening General Fund and HRA Balance			(152,371)
		8,004	Transfer to/(from) - earmarked reserves			3,162
		<b>(152,371)</b>	<b>Closing General Fund and HRA Balance*</b>			<b>(141,837)</b>

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

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

2020/21					2021/22			
Adjustments for Capital Purposes	Net Change for Pension Adjustments	Other Adjustments	Total Adjustments		Adjustments for Capital Purposes	Net Change for Pension Adjustments	Other Adjustments	Total Adjustments
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
-	-	-	-	Chief Executive	-	-	-	-
(1,639)	(1,034)	(44)	(2,717)	Economic Growth	(1,382)	(1,847)	(15)	(3,244)
(17,046)	(10,754)	(460)	(28,260)	Families and Homes	(11,749)	(15,699)	(129)	(27,577)
(6,556)	(4,136)	(177)	(10,869)	Finance & Governance	(3,916)	(5,233)	(43)	(9,192)
(5,900)	(3,723)	(159)	(9,782)	Resident Services	(4,838)	(6,464)	(53)	(11,355)
(983)	(620)	(27)	(1,630)	Corporate Development	(691)	(923)	(8)	(1,622)
(656)	(414)	(18)	(1,088)	Corporate Expenditure	(461)	(616)	(5)	(1,082)
15,531	(875)	(9)	14,647	Housing Revenue Account	13,286	(1,417)	(16)	11,853
<b>(17,249)</b>	<b>(21,556)</b>	<b>(894)</b>	<b>(39,699)</b>	<b>Net Cost of Services</b>	<b>(9,751)</b>	<b>(32,199)</b>	<b>(269)</b>	<b>(42,219)</b>
-	-	(16,307)	(16,307)	Other income and expenditure from the Funding Analysis	-	-	11,442	11,442
<b>(17,249)</b>	<b>(21,556)</b>	<b>(17,201)</b>	<b>(56,006)</b>	<b>Difference between (Surplus)/Deficit and the CIES Statement (Surplus)/Deficit on Provision of Services</b>	<b>(9,751)</b>	<b>(32,199)</b>	<b>11,173</b>	<b>(30,777)</b>

**Note 8b: Expenditure and Funding Analysis (continued)****Adjustments for Capital Purposes**

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

**Net Change for the Pensions Adjustments**

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

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

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

### Other Statutory Adjustments

Other statutory adjustments between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For **Financing and investment income and expenditure** the other statutory adjustments column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

### Other Non-statutory Adjustments

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

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

### Expenditure and income analysed by nature

2020/21		2021/22
£'000		£'000
	<b>Expenditure</b>	
271,207	Employee Benefit Expenses	295,234
535,814	Other Service Expenses	515,851
53,010	Depreciation, Amortisation, Impairment	81,210
32,474	Interest Payments	31,692
9,348	Precepts and Levies	10,176
1,310	Payments to the Housing Capital Receipts Pool	1,310
-	Losses on Disposals	-
<b>903,163</b>	<b>Total expenditure</b>	<b>935,473</b>
	<b>Income</b>	
(173,942)	Fees, charges and other service income	(187,376)
(664)	Interest and investment income	(2,513)
(181,873)	Income from council tax, non-domestic rates	(194,752)
(513,055)	Government grants and contributions	(498,280)
(739)	Gains on Disposals	(14,403)
<b>(870,273)</b>	<b>Total income</b>	<b>(897,324)</b>
<b>32,890</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>38,149</b>



## Note 9: Partnership Arrangements

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

### Better Care Fund (BCF)

Waltham Forest Council and Waltham Forest CCG are partners in the provision of integrated local health and social care systems. The Care Act 2014 amended the NHS Act 2006 to provide the legislative basis for the Better Care Fund and in accordance with Section 75 of the act, an agreement exists for the pooled fund between the Council and WFCCG for the 2021/22 financial year.

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

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

#### 1. Wellbeing

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

#### 2. Integrated pathways

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

#### 3. Strategic Enablers

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

### Improved Better Care Fund (iBCF)

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

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

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

2020/21			2021/22	
BCF Restated	iBCF		BCF	iBCF
£'000	£'000		£'000	£'000
		<b>Funding from:</b>		
(2,425)	(9,208)	L B Waltham Forest	(2,425)	(9,208)
(19,321)	-	Waltham Forest CCG	(20,368)	-
<b>(21,746)</b>	<b>(9,208)</b>		<b>(22,793)</b>	<b>(9,208)</b>
		<b>Expenditure</b>		
2,425	9,208	L B Waltham Forest	2,425	9,208
19,321	-	Waltham Forest CCG	20,368	-
<b>21,746</b>	<b>9,208</b>		<b>22,793</b>	<b>9,208</b>

**Note 10: Members' Allowances**

The Council paid allowances to its members in 2021/22 of £1.318 million (£1.262 million in 2020/21). Full details are available here:

<https://www.walthamforest.gov.uk/council-and-elections/about-us/council-budgets-and-spending/councillors-allowances-and-expenses>

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

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
£0 - £20,000	18	22	10	18	28	40	213	415
£20,001 - £40,000	3	3	5	4	8	7	255	166
£40,001 - £60,000	-	-	2	-	2	-	86	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	1	-	-	-	1	-	87	-
£100,001 - £150,000	2	-	-	-	2	-	286	-
<b>Total</b>	<b>24</b>	<b>25</b>	<b>17</b>	<b>22</b>	<b>41</b>	<b>47</b>	<b>927</b>	<b>581</b>

## Note 10b: Officers' Remuneration

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

2021/22	Salary including fees and allowances	Taxable Expenses	Total Remuneration excluding Pension costs	Employers Pension Contributions	Total Remuneration including Pension contributions	Notes
	£	£	£	£	£	
<b>Post holder information</b>						
Chief Executive - Mr Martin Esom	221,821		221,821	-	221,821	
Strategic Director of Economic Growth	162,990		162,990	25,196	188,186	
Strategic Director of Finance & Governance	153,323		153,323	-	153,323	
Strategic Director of Resident Services	159,436		159,436	24,234	183,670	
Strategic Director of Families	156,822		156,822	23,837	180,659	
Strategic Director of Corporate Development	147,765		147,765	22,460	170,225	
Director of Governance & Law	127,549		127,549	19,700	147,249	
Director of Public Health	114,257		114,257	18,961	133,218	1

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

2020/21	Salary including fees and allowances	Taxable Expenses	Total Remuneration excluding Pension costs	Employers Pension Contributions	Total Remuneration including Pension contributions	Notes
	£	£	£	£	£	
<b>Post holder information</b>						
Chief Executive - Mr Martin Esom	213,647	-	213,647	-	213,647	
Strategic Director of Economic Growth	160,187	-	160,187	24,348	184,535	
Strategic Director of Finance & Governance	148,960	-	148,960	-	148,960	
Strategic Director of Resident Services	154,125	-	154,125	23,427	177,552	
Strategic Director of Families	151,556	-	151,556	23,036	174,592	
Strategic Director of Corporate Development	142,591	-	142,591	21,674	164,265	
Director of Governance & Law	125,355	-	125,355	19,054	144,409	
Director of Public Health	103,445	-	103,445	15,723	119,168	1

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

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

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

Remuneration band	2020/21 Restated*			2021/22		
	Number of employees			Number of employees		
	Schools	Non Schools	Total	Schools	Non Schools	Total
£50,000 - £54,999	64	109	173	39	115	154
£55,000 - £59,999	35	62	97	43	71	114
£60,000 - £64,999	32	45	77	38	52	90
£65,000 - £69,999	35	28	63	36	33	69
£70,000 - £74,999	25	23	48	26	25	51
£75,000 - £79,999	13	5	18	14	24	38
£80,000 - £84,999	5	7	12	9	9	18
£85,000 - £89,999	13	14	27	5	3	8
£90,000 - £94,999	4	5	9	7	13	20
£95,000 - £99,999	5	1	6	4	3	7
£100,000 - £104,999	4	3	7	3	-	3
£105,000 - £109,999	-	8	8	4	4	8
£110,000 - £114,999	-	4	4	-	9	9
£115,000 - £119,999	-	3	3	-	2	2
£120,000 - £124,999	1	3	4	1	4	5
£125,000 - £129,999	-	2	2	1	5	6
£130,000 - £134,999	1	-	-	-	3	3
<b>Total</b>	<b>237</b>	<b>322</b>	<b>558</b>	<b>230</b>	<b>375</b>	<b>605</b>

The figures do not include staff employed by academies.

## Note 11: External Audit Fees

The Council's external auditors for the audit of the Statement of Account in 2021/22 are EY LLP. The Council's external auditors for the certification of grant claims are KPMG LLP. The Authority has incurred the following expenditure for services provided by the external auditors for the relevant year:

2020/21		2021/22
£'000		£'000
265	Fees payable in relation to the audit of the Statement of Accounts *	278
25	Fees payable in relation to certification of grant claims and returns	4
<b>290</b>		<b>282</b>

\* The audit work for 2020-21 and 2021-22 have not yet been completed and the final fee is still to be determined.

## Note 12: Dedicated Schools Grant (DSG)

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the council's area. DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the Schools and Early Years Finance (England) Regulations 2022. Schools Budget includes elements for a range of educational services provided on an authority-wide basis and the Individual Schools Budget, which is divided into a budget share for each maintained school, funding for early years providers, and high-needs payments to providers.

Details of the deployment of DSG receivable for 2021/22 are as follows:

2020/21				2021/22		
Central expenditure	Individual Schools budget (ISB)	Total		Central expenditure	Individual Schools budget (ISB)	Total
£'000	£'000	£'000		£'000	£'000	£'000
		269,248	Final DSG for 2021/22 before academy and high needs recoupment			285,672
		(105,418)	Academy and high needs figure recouped for 2021/22			(113,201)
		<b>163,830</b>	<b>Total DSG after academy and high needs recoupment for 2021/22</b>			<b>172,471</b>
		573	Plus: Brought forward from 2020/21			-
		-	Less: Carry-forward to 2022/23 agreed in advance			-
<b>4,654</b>	<b>159,751</b>	<b>164,403</b>	<b>Agreed initial budgeted distribution in 2021/22</b>	<b>5,103</b>	<b>167,368</b>	<b>172,471</b>
-	(153)	(153)	In year adjustments	37	(400)	(363)
<b>4,654</b>	<b>159,598</b>	<b>164,250</b>	<b>Final budget distribution for 2021/22</b>	<b>5,140</b>	<b>166,968</b>	<b>172,108</b>
(4,726)	-	(4,726)	Less: Actual central expenditure	(5,097)	-	(5,097)
-	(160,466)	(160,466)	Less: Actual ISB deployed to schools	-	(168,833)	(168,833)
-	-	-	Plus: Local authority contribution for 2021/22	-	-	-
<b>(72)</b>	<b>(868)</b>	<b>(940)</b>	<b>In Year Carry-forward to 2022/23</b>	<b>43</b>	<b>(1,865)</b>	<b>(1,822)</b>
		-	Plus/Minus: Carry-forward to 2022/23 agreed in advance			-
		-	Carry-forward to 2022/23			-
		-	DSG unusable reserve at the end of 2020/21			(940)
		<b>(940)</b>	<b>Addition to DSG unusable reserve at the end of 2021/22</b>			<b>(1,822)</b>
		<b>(940)</b>	<b>Total of DSG unusable reserve at the end of 2021/22</b>			<b>(2,762)</b>
		<b>(940)</b>	<b>Net DSG position at the end of 2021/22</b>			<b>(2,762)</b>

## Note 13: Grant Income

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

2020/21		2021/22
£'000		£'000
	<b>Credited to Taxation and non-specific grant income</b>	
(18,804)	Revenue Support Grant	(18,908)
(3,001)	New Homes Bonus Grant	(2,107)
(23,988)	Other General Government Grants	(12,139)
<b>(45,793)</b>	<b>Total of Non-ringfenced government grants</b>	<b>(33,154)</b>
	<b>Capital grant and contributions</b>	
(5,841)	Basic Need (DfE)	-
(5,164)	Transport for London (TfL)	(2,037)
(3,206)	Capital Maintenance (DfE)	(3,269)
(1,774)	Local Community Infrastructure Levy Income	(3,637)
(4,096)	Other grants (government)	(5,783)
(3,164)	Other grants (non-government)	(8,205)
(2,529)	Other capital contributions	(8,601)
<b>(25,774)</b>	<b>Total Capital grant and contributions</b>	<b>(31,532)</b>
	<b>Credited to services</b>	
(83,762)	Rent Allowance: subsidy (DWP)	(73,996)
(17,249)	Rent rebates outside HRA: subsidy (DWP)	(12,786)
(21,775)	Rent rebates granted to HRA tenants: subsidy (DWP)	(20,238)
(1,581)	Housing Benefit and Council Tax Benefit admin grant (DWP)	(1,305)
(262)	Further education funding 19+ (SFA)	(32)
(2,633)	Sixth Form Funding (DfE)	(2,631)
(8,407)	PFI special grant (DfE)	(8,407)
(163,830)	Dedicated Schools Grant (DfE)	(172,708)
(6,615)	Pupil Premium grant (DfE)	(6,626)
(6,440)	Flexible Homelessness Support Grant (MHCLG)	(6,664)
(6,445)	Adult Social Care Support Grant (MHCLG)	(7,905)
(9,207)	Improved Better care grant	(9,207)
(16,162)	Public Health Grant (DH)	(16,537)
(21,393)	Covid-19 revenue grants (government)	(24,287)
(25,343)	Other revenue grants (government)	(22,301)
(50,383)	Other revenue grants and contributions	(47,964)
<b>(441,487)</b>	<b>Total of Government Grant credited to Net Cost of Services</b>	<b>(433,594)</b>

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

The Council has received a number of grants and contributions that have yet to be recognised as income, as they have conditions attached to them that could require the money to be returned to the awarding body. The balances as at 31 March 2022 are as follows:

2020/21		2021/22
£'000		£'000
(7,472)	<b>Capital grants receipts in advance</b>	<b>(6,196)</b>
	<b>Revenue grants receipts in advance (within short term creditors)</b>	
(10,797)	NDR - MHCLG	(19,919)
(34,359)	Other government grants	(22,190)
(447)	Other non-government grants	(348)
<b>(45,603)</b>	<b>Total</b>	<b>(42,457)</b>

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

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

2021/22	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments to the Revenue Resources</b>						
<b>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</b>						
Pensions costs (transferred to (or from) the Pensions Reserve)	(30,784)	(1,416)	-	-	-	(32,200)
Financial instruments (transferred to the Financial Instruments Adjustments Account)	545	40	-	-	-	585
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	10,856	-	-	-	-	10,856
Holiday pay (transferred to the Accumulated Absences Reserve)	(252)	(16)	-	-	-	(268)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	(63,295)	(20,219)	-	-	-	(83,514)
<b>Adjustments between Revenue and Capital Resources:</b>						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	27,821	15,538	(31,119)	-	-	12,240
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserves)	-	-	-	-	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	-	-	-	-	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	12,168	-	(12,168)	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	6,512	-	20,937	-	-	27,449
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	5,673	5,799	-	-	-	11,472
<b>Adjustments to Capital Resources:</b>						
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	21,470	-	-	21,470
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	12,168	-	12,168
Application of capital grants to finance capital expenditure	252	-	-	-	5,305	5,557
Cash payments in relation to deferred capital receipts	-	-	-	-	-	-
<b>Total Adjustments</b>	<b>(42,672)</b>	<b>11,894</b>	<b>11,288</b>	<b>-</b>	<b>5,305</b>	<b>(14,185)</b>



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

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

2020/21	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments to the Revenue Resources</b>						
<b>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</b>						
Pensions costs (transferred to (or from) the Pensions Reserve)	(20,837)	(881)	-	-	-	(21,718)
Financial instruments (transferred to the Financial Instruments Adjustments Account)	545	40	-	-	-	585
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	(16,730)	-	-	-	-	(16,730)
Holiday pay (transferred to the Accumulated Absences Reserve)	(883)	(9)	-	-	-	(892)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	(57,542)	(14,322)	-	-	-	(71,864)
<b>Adjustments between Revenue and Capital Resources:</b>						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	16,013	15,841	(25,992)	-	-	5,862
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserves)	(8)	(121)	129	-	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(1,310)	-	1,310	-	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	11,367	-	(11,367)	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	7,301	-	-	-	-	7,301
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,445	5,178	-	-	-	6,623
<b>Adjustments to Capital Resources:</b>						
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	18,553	-	-	18,553
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	11,367	-	11,367
Application of capital grants to finance capital expenditure	-	-	-	-	14,164	14,164
Cash payments in relation to deferred capital receipts	-	(1,092)	-	-	-	(1,092)
<b>Total Adjustments</b>	<b>(72,006)</b>	<b>16,001</b>	<b>(6,000)</b>	<b>-</b>	<b>14,164</b>	<b>(47,841)</b>

## Note 15: Earmarked Reserves

Movement in Earmarked reserves	01 April 2020	Transfers Out	Transfers In	Balance at 31 March 2021	Transfers Out	Transfers In	Balance at 31 March 2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Corporate / Cross cutting	(28,923)	10,821	(25,920)	(44,022)	23,531	(21,034)	(41,525)
Budget Strategy Reserve	(29,444)	6,476	(5,684)	(28,652)	10,318	(4,600)	(22,934)
<b>Total Corporate reserves</b>	<b>(58,367)</b>	<b>17,297</b>	<b>(31,604)</b>	<b>(72,674)</b>	<b>33,849</b>	<b>(25,634)</b>	<b>(64,459)</b>
Service Reserves	(14,990)	5,010	(4,422)	(14,402)	3,734	(3,203)	(13,871)
<b>General Fund earmarked reserves</b>	<b>(73,357)</b>	<b>22,307</b>	<b>(36,026)</b>	<b>(87,076)</b>	<b>37,583</b>	<b>(28,837)</b>	<b>(78,330)</b>
Grant related reserves (General Fund)	(16,202)	13,403	(22,848)	(25,647)	12,902	(9,339)	(22,084)
Schools reserves	(14,665)	6,715	(7,595)	(15,545)	13,133	(15,190)	(17,602)
HRA earmarked reserves	(10,846)	18,348	(13,380)	(5,878)	32,280	(29,838)	(3,436)
<b>Total Earmarked reserves</b>	<b>(115,070)</b>	<b>60,773</b>	<b>(79,849)</b>	<b>(134,146)</b>	<b>95,898</b>	<b>(83,204)</b>	<b>(121,452)</b>

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

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

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

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

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

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

## Note 16: Property, Plant and Equipment

Values as at 31 March 2022

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

Movements in 2021/22	Operational assets					Non-operational assets		Total
	Council dwellings	Other land and buildings	Vehicles, plant and equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	Property, plant and equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>								
<b>At 1 April 2021</b>	<b>926,066</b>	<b>1,148,759</b>	<b>17,342</b>	<b>217,689</b>	<b>26,054</b>	<b>6,274</b>	<b>102,493</b>	<b>2,444,677</b>
Additions	13,809	28,564	1,257	5,978	418	607	80,994	131,627
Revaluation increases/(decreases) recognised in the revaluation reserve	7,130	6,639	-	-	-	(807)	-	12,962
Revaluation increases/(decreases) recognised in the surplus/(deficit) on the provision of services	(18,103)	(27,066)	-	-	-	-	-	(45,169)
Derecognition – disposals	(11,504)	(12,139)	(1,845)	(30,612)	(54)	-	(1,214)	(57,368)
Other transfers/movements	8,409	1,340	56	(943)	122	4,855	(14,719)	(880)
<b>At 31 March 2022</b>	<b>925,807</b>	<b>1,146,097</b>	<b>16,810</b>	<b>192,112</b>	<b>26,540</b>	<b>10,929</b>	<b>167,554</b>	<b>2,485,849</b>
<b>Accumulated depreciation and impairment</b>								
<b>At 1 April 2021</b>	-	<b>(14,498)</b>	<b>(8,169)</b>	<b>(107,608)</b>	<b>(86)</b>	-	<b>(73)</b>	<b>(130,434)</b>
Depreciation charge	(11,786)	(17,286)	(1,307)	(9,665)	-	(131)	-	(40,175)
Depreciation written out to the revaluation reserve	11,651	1,793	-	-	-	152	-	13,596
Depreciation written out to the surplus/(deficit) on the provision of services	-	3,239	-	-	-	-	-	3,239
Derecognition – disposal	135	535	1,845	30,612	-	-	-	33,127
Other transfers/movements	-	576	-	49	-	(106)	(289)	230
<b>At 31 March 2022</b>	-	<b>(25,641)</b>	<b>(7,631)</b>	<b>(86,612)</b>	<b>(86)</b>	<b>(85)</b>	<b>(362)</b>	<b>(120,417)</b>
<b>Net book value at 31 March 2021</b>	<b>926,066</b>	<b>1,134,261</b>	<b>9,173</b>	<b>110,081</b>	<b>25,968</b>	<b>6,274</b>	<b>102,420</b>	<b>2,314,243</b>
<b>Net book value at 31 March 2022</b>	<b>925,807</b>	<b>1,120,456</b>	<b>9,179</b>	<b>105,500</b>	<b>26,454</b>	<b>10,844</b>	<b>167,192</b>	<b>2,365,432</b>

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

Values as at 31 March 2021

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

Movements in 2020/21	Operational assets					Non-operational assets		Total
	Council dwellings	Other land and buildings	Vehicles, plant and equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	Property, plant and equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>								
<b>At 1 April 2020</b>	<b>859,158</b>	<b>1,119,374</b>	<b>16,580</b>	<b>210,699</b>	<b>34,358</b>	<b>8,701</b>	<b>111,016</b>	<b>2,359,886</b>
Additions	13,035	35,244	762	7,435	386	26	69,862	126,750
Revaluation increases/(decreases) recognised in the revaluation reserve	21,201	697	-	-	-	(35)	-	21,863
Revaluation increases/(decreases) recognised in the surplus/(deficit) on the provision of services	(19,857)	(7,958)	-	-	-	-	-	(27,815)
Derecognition – disposals	(3,762)	(1,430)	-	-	(8,690)	-	(16,116)	(29,998)
Other transfers/movements	56,291	2,832	-	(445)	-	(2,418)	(62,269)	(6,009)
<b>At 31 March 2021</b>	<b>926,066</b>	<b>1,148,759</b>	<b>17,342</b>	<b>217,689</b>	<b>26,054</b>	<b>6,274</b>	<b>102,493</b>	<b>2,444,677</b>
<b>Accumulated depreciation and impairment</b>								
<b>At 1 April 2020</b>	-	<b>(2,902)</b>	<b>(6,885)</b>	<b>(98,557)</b>	<b>(79)</b>	-	<b>(73)</b>	<b>(108,496)</b>
Depreciation charge	(10,935)	(15,853)	(1,284)	(9,081)	(7)	-	(126)	(37,286)
Depreciation written out to the revaluation reserve	10,887	2,485	-	-	-	-	126	13,498
Depreciation written out to the surplus/(deficit) on the provision of services	-	1,713	-	-	-	-	-	1,713
Derecognition – disposal	48	56	-	-	-	-	-	104
Other transfers/movements	-	3	-	30	-	-	-	33
<b>At 31 March 2021</b>	-	<b>(14,498)</b>	<b>(8,169)</b>	<b>(107,608)</b>	<b>(86)</b>	-	<b>(73)</b>	<b>(130,434)</b>
<b>Net book value at 31 March 2020</b>	<b>859,158</b>	<b>1,116,472</b>	<b>9,695</b>	<b>112,142</b>	<b>34,279</b>	<b>8,701</b>	<b>110,943</b>	<b>2,251,390</b>
<b>Net book value at 31 March 2021</b>	<b>926,066</b>	<b>1,134,261</b>	<b>9,173</b>	<b>110,081</b>	<b>25,968</b>	<b>6,274</b>	<b>102,420</b>	<b>2,314,243</b>

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Sanderson Weatherall undertook valuations on behalf of the Council in 2020/21 for operational property and investment property. HRA stock was valued at 31st March 2022.

The valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The value of Council dwellings has been adjusted annually on the basis of property valuation indices, taking into account an adjustment factor to reflect the lower value of social housing. Valuations concerning vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices, with consideration given for the condition of the asset.

## Note 17: Capital Commitments

### Capital Commitments

At 31 March 2022, the Council had a number of capital schemes/projects planned for future years. This refers to schemes with a contractual commitment in excess of £1 million. Similar commitments at 31 March 2021 amounted to £32.7m. As at 31 March 2022, the Council had the following major commitments:

	2021/22
	£'000
Housing & Growth Programme	13,903
Schools programme	15,921
Juniper House	2,245
<b>Total</b>	<b>32,069</b>

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**Note 17: Capital Commitments (continued)****Assets under construction**

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

2020/21		2021/22
£'000		£'000
110,944	<b>Balance at 1 April</b>	<b>102,421</b>
	<b>Expenditure:</b>	
2,981	Central Parade	-
2,862	WTH Campus Development	-
61	Marlow Flats GF Housing	62
2,291	Marlowe Road Estate Redevelopment	1,765
4,773	New Build Schemes (Housing)	7,082
30,358	Sixty Bricks Sites	33,114
4,833	EMD Cinema	4,785
10,120	Juniper House Conversion to Residential	11,482
2,326	Sun Trap	-
2,346	Belmont Housing Development	8,052
797	ECB Hub & Leyton Cricket Club	-
3,424	Montague Rd Redevelopment	3,088
-	Coroner's Redevelopment	563
-	Central Parade,25	2,182
-	Housing Acquisition	1,529
-	Lea Bridge station sites 1-3	684
-	Low Hall Depot Remodel	297
-	Loft conversion CD New Builds	1,030
-	New Build Billericay Garages	62
-	Rough Sleepers	2,508
-	Sutherland Rd Health Centre	736
-	Tascomi	264
2,472	Other schemes	197
<b>69,644</b>	<b>Sub-total</b>	<b>79,482</b>
(15,825)	Derecognition	(1,214)
(62,342)	Other transfers/movements	(13,496)
<b>102,421</b>	<b>Balance at 31 March</b>	<b>167,193</b>

## Note 18: Heritage Assets

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

2020/21		2021/22
£'000		£'000
41,883	<b>Balance at 1 April</b>	<b>56,845</b>
-	Additions	-
14,962	Revaluations	-
<b>56,845</b>	<b>Balance at 31 March</b>	<b>56,845</b>

## Note 19: Investment Property

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

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

2020/21		2021/22
£'000		£'000
7,816	<b>Balance at 1 April</b>	<b>7,351</b>
-	Additions	-
3	Enhancement	-
-	Transfer from PPE	724
(468)	Net gains/(losses) from fair value adjustments	628
<b>7,351</b>	<b>Balance at 31 March</b>	<b>8,703</b>

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

2020/21		2021/22
£'000		£'000
(259)	Rental income from investment property	(432)
126	Direct operating expenses arising from investment property	163
<b>(133)</b>	<b>Total</b>	<b>(269)</b>

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

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

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. There are contractual obligations to repair and maintain the fabric of the investment property which is reflected in the valuation.

The minimum lease rental income receivable is as follows:

2020/21		2021/22
£'000		£'000
269	Within one year	255
655	Between one and five years	569
107	Later than five years	210
<b>1,031</b>	<b>Total</b>	<b>1,034</b>

**Note 20: Cash and Cash Equivalents**

2020/21		2021/22
£'000		£'000
38	Cash held by the Council	38
15,185	Bank current accounts	17,355
28,059	Short-term deposits	46,447
43,282	<i>Disclosed in current assets</i>	63,841
(7,911)	Less bank overdraft - disclosed in current liabilities	(7,863)
<b>35,371</b>	<b>Net cash and cash equivalents</b>	<b>55,978</b>



## Note 21: Financial Instruments

### By Category

2020/21				2021/22		
Non-Current	Current	Total		Non-Current	Current	Total
£'000	£'000	£'000		£'000	£'000	£'000
			<b>Financial Assets</b>			
-	-	-	<i>Fair value through profit and loss</i>	-	-	-
-	-	-		-	-	-
			<i>Amortised cost</i>			
-	43,052	43,052	Investments		28,024	28,024
3,811	-	3,811	Finance lease	3,810		3,810
6,812	38,877	45,689	Debtors	19,600	58,237	77,837
-	43,283	43,283	Cash and cash equivalents		63,841	63,841
<b>10,623</b>	<b>125,212</b>	<b>135,835</b>		<b>23,410</b>	<b>150,102</b>	<b>173,512</b>
44	-	44	Fair value through other comprehensive income	4,255	-	4,255
<b>10,667</b>	<b>125,212</b>	<b>135,879</b>	<b>Total financial assets</b>	<b>27,665</b>	<b>150,102</b>	<b>177,767</b>
			<b>Financial Liabilities</b>			
			<i>Amortised cost</i>			
(244,810)	(111,052)	(355,862)	Loans outstanding	(278,161)	(103,311)	(381,472)
(41,226)	-	(41,226)	PFI contracts	(34,882)	(3,467)	(38,349)
(3,904)	-	(3,904)	Finance leases	(3,902)		(3,902)
-	(57,679)	(57,679)	Creditors		(64,475)	(64,475)
-	(7,911)	(7,911)	Bank overdraft		(7,863)	(7,863)
<b>(289,940)</b>	<b>(176,642)</b>	<b>(466,582)</b>		<b>(316,945)</b>	<b>(179,116)</b>	<b>(496,061)</b>
(4,266)	-	(4,266)	Fair value through other comprehensive income	(3,826)	-	(3,826)
<b>(294,206)</b>	<b>(176,642)</b>	<b>(470,848)</b>	<b>Total financial liabilities</b>	<b>(320,771)</b>	<b>(179,116)</b>	<b>(499,887)</b>

Note 21: Financial Instruments (continued)

Income, Expense, Gains and Losses

2020/21				2021/22		
Financial Liabilities	Financial Assets			Financial Liabilities	Financial Assets	
Liabilities at amortised cost	Loans and Receivables	Fair value through other comprehensive income		Liabilities at amortised cost	Loans and Receivables	Fair value through other comprehensive income
£'000	£'000	£'000		£'000	£'000	£'000
			<b>Net gains/Losses on:</b>			
-	-	-	Net Loss on financial assets at fair value through profit and loss			
17,641	-	-	Interest expense	16,659		
-	-	-	Impairment Losses			
17,641	-	-	<b>Total expense in Surplus/Deficit on the Provision of Service</b>	16,659	-	-
-	(999)	-	Interest income		(1,623)	
-	(999)	-	<b>Total Income in Surplus/Deficit on the Provision of Services</b>		(1,623)	-
			<b>Interest revenue</b>			
-	-	(230)	Gains on Revaluation			(5,070)
-	-	996	Losses on Revaluation			420
-	-	766	<b>Surplus/Deficit arising on Revaluation of financial Assets in Other Comprehensive Income and Expenditure</b>	-	-	(4,650)
17,641	(999)	766	<b>Net gain/Loss for the Year</b>	16,659	(1,623)	(4,650)

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

### Overall procedures for managing risk

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

### Credit Risk

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

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

[Capital Investment Strategy 2021/22 to 2026/27 | London Borough of Waltham Forest](#)

### Credit Risk - Treasury Investments

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

31-March-2021			Fitch Rating	31-March-2022		
FVOCI	Loans and Receivables	Cash and cash equivalents		FVOCI	Loans and Receivables	Cash and cash equivalents
£'000	£'000	£'000		£'000	£'000	£'000
-	-	14,344	AAA			25,000
-	10,046	-	A+			
-	5,001	13,705	A		10,000	21,423
-	-	-	A-			
-	-	-	AA-			
-	-	-	BBB+			
-	-	-	BBB		5,000	
-	5,002	-	BB-		5,000	
44	72,502	15,234	Not Applicable	4,255	89,671	17,418
<b>44</b>	<b>92,551</b>	<b>43,283</b>		<b>4,255</b>	<b>109,671</b>	<b>63,841</b>

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

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

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

**Credit Risk - Trade Debtors**

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

31-March-2021		31-March-2022	
£'000		£'000	
11,180	Less than three months		41,190
1,163	Three to six months		2,160
2,459	Six months to one year		2,554
6,707	More than one year		8,971
<b>21,509</b>	<b>Total</b>		<b>54,875</b>

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

2020/21		2021/22	
£'000		£'000	
13,968	Balance c/f		16,426
2,458	Increase in impairment allowance		1,565
<b>16,426</b>	<b>Balance c/f</b>		<b>17,991</b>

**Liquidity risk**

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

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

31-March-2021		31-March-2022	
£'000		£'000	
176,779	Less than one year		176,692
21,903	Between 1 and 2 years		6,215
21,692	Between 3 and 5 years		24,260
43,476	Between 6 and 10 years		37,386
202,732	More than 10 years		251,508
<b>466,582</b>	<b>Total</b>		<b>496,061</b>

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

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

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

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

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

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

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

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

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

The treasury team will monitor the market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rate borrowing would be postponed.

At 31 March 2022, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	(464)
<b>Impact on surplus/deficit on the provision of services</b>	<b>(464)</b>

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

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

<b>Impact on other comprehensive income and expenditure</b>	<b>£'000</b>
Decrease in fair value of fixed rate investment assets	-
Decrease in fair value of fixed rate borrowings liabilities	(59,002)

The impact of a 1% fall in interest rates would be as above but with the movements being reversed, but would increase the fair value of borrowings by

179,921

The above sensitivity analysis is based on the loans and investments as at 31 March 2022.

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## Note 23: Capital Expenditure and Financing

The capital financing requirement (CFR) is a Prudential Code indicator which shows the underlying need for the Council to borrow to fund its non current assets. The requirement is increased by capital expenditure financed from borrowing and decreased by revenue or capital resources put aside for the repayment of debt. An explanation of the movement in the year ended 31 March 2022 is shown in the table below.

Total expenditure incurred on improvement, enhancement and acquisition of non-current assets in 2021/22 was £143m (2020/21, £138m). The financing sources used are shown below and include amounts used to finance REFUCS expenditure.

2020/21		2021/22
£'000		£'000
<b>448,684</b>	<b>Opening capital financing requirement</b>	<b>505,764</b>
	<b>Capital investment</b>	
126,750	Property, plant and equipment	131,627
3	Investment Properties	-
-	Intangible Assets	-
11,590	Revenue expenditure funded from capital under statute	11,309
	<b>Sources of finance</b>	
(18,552)	- Capital receipts	(21,470)
(37,420)	- Government grants and other contributions	(31,235)
(11,367)	- Major repairs reserve	(12,168)
	<b>Sums set aside from revenue</b>	
(6,623)	- Direct revenue financing	(11,472)
(7,301)	- Minimum revenue provision	(27,449)
<b>505,764</b>	<b>Closing capital financing requirement</b>	<b>544,906</b>
	<b>Explanation of movements in year:</b>	
57,080	Increase/(decrease) in underlying need to borrow	39,143
<b>57,080</b>	<b>Increase/(decrease) in CFR for the year</b>	<b>39,143</b>

## Note 24: Leases

### Council as lessee

#### Finance leases

The Council has interests in three industrial estates acquired under finance leases. The assets are carried as operational land and buildings in the Balance Sheet at £7.845m (£8.180m 2020/21).

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

31-March-2021			31-March-2022	
£'000			£'000	
		Finance lease liabilities (net present value of minimum lease payments):		
1		- current (not later than one year)	1	
3,903		- non-current (later than one year)	3,902	
20,537		Finance costs payable in future years	20,206	
<b>24,441</b>			<b>24,109</b>	

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

2020/21			2021/22	
Minimum lease payments	Finance lease liabilities		Minimum lease payments	Finance lease liabilities
£'000	£'000		£'000	£'000
332	1	Not later than 1 year	332	1
1,328	5	Later than 1 year and not later than 5 years	1,328	6
22,781	3,898	Later than 5 years	22,117	3,895
<b>24,441</b>	<b>3,904</b>		<b>23,777</b>	<b>3,902</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2021/22, £0.919m of contingent rents were payable by the Council (£0.837m in 2020/21).

The Authority has sub-let industrial units held on the sites held under these finance leases. At 31 March 2022, the minimum payments expected to be received under non-cancellable sub-leases was £7.893m (£8.872m at 31 March 2021). These are included within the disclosures of operating leases where the Council is lessor below.



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

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

31-March-2021		31-March-2022	
£'000		£'000	
479	Not later than 1 year	281	
888	Later than 1 year and not later than 5 years	1,090	
1,293	Later than 5 years	1,897	
<b>2,660</b>		<b>3,268</b>	

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

2020/21		2021/22	
£'000		£'000	
590	Minimum lease payments	595	
27	Contingent rents	27	
<b>617</b>		<b>622</b>	

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

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

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

31-March-2021		31-March-2022	
£'000		£'000	
	Finance lease debtor (net present value of minimum lease payments):		
1	- current (not later than one year)	1	
3,811	- non-current (later than one year)	3,810	
19,620	Unearned finance income	19,366	
<b>23,432</b>	<b>Gross investment in the lease</b>	<b>23,177</b>	

**Note 24: Leases (continued)**

These amounts will be received over the following periods

2020/21			2021/22	
Gross investment in the lease	Minimum lease payments		Gross investment in the lease	Minimum lease payments
£'000	£'000		£'000	£'000
255	1	Not later than 1 year	255	1
1,019	3	Later than 1 year and not later than 5 years	1,019	3
22,158	3,808	Later than 5 years	21,903	3,806
<b>23,432</b>	<b>3,812</b>		<b>23,177</b>	<b>3,810</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2021/22, £0.315m contingent rents were receivable by the Council (£0.185m in 2020/21).

**Operating leases**

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

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

2020/21			2021/22
£'000			£'000
	3,767	Not later than 1 year	3,731
	11,699	Later than 1 year and not later than 5 years	10,947
	57,370	Later than 5 years	56,130
	<b>72,836</b>		<b>70,808</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2021/22 £0.390m contingent rents were receivable by the Council (£0.491m in 2020/21).

## Note 25: Private Finance Initiative and Similar Contracts

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

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

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

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

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

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

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

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

**Value of the assets under PFI contracts**

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

2020/21					2021/22			
Lammas <sup>(Note 2)</sup>	Grouped	Frederick Bremer	Total		Lammas	Grouped	Frederick Bremer	Total
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
-	134,620	44,710	179,330	Opening balance	-	133,127	44,308	177,435
-	383	12	395	In-year capital expenditure	-	162	-	162
-	957	639	1,596	Lifecycle works	-	-	-	-
-	(1,128)	(414)	(1,542)	Depreciation	-	(1,117)	(414)	(1,531)
-	(1,705)	(639)	(2,344)	Revaluation gains/(loss)	-	(320)	-	(320)
-	133,127	44,308	177,435	Closing balance	-	131,852	43,894	175,746

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

**Payments**

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

2020/21					2021/22			
Service cost	Repayment of liability	Interest	Total		Service cost	Repayment of liability	Interest	Total
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
(9,098)	(2,878)	(3,201)	(15,177)	within 1 year	(9,000)	(3,466)	(2,917)	(15,383)
(37,785)	(12,283)	(9,908)	(59,976)	within 2-5 years	(37,121)	(11,630)	(8,856)	(57,607)
(41,401)	(12,814)	(7,362)	(61,577)	within 6-10 years	(41,831)	(12,763)	(6,343)	(60,937)
(36,529)	(13,025)	(1,982)	(51,536)	within 11-15 years	(28,234)	(10,489)	(1,139)	(39,862)
(474)	(226)	(1)	(701)	within 16-20 years	-	-	-	-
(125,287)	(41,226)	(22,454)	(188,967)	Closing balance	(116,186)	(38,348)	(19,255)	(173,789)

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

**Movement on the value of the liabilities**

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

2020/21		2021/22
£'000		£'000
(43,510)	Balance b/f	(41,227)
2,283	Repayment	2,878
(41,227)	Balance at 31 March	(38,349)

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## Note 26: Fair value of assets and liabilities

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

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

The following tables combine information about:

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

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

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

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

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

The basis of valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

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

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

31 March 2022	Carrying Value						Fair Value			
	Financial and non-financial assets			Financial liabilities		Total	Level			Total
	Fair value through profit and loss	Fair value through other comprehensive income	Assets at amortised cost	Liabilities at amortised cost	Liabilities at FVOCI		1	2	3	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Financial assets</b>										
<i>Assets at amortised cost:</i>										
Investments	-	-	28,024	-	-	28,024	28,024			28,024
Finance lease	-	-	3,811	-	-	3,811		10,076		10,076
Debtors	-	-	77,836	-	-	77,836	77,836			77,836
Cash and cash equivalents	-	-	57,141	-	-	57,141	57,141			57,141
Fair value through other comprehensive income	-	4,255		-	-	4,255			4,255	4,255
<b>Total financial assets</b>	-	<b>4,255</b>	<b>166,812</b>	-	-	<b>171,067</b>	<b>163,001</b>	<b>10,076</b>	<b>4,255</b>	<b>177,332</b>
<b>Non-financial assets</b>										
Investment property	8,702	-	-	-	-	8,702			8,702	8,702
Surplus assets	10,846	-	-	-	-	10,846			10,846	10,846
Assets held for sale	1,048	-	-	-	-	1,048			1,048	1,048
<b>Total financial and non-financial assets</b>	<b>20,596</b>	<b>4,255</b>	<b>166,812</b>	-	-	<b>191,663</b>	<b>163,001</b>	<b>10,076</b>	<b>24,851</b>	<b>197,928</b>
<b>Financial liabilities</b>										
<i>Liabilities at amortised cost:</i>										
Loans outstanding	-	-	-	(383,725)	-	(383,725)	(99,220)	(364,990)		(464,210)
PFI contracts	-	-	-	(38,348)	-	(38,348)		(57,858)		(57,858)
Finance leases	-	-	-	(3,902)	-	(3,902)		(11,953)		(11,953)
Creditors	-	-	-	(64,475)	-	(64,475)	(64,475)			(64,475)
Bank overdraft	-	-	-	(7,863)	-	(7,863)	(7,863)			(7,863)
Fair value through other comprehensive income	-	-	-		(3,826)	(3,826)			(3,826)	(3,826)
<b>Total financial liabilities</b>	-	-	-	<b>(498,313)</b>	<b>(3,826)</b>	<b>(502,139)</b>	<b>(171,558)</b>	<b>(434,801)</b>	<b>(3,826)</b>	<b>(610,185)</b>

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

31 March 2021	Carrying Value					Fair Value				
	Financial and non-financial assets			Financial liabilities		Total	Level			Total
	Fair value through profit and loss	Fair value through other comprehensive income	Loans and receivables	Liabilities at amortised cost	Liabilities at FVOCI		1	2	3	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Financial assets</b>										
<i>Assets at amortised cost:</i>										
Investments	-	-	43,052	-	-	43,052	43,052	-	-	43,052
Finance lease	-	-	3,811	-	-	3,811	-	10,145	-	10,145
Debtors	-	-	45,689	-	-	45,689	45,652	88	-	45,740
Cash and cash equivalents	-	-	36,583	-	-	36,583	36,583	-	-	36,583
Fair value through other comprehensive income	-	44	-	-	-	44	-	-	44	44
<b>Total financial assets</b>	-	<b>44</b>	<b>129,135</b>	-	-	<b>129,179</b>	<b>125,287</b>	<b>10,233</b>	<b>44</b>	<b>135,564</b>
<b>Non-financial assets</b>										
Investment property	8,074	-	-	-	-	8,074	-	-	8,074	8,074
Surplus assets	6,274	-	-	-	-	6,274	-	-	6,274	6,274
Assets held for sale	5,975	-	-	-	-	5,975	-	-	5,975	5,975
<b>Total financial and non-financial assets</b>	<b>20,323</b>	<b>44</b>	<b>129,135</b>	-	-	<b>149,502</b>	<b>125,287</b>	<b>10,233</b>	<b>20,367</b>	<b>155,887</b>
<b>Financial liabilities</b>										
<i>Liabilities at amortised cost:</i>										
Loans outstanding	-	-	-	(358,116)	-	(358,116)	(110,291)	(360,510)	-	(470,801)
PFI contracts	-	-	-	(41,226)	-	(41,226)	-	(58,424)	-	(58,424)
Finance leases	-	-	-	(3,904)	-	(3,904)	-	(12,094)	-	(12,094)
Creditors	-	-	-	(57,679)	-	(57,679)	(57,679)	-	-	(57,679)
Bank overdraft	-	-	-	(7,911)	-	(7,911)	(7,911)	-	-	(7,911)
Fair value through other comprehensive income	-	-	-	-	(4,266)	(4,266)	-	-	(4,266)	(4,266)
<b>Total financial liabilities</b>	-	-	-	<b>(468,836)</b>	<b>(4,266)</b>	<b>(473,102)</b>	<b>(175,881)</b>	<b>(431,028)</b>	<b>(4,266)</b>	<b>(611,175)</b>



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

**Sensitivity of assets valued at level 3**

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Council has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out opposite the consequent potential impact on the closing value of investments held at 31 March 2021.

Description of asset	Assessed valuation range	Value at 31 March 2022 £'000	Valuation Increase £'000	Valuation Decrease £'000
Financial assets at FVOCI	+10%/-10%	4,255	4,680	3,829
Financial liabilities at FVOCI	+10%/-10%	(3,826)	(4,209)	(3,444)
Investment property, surplus assets and assets held for sale	+16.9%/-12.9%	20,596	24,077	17,939
<b>Total</b>		<b>21,025</b>	<b>24,548</b>	<b>18,324</b>

Description of asset	Assessed valuation range	Value at 31 March 2021 £'000	Valuation Increase £'000	Valuation Decrease £'000
Financial assets at FVOCI	+10%/-10%	44	48	40
Financial liabilities at FVOCI	+10%/-10%	(4,266)	(4,694)	(3,839)
Investment property, surplus assets and assets held for sale	+16.9%/-12.9%	20,323	23,757	17,701
<b>Total</b>		<b>16,101</b>	<b>19,111</b>	<b>13,902</b>

**Note 26: Fair value of assets and liabilities (continued)****Transfers between levels 1 and 2**

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

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

2021/22	1 April 2021	Transfers into Level 3	Transfers out of Level 3	Purchases	Sales	Unrealised gains/(losses)	Realised gains/(losses)	31 March 2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets at FVOCI	44					4,211		4,255
Financial liabilities at FVOCI	(4,266)					439		(3,827)
Investment property	7,350		1,294			58		8,702
Surplus assets <sup>(Note 1)</sup>	6,274		4,855	607		(890)		10,846
Assets held for sale <sup>(Note 2)</sup>	5,975				(4,880)		(47)	1,048
<b>Total</b>	<b>15,377</b>	<b>-</b>	<b>6,149</b>	<b>607</b>	<b>(4,880)</b>	<b>3,818</b>	<b>(47)</b>	<b>21,024</b>

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

Note 2 - the transfer out reflects the reclassification of assets which no longer meet the assets held for sale criteria.

2020/21	1 April 2020	Transfers into Level 3 <sup>(Note 2)</sup>	Transfers out of Level 3	Purchases	Sales	Unrealised gains/(losses)	Realised gains/(losses)	31 March 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets at FVOCI <sup>(Note 3)</sup>	-	-	-	-	-	44	-	44
Financial liabilities at FVOCI <sup>(Note 4)</sup>	(3,456)	-	-	-	-	(810)	-	(4,266)
Investment property	7,815	-	-	3	-	(468)	-	7,350
Surplus assets	8,701	(2,418)	-	26	-	(35)	-	6,274
Assets held for sale	-	5,975	-	-	-	-	-	5,975
<b>Total</b>	<b>13,060</b>	<b>3,557</b>	<b>-</b>	<b>29</b>	<b>-</b>	<b>(1,269)</b>	<b>-</b>	<b>15,377</b>

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

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

## Note 27: Debtors

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

2020/21			2021/22	
Short-term	Long-term		Short-term	Long-term
£'000	£'000		£'000	£'000
17,764	-	Central government bodies	20,244	
24,473	-	Other local authorities	17,499	
2,123	-	NHS bodies	29,021	
68,141	28,766	Other entities and individuals	46,059	23,410
<b>112,501</b>	<b>28,766</b>	<b>Total</b>	<b>112,823</b>	<b>23,410</b>

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

## Note 28: Creditors

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

2020/21			2021/22	
Short-term			Short-term	
£'000			£'000	
(49,310)		Central government bodies	(48,201)	
(1,207)		Other local authorities	(2,619)	
(1,868)		NHS bodies	(21,890)	
(85,757)		Other entities and individuals	(85,480)	
-		- PFI creditors	(3,467)	
<b>(138,142)</b>		<b>Total</b>	<b>(161,657)</b>	

## Note 29: Provisions

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

Short term provisions	Exit packages	NNDR Appeals	Other	Total
	£'000	£'000	£'000	£'000
Balance at 31 March 2021	(24)	(2,307)	(7,366)	(9,697)
Amounts used	-	17,624	927	18,551
Additional provisions	-	(17,379)	(6,218)	(23,597)
<b>Balance at 31 March 2022</b>	<b>(24)</b>	<b>(2,062)</b>	<b>(12,657)</b>	<b>(14,743)</b>

### Exit packages

The Code requires the Council to raise a provision to cover the cost of exit packages (redundancies) where the termination was demonstrably approved in 2021/22, although actual payments will not occur until 2022/23.

### NNDR Appeals

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

### Other

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

Long term provisions	Insurance fund	Thames Water	School Breakfast Club	Total
	£'000	£'000	£'000	£'000
Balance at 31 March 2021	(6,956)	(5,740)	(59)	(12,755)
Amounts used	1,905	5,552	59	7,516
Additional provisions	(616)	(627)	-	(1,243)
<b>Balance at 31 March 2022</b>	<b>(5,667)</b>	<b>(815)</b>	<b>-</b>	<b>(6,482)</b>

### Insurance provision

The insurance balance at 31 March 2022 has decreased to £5.667 million. This represents the estimated value of potential liabilities incurred to 31 March 2022, identified by a report from JLT Specialty Ltd, which analysed the Council's self-insurance funds. The Council takes out insurance on:- employers' liability, vehicles, business interruption, fidelity guarantee, public liability, official's indemnity, personal accident, engineering, the Gallery collection and property. These do not have a significant impact on the balance held in the provision or the reserve. The Council is active in risk management, identifying areas of particular risk and taking management steps with a view to reducing possible future claims and losses. With the exception of damage caused by terrorism, there are no material risks which are not covered by either direct insurance or self insurance via the provision.

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

A provision has been set up for the possible repayment of water rates to tenants following the case of Jones v London Borough of Southwark in the High Court in 2016, after refund of £5.552m made to the tenants the remaining provision balance is £815k on 31st March 2022.

**School Breakfast Club**

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

**Note 30: Unusable Reserves**

2020/21		2021/22
£'000		£'000
(913,909)	Revaluation reserve	(916,296)
(968,777)	Capital adjustment account	(974,747)
(5,115)	Deferred capital receipts	(17,355)
17,077	Financial instruments adjustment account	16,492
4,233	Financial Instruments Reserve	(417)
740,197	Pension reserve	799,329
13,053	Collection Fund adjustment account	2,196
5,030	Accumulated absence account	5,298
942	DSG Adjustment Account	2,763
<b>(1,107,269)</b>	<b>Total</b>	<b>(1,082,737)</b>

**Note 30a: Revaluation Reserve**

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

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

2020/21		2021/22
£'000		£'000
<b>(878,335)</b>	<b>Balance at 1 April</b>	<b>(913,909)</b>
(39,434)	Revaluation of assets	(13,755)
299	Accumulated gains on assets sold or scrapped	7,855
3,561	Adjustment to depreciation on revalued assets	3,513
<b>(913,909)</b>	<b>Balance at 31 March</b>	<b>(916,296)</b>

## Note 30b: Capital Adjustment Account

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

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

2020/21		2021/22
£'000		£'000
(978,772)	<b>Balance at 1 April</b>	<b>(968,777)</b>
	<b>Reversal of items debited and credited to the Comprehensive Income and Expenditure Statement</b>	
53,166	Depreciation and impairment of non current assets	69,390
11,590	Revenue expenditure funded from capital under statute	11,309
29,895	Current value of asset disposals	29,121
(3,561)	Adjustment to depreciation on revalued assets	(3,513)
(299)	Accumulated gains on assets sold or scrapped	(7,855)
<b>90,791</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>98,452</b>
	<b>Capital financing applied in year</b>	
(18,553)	Capital receipts	(21,470)
(11,367)	Major repairs reserve	(12,168)
(23,255)	Capital grants and contributions	(25,678)
(14,164)	Capital grants unapplied	(5,557)
(7,302)	Minimum revenue provision	(27,449)
(6,623)	Direct revenue financing	(11,472)
-	Write back financing of abortive capital	
<b>(81,264)</b>	<b>Capital financing applied in year</b>	<b>(103,794)</b>
	<b>Other movements</b>	
468	Increase/(decrease) in value of investment properties	(628)
<b>468</b>		<b>(628)</b>
<b>(968,777)</b>	<b>Balance at 31 March</b>	<b>(974,747)</b>

### Note 30c: Financial Instruments Adjustment Account

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

2020/21		2021/22
£'000		£'000
17,662	Balance at 1 April	17,077
(585)	Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	(585)
17,077	Balance at 31 March	16,492

### Note 30d: Financial Instruments Revaluation Reserve

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

2020/21		2021/22
£'000		£'000
3,467	Balance at 1 April	4,233
(230)	Revaluation gain on assets	(5,070)
996	Impairment of assets	420
4,233	Balance at 31 March	(417)

## Note 30e: Pensions Reserve

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

2020/21			2021/22	
£'000			£'000	
677,247		<b>Balance at 1 April</b>		<b>740,197</b>
41,232		Actuarial gains/(losses) on pensions assets & liabilities		26,932
50,674		Reversal of items relating to retirement benefits debited or credited to the (Surplus)/deficit on provision of services in the Comprehensive Income & Expenditure Statement		63,081
(28,956)		Employer's pensions contributions & direct payments to pensioners payable in the year		(30,881)
<b>740,197</b>		<b>Balance at 31 March</b>		<b>799,329</b>

## Note 30f: Collection Fund Adjustment Account

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

2020/21				2021/22		
Council Tax	NNDR	Total		Council Tax	NNDR	Total
£'000	£'000	£'000		£'000	£'000	£'000
(1,808)	(1,869)	(3,677)	<b>Balance at 1 April</b>	2,003	11,050	13,053
3,811	12,919	16,730	Amount by which council tax & NNDR income credited to the CIES is different from the income calculated for the year in accordance with statutory requirements	(4,525)	(6,332)	(10,857)
<b>2,003</b>	<b>11,050</b>	<b>13,053</b>	<b>Balance at 31 March</b>	<b>(2,522)</b>	<b>4,718</b>	<b>2,196</b>

## Note 30g: Accumulated Absence Account

2020/21			2021/22	
£'000			£'000	
4,138		<b>Balance at 1 April</b>		<b>5,030</b>
(4,138)		Settlement or cancellation of accrual made at the end of preceding year		(5,030)
5,030		Amounts accrued at the end of the current year		5,298
<b>5,030</b>		<b>Balance at 31 March</b>		<b>5,298</b>



## Note 31: Defined Benefit Pension Schemes

### Participation in pension schemes

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

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

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

### Defined contribution schemes

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

**The Teachers' Pension Scheme** is administered by the Teachers' Pension Agency (TPA) on behalf of the Department for Education (DfE). The scheme is unfunded and the DfE uses a notional fund as the basis for calculating the employers' contribution rate paid by participating employer organisations. Valuations of the notional fund are undertaken every four years. The Council is one employer out of 11,885 employers in the Teachers' Pension Scheme.

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

The scheme provides a final salary-based pension based on service to 2015 and a career average revalued earnings based pension for services since 2015. In 2021/22, the Council paid £16.384million (this includes £4.786 million teachers' contributions) to Teachers' Pensions in respect of teachers' retirement benefits (£16.507 million in 2020/21, which included £4.808 million teachers' contributions). There were no contributions remaining payable at year end.

**The NHS Pension Scheme** is administered by the NHS Business Services Agency (NHSBSA). The scheme is unfunded and the NHSBSA uses a notional fund as the basis for calculating the employers' contribution rate paid by participating employer organisations. Valuations of the notional fund are undertaken every four years. The Council is one employer out of 8,057 employers in the NHS Pension Scheme at 31/03/2021.

The scheme provides a final salary-based pension based on service to 2015 and a career average revalued earning based pension for service since 2015. In 2021/22, the Council paid £2,500 (this includes £1,000 staff contributions) to the NHS Pension Scheme in respect of ex-PCT staff member contributions (£8,000 in 2020/21, including £7,000 staff contributions). The employers contribution rate remains at 14.38% of pensionable pay. There is currently one staff member who is part of this scheme; they have been on a career break for the majority of the financial year.

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

### Defined benefits schemes

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

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

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

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

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

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

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

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

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

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

### Discretionary post-retirement benefits

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

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

**Transactions relating to post-employment benefits**

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

2020/21				2021/22			Notes
LGPS	Unfunded discretionary benefits	Total		LGPS	Unfunded discretionary benefits	Total	
£'000	£'000	£'000		£'000	£'000	£'000	
			<b>Comprehensive Income and Expenditure Statement</b>				
			<i>Cost of services:</i>				
33,968	-	33,968	Current service cost	44,093	-	44,093	(i)
154	-	154	Past service cost	1,673	-	1,673	
968	-	968	Losses/(gains) on curtailments and settlements	1,512	-	1,512	
			<i>Other operating expenditure:</i>				
752	-	752	Pension Administration expenses	770	-	770	
			<i>Financing and investment income and expenditure:</i>				
14,268	564	14,832	Interest cost	14,534	499	15,033	(ii)
<b>50,110</b>	<b>564</b>	<b>50,674</b>	<b>Total Post employment benefit charged to the (surplus)/deficit on provision of services</b>	<b>62,582</b>	<b>499</b>	<b>63,081</b>	
			<i>Other Post employment benefit charged to the Comprehensive Income and Expenditure Statement</i>				(iv)
			<i>Remeasurement of the net defined benefit liability comprising:</i>				
(119,077)	-	(119,077)	- Return on plan assets, excluding the amount included in the net interest expense	31,339	-	31,339	(iii)
(31,006)	(570)	(31,576)	- Experience (gain)/loss	4,468	67	4,535	
189,414	2,471	191,885	- Actuarial gains/(losses) arising from changes in financial assumptions	(517)	-	(517)	
-	-	-	- Actuarial gains(losses) arising from changes in demographic assumptions	(8,308)	(117)	(8,425)	
<b>89,441</b>	<b>2,465</b>	<b>91,906</b>	<b>Total Post employment benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>89,564</b>	<b>449</b>	<b>90,013</b>	
			<b>Movement in Reserves Statement</b>				
(50,110)	(564)	(50,674)	Reversal of net charges made to the (surplus)/deficit on provision of services for post employment benefits in accordance with the Code (including Administration expenses)	(62,582)	(499)	(63,081)	
			<i>Actual amount charged against the General Fund balance for pensions in the year:</i>				
<b>26,732</b>	<b>2,224</b>	<b>28,956</b>	<b>Employers' contributions payable to scheme</b>	<b>28,617</b>	<b>2,264</b>	<b>30,881</b>	(v)

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

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

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

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

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

Note 31: Defined Benefit Pension Schemes (continued)

ASSETS AND LIABILITIES IN RELATION TO POST-EMPLOYMENT BENEFITS

2020/21				2021/22		
LGPS	Unfunded discretionary benefits	Total		LGPS	Unfunded discretionary benefits	Total
£'000	£'000	£'000		£'000	£'000	£'000
<b>(1,363,443)</b>	<b>(24,532)</b>	<b>(1,387,975)</b>	<b>Opening balance at 1 April</b>	<b>(1,558,771)</b>	<b>(24,917)</b>	<b>(1,583,688)</b>
(33,968)	-	(33,968)	Current service cost	(44,093)	-	(44,093)
(32,356)	(564)	(32,920)	Interest on pension liabilities	(32,397)	(499)	(32,896)
(7,345)	-	(7,345)	Member contributions	(7,616)	-	(7,616)
(154)	-	(154)	Past service cost (gain)	(1,673)	-	(1,673)
			<i>Remeasurement gain/(loss):</i>			
-	-	-	- Actuarial gains/(losses) arising from changes in demographic assumptions	8,308	117	8,425
(189,414)	(2,471)	(191,885)	- Actuarial gains/(losses) arising from changes in financial assumptions	517	-	517
31,006	570	31,576	- Experience gain/(loss)	(4,468)	(67)	(4,535)
37,871	2,080	39,951	Estimated benefits paid	39,776	2,264	42,040
(968)	-	(968)	Curtailments	(1,512)	-	(1,512)
-	-	-	Settlements	-	-	-
<b>(1,558,771)</b>	<b>(24,917)</b>	<b>(1,583,688)</b>	<b>Closing balance at 31 March</b>	<b>(1,601,929)</b>	<b>(23,102)</b>	<b>(1,625,031)</b>
			<b>Reconciliation of fair value of the scheme assets</b>			
<b>710,728</b>	<b>-</b>	<b>710,728</b>	<b>Opening balance at 1 April</b>	<b>843,491</b>	<b>-</b>	<b>843,491</b>
18,088	-	18,088	Interest on plan assets	17,863	-	17,863
			<i>Remeasurement gain/(loss):</i>			
119,077	-	119,077	- the return on plan assets, excluding the amount included in the net interest expense	(31,339)	-	(31,339)
(752)	-	(752)	Administration expenses	(770)	-	(770)
26,876	2,080	28,956	Employer contributions	30,881	2,264	33,145
-	-	-	(Loss) on settlement	-	-	-
7,345	-	7,345	Contributions by scheme participants	7,616	-	7,616
(37,871)	(2,080)	(39,951)	Benefits paid	(42,040)	(2,264)	(44,304)
<b>843,491</b>	<b>-</b>	<b>843,491</b>	<b>Closing balance at 31 March</b>	<b>825,702</b>	<b>-</b>	<b>825,702</b>

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

The actual return on scheme assets in 2021/22 was a loss of £13,476m (gain of £118,109m in 2020/21).

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

**Pensions Assets and Liabilities recognised in the Balance Sheet**

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

2020/21				2021/22		
LGPS	Unfunded discretionary benefits	Total		LGPS	Unfunded discretionary benefits	Total
£'000	£'000	£'000		£'000	£'000	£'000
(1,558,771)	(24,917)	(1,583,688)	Present value of defined benefit obligation	(1,601,929)	(23,102)	(1,625,031)
843,491	-	843,491	Fair value of employer assets	825,702	-	825,702
<b>(715,280)</b>	<b>(24,917)</b>	<b>(740,197)</b>	<b>(Deficit)/gain in the scheme</b>	<b>(776,227)</b>	<b>(23,102)</b>	<b>(799,329)</b>

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

**Assets in the scheme**

Assets in the LGPS comprised:

2020/21			2021/22	
£'000	%		£'000	%
660,858	79%	Equities	597,770	73%
-	-	Bonds	80,978	10%
157,389	19%	Property	81,131	10%
25,244	3%	Cash/liquidity	9,108	1%
-	-	Other	56,715	7%
<b>843,491</b>	<b>100%</b>		<b>825,702</b>	<b>100%</b>

**Basis for estimating assets and liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The scheme has been assessed by Mercer Human Resource Consulting Ltd, an independent firm of actuaries with the estimates being based on the latest full valuation of the scheme as at 31 March 2019.

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

The principal assumptions used by the actuary have been:

2020/21		2021/22
LBWF		LBWF
%		%
2.7	Rate of inflation (CPI)	3.2
4.2	Rate of increase in salaries *	4.7
2.8	Rate of increase in pensions	3.3
2.1	Rate for discount scheme liabilities	2.6

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

Life expectancy has been based on actuarial tables projected to calendar year 2042 for future pensioners.

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

Mortality assumptions	Males	Females
Longevity at 65 for current pensioners	22.6	25.2
Longevity at 65 for future pensioners (in 20 years' time)	24.2	27.1

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

	Increase in Assumption £'000	Decrease in Assumption £'000
Longevity (increase or decrease in 1 year)	(48,804)	48,804
Rate of inflation (increase or decrease by 0.1%)	(23,177)	23,177
Rate of increase in salaries (increase or decrease by 0.1%)	(1,279)	1,279
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	22,851	(22,851)
Estimated investment return (increase or decrease by 1%)	8,328	(8,328)

**Risk management strategy**

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

**Note 31: Defined Benefit Pension Schemes (continued)****Impact on the Council's Cash flows**

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

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

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

The Council expects to pay £29.307 million to the scheme in 2022/23.

**Note 32: Cash Flow Statement - Operating Activities**

2020/21		2021/22
£'000		£'000
(32,890)	<b>Net surplus or (deficit) on the provision of services</b>	<b>(38,149)</b>
	<i>Adjustments for non-cash movements:</i>	
53,166	Depreciation, impairments and downward revaluation	69,390
(503)	Net increase/decrease in creditors, debtors and inventories	58,684
21,718	Pensions liability	32,200
29,896	Carrying amount of non-current assets sold	29,123
4,864	Other non-cash items	(1,416)
<b>109,141</b>		<b>187,981</b>
	<i>Adjustments for items that are investing or financing activities:</i>	
	- Capital grants	
	- Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	-
(30,633)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(43,359)
(32,201)	Any other items for which the cash effects are investing or financing cash flows	(30,661)
<b>(62,834)</b>		<b>(74,020)</b>
<b>13,417</b>	<b>Net cash flows from operating activities</b>	<b>75,812</b>

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

The cash flows for operating activities include the following items:

2020/21		2021/22
£'000		£'000
960	Interest received	1,623
(16,963)	Interest paid	(16,879)

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

2020/21		2021/22
£'000		£'000
(126,752)	Purchase of property, plant and equipment, investment property and intangible assets	(142,937)
(154,359)	Purchase of short-term and long-term investments	(72,000)
(568)	Other payments for investing activities	(12,985)
25,863	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	31,119
151,538	Proceeds from short-term and long-term investments	87,028
30,924	Other receipts from investing activities (capital grants)	29,582
<b>(73,354)</b>	<b>Net cash flows from investing activities</b>	<b>(80,193)</b>

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

2020/21		2021/22
£'000		£'000
165,678	Cash receipts of short-term and long-term borrowings	172,405
(2,284)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(6,346)
-	Other receipts from financing activities	5,944
(100,089)	Repayments of short-term and long-term borrowing	(147,015)
<b>63,305</b>	<b>Net cash flows from financing activities</b>	<b>24,988</b>



## Note 35: Related Party Transactions

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

### Central government

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

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

### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2021/22 is shown in **Note 10**.

The following Members held positions of control or significant influence in related parties to the Council during 2021/22:

Councillor Clyde Loakes is the Chair of North London Waste Authority. The Council pays an annual levy to NLWA each year for domestic and non-domestic waste collection (£9.565 million in 2021/22).

Councillor Simon Miller was a Director of NPS (London) Ltd, who manage the Council's building consultancy function. In 2021/22, the Council paid NPS (London) Ltd £4.642 million in fees.

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

Councillor Joe Lacey-Holland works for London Borough of Tower Hamlets and her spouse works for London Borough of Brent .

Councillor Sally Little John is a trustee of CannHallCan charity, which pays a quarterly rent for a lease on a Council-owned building in Cann Hall Park.

Councillor Richard Sweden is a trustee of Leyton Orient Trust, which has a financial relationship with the Council with regard to the use of the Score Centre which occupies and manages by the Trust and the Council owns.

### Chief Officers

During 2021/22 chief officers declared an interest in the following:

	Chief Officers
Director of NPS Ltd	1
Board Member of Sixty Bricks	1
Advisory Board Member CCLA Public Sector Deposit Fund	1
Board members of WF CCG	2

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

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

Name and company number	Nature of the Council's interest	Net worth of the company at 31 March 2021	Principal activities	Transactions with the Council 2021/22
Sixty Bricks Ltd (10593957)	100% shareholding (100 £1 shares)		The aim of the company is to acquire, develop and subsequently sell, let and manage residential, commercial and retail properties on a mixture of market and affordable tenures.	The Council has advanced a loan to the company to provide working capital. Principal of £1.692m was outstanding at 31 March 2022. Interest of £158k has been charged on the loan to date. The Council has advanced a loan to the company to provide funding for a Phase 2 Pipeline. Principal of £518k was outstanding at 31 March 2022. Interest of £16k has been charged on the loan to date. The Council also advanced development finance totalling £6.468 million in relation to the Centenary House scheme and charged £367k of interest on the advance to date.
More Homes Waltham Forest LLP (OC421986)	50/50 Joint Venture with Mears Housing Management (Holdings) Limited.		The LLP has been set up to help provide housing for people currently in temporary accommodation.	Nil.
Waltham Forest Services Ltd (10912148)	100% shareholding (100 £1 shares)		Provides a variety of services on a commercial basis including house clearance, gardening, handyperson and pest control.	The company owes the Council £766k at 31 March 2022.
Waltham Forest Trading Ltd (10912348)	100% shareholding (100 £1 shares)		Currently dormant	Nil.
Walthamstow Scene Ltd (9112012)	100% shareholding (100 £1 shares)		Currently dormant	Nil.
NPS London Limited (06078945)	20% shareholding (two £1 shares)		Property consultancy (the Council is the company's principal customer)	Sales to the Council were £4.7m in 2021/22. Net debtor balances due to the company from the Council were £0.5m at 31 March 2022.
Waltham Forest Local Education Partnership (LEP) Limited (06009180)	10% shareholder, owning 5,500 £1 shares		Provides facilities management services to a number of schools and colleges in the Borough.	Nil.
BY Education (Waltham Forest) Limited (06009302)	10% shareholder, owning 5,000 £1 shares		Design, refurbishment and construction of educational facilities in the Borough under the Government's Private Finance Initiative (PFI)	Sales to the Council were £3.7m in 2021/22. Net debtor balance due to the company from the Council was Nil.
BY Education (Waltham Forest) Holdings Limited (06009403)	10% shareholder, owning 5,000 £1 shares		Design, refurbishment and construction of educational facilities in the Borough under the Government's Private Finance Initiative (PFI).	Nil.

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

The Chief Executive of the Council is a William Morris Gallery Trustee. During 2021/22, the Council provided funding of £49k to William Morris Gallery (£179k in 2020/21)

**Note 35: Related Party Transactions (continued)****Other public bodies**

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

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

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

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

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

**Note 36: Contingent Liabilities****Mental Health Act 1983 Section 117**

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

**More Homes Waltham Forest LLP**

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

**DWP Earnings Support Allowance**

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

## Note 37: Contingent Assets

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

## Note 38: Events After the Reporting Period

The statement of accounts was authorised for issue by the director of finance on 29 July 2022. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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## SECTION – 4

### SUPPLEMENTARY FINANCIAL STATEMENTS

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#### Supplementary Financial Statements

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

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

2020/21			Expenditure	2021/22		Note
£'000	Expenditure	£'000		£'000		
	9,625		Repairs and maintenance		10,028	
	26,547		Supervision and management		28,713	
	136		Rents, rates, taxes and other charges		186	
	20,588		Depreciation and impairment of non current assets		16,607	5
	114		Debt management costs		323	
	535		Transfer to/from Provision		(1,746)	
	1,760		Increase/(decrease) in the provision for bad debts		2,896	
	<b>59,305</b>		<b>Total expenditure</b>		<b>57,007</b>	
			<b>Income</b>			
	(52,859)		Dwelling rents		(54,875)	
	(1,061)		Non-dwelling rents		(708)	
	(6,297)		Charges for service and facilities		(5,839)	
	(1,641)		Contributions towards expenditure		(3,087)	
	<b>(61,858)</b>		<b>Total income</b>		<b>(64,509)</b>	
	<b>(2,553)</b>		<b>Net cost or (income) of HRA services as included in the whole authority Comprehensive Income and Expenditure Statement</b>		<b>(7,502)</b>	
	158		HRA services share of Corporate and Democratic Core		158	
	<b>(2,395)</b>		<b>Net cost of HRA Services</b>		<b>(7,344)</b>	
			<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b>			
	(10,914)		(Gain) or loss on sale of HRA non current assets		(2,955)	
	9,430		Interest payable and similar charges		7,966	
	(337)		HRA interest and investment income		(211)	
	633		Pension Liability, interest cost & expected return on pension asset		695	
	(3,110)		Capital grants and contributions receivable		(9,764)	
	<b>(6,693)</b>		<b>(Surplus) or deficit for the year on HRA Services</b>		<b>(11,613)</b>	

## Statement on The Movement on The Housing Revenue Account

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

2020/21			Expenditure	2021/22		Note
£'000	Expenditure	£'000		£'000		
	(7,328)		<b>Balance on the HRA as at 1 April</b>			<b>(3,318)</b>
	(6,693)		(Surplus)/deficit for the year on the HRA Income and Expenditure Statement			(11,613)
			<b>Adjustments between accounting basis and funding basis:</b>			
	40		Amount by which finance costs chargeable in accordance with the Code are different from finance costs chargeable in year under statutory requirements			40
	(20,579)		Depreciation & impairments			(16,607)
	10,914		(Gain)/loss on HRA disposals			2,955
	(875)		Net charges for pensions			(1,417)
	9,961		Use of capital grants to finance capital expenditure			8,971
	5,178		Capital expenditure charged to HRA balance			5,800
	(9)		Accumulated absences adjustment			(16)
	11,367		Transfer to the Major Repairs Reserve			12,168
	<b>9,304</b>		<b>Net (increase) or decrease before transfers to or from reserves</b>			<b>281</b>
	(5,294)		Transfers to or (from) earmarked reserves			(2,442)
	<b>4,010</b>		<b>(Increase) or decrease in year on the HRA</b>			<b>(2,161)</b>
	<b>(3,318)</b>		<b>HRA Balance at 31 March</b>			<b>(5,479)</b>

## Housing Revenue Account Notes

### Note 1: Housing Stock

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

2020/21	Type of accommodation	2021/22
4,655	Low rise flats	4,628
1,001	High rise flats	1,038
3,746	Houses and bungalows	3,717
460	Sheltered accommodation	465
139	Multi occupied	139
<b>10,001</b>	<b>Total</b>	<b>9,987</b>

The change in stock can be summarised as follows:

2020/21		2021/22
9,991	Stock at 1 April	10,001
(42)	Right to Buy sales	(58)
-	- Non Right to Buy sales	(8)
-	- Demolitions	-
48	New Build	52
4	Additions	-
<b>10,001</b>	<b>Stock at 31 March</b>	<b>9,987</b>



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

The total Balance Sheet value of the Council's HRA assets at 1st April 2021 was £998m and at 31st March 2022 was £1,034m, analysed as follows:

2020/21			Expenditure	2021/22	
£'000	Expenditure	£'000		£'000	
			<b>Operational assets</b>		
		926,066	Council dwellings		925,808
		54,651	Assets under construction		92,499
		1,440	Land		-
		16,211	Other property		15,698
		<b>998,368</b>			<b>1,034,005</b>
			<b>Non-operational assets</b>		
		-	Surplus assets		-
		<b>998,368</b>	<b>Total asset value</b>		<b>1,034,005</b>

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

**Note 2: Vacant Possession Value**

Dwellings are initially valued at open market value assuming vacant possession. The vacant possession value of the HRA tenanted dwellings was £3,649m at 31 March 2022 (£3,597m at 31 March 2021). The difference between the vacant possession value and the Balance Sheet value of dwellings within the HRA reflects that tenancies are held on a secure basis without vacant possession.

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

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

### Note 3: Capital Expenditure and Financing

During 2021/22, the Council incurred £53.6m capital expenditure on land, houses and other properties within the HRA (2020/21: £45.5m). The detail of expenditure and the methods of financing are detailed below:

2021/22	Total expenditure	Sources of funding					
		Borrowing	Major Repairs Reserve	Revenue contributions	Capital receipts	Grants/ contributions	Total financing
		£'001	£'000	£'000	£'000	£'000	£'000
Council dwellings	19,801	-	12,168	1,850	-	5,783	19,801
Assets under construction	33,812	11,625	-	-	15,763	6,424	33,812
<b>Balance as at 31 March</b>	<b>53,613</b>	<b>11,625</b>	<b>12,168</b>	<b>1,850</b>	<b>15,763</b>	<b>12,207</b>	<b>53,613</b>

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

### Note 4: Capital receipts

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

2020/21		2021/22
8,029	Council dwellings	16,644
1,078	Other property	85
<b>9,107</b>		<b>16,729</b>

Additionally, the Council accrued £118,000 in 2021/22 from preserved right to buy sales under a stock transfer agreement with London & Quadrant Housing Trust.

## Note 5: Depreciation and impairment

During 2021/22 the value of the council dwellings stock decreased from £926.066m to £925.808m. After taking account of additions and disposals in the year this resulted in a revaluation loss of £0.667m. Of this £3.373m in respect of the land component of council dwellings was charged to the revaluation reserve, and there was a revaluation loss charged to the HRA Income and Expenditure Account of £2.707m in respect of the building component of council dwellings, because there is no revaluation reserve credit balance in respect of the buildings component.

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

2020/21		Expenditure	2021/22
£'000	Expenditure		£'000
		<b>Depreciation</b>	
	10,935	Council dwellings	11,784
	432	Other property	384
	<b>11,367</b>		<b>12,168</b>
		<b>Impairment</b>	
	8,970	Council dwellings	15,538
	242	Other property	2,312
	<b>9,212</b>		<b>17,850</b>
	<b>20,579</b>	<b>Total depreciation and impairment</b>	<b>30,018</b>

## Note 6: Rent Arrears

2020/21		Rent arrears comprise:	2021/22
	4,350		Dwellings rents
	501	Other charges/adjustments	489
	<b>4,851</b>		<b>6,132</b>
	(3,673)	Less: Bad debts provisions	(5,380)
	<b>1,178</b>		<b>752</b>

## Collection Fund Statement

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

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

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

2020/21				2021/22			Notes
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total	
£'000	£'000	£'000		£'000	£'000	£'000	
			<b>Income</b>				
-	137,728	137,728	Council Tax receivable	-	148,666	148,666	
-	1,836	1,836	Transfer for Transitional Relief, S13A(1)(C) Reliefs	-	-	-	
37,432	-	37,432	Business Rates receivable	53,075	-	53,075	
280	-	280	Transitional Protection Payments	(32)	-	(32)	
721	-	721	Business Rate Supplement	1,169	-	1,169	
<b>38,433</b>	<b>139,564</b>	<b>177,997</b>	<b>Total income</b>	<b>54,213</b>	<b>148,666</b>	<b>202,879</b>	
			<b>Expenditure</b>				
			<b>Apportionment of prior year surplus/deficit</b>				
597	2,889	3,486	- Council	(8,323)	(859)	(9,182)	
336	674	1,010	- GLA	(11,106)	(200)	(11,306)	
297	-	297	- Central Government	(9,881)	-	(9,881)	
			<b>Precepts</b>				
19,856	110,290	130,146	- Council	18,932	115,014	133,946	
24,489	25,643	50,132	- GLA	23,349	27,893	51,243	
21,842	-	21,842	- Central Government	20,825	-	20,825	
			<b>Business Rate Supplement</b>				
715	-	715	- Payment to levying authority (GLA)	1,163	-	1,163	
6	-	6	- Administrative costs	6	-	6	
			<b>Charges to Collection Fund</b>				
10,172	-	10,172	- Increase/(decrease) in bad debt provision	(2,893)	-	(2,893)	
2,142	4,778	6,920	- Increase/(decrease) in appeals provision	(815)	1,200	385	
284	-	284	- Cost of collection allowance	283	-	283	
<b>80,737</b>	<b>144,273</b>	<b>225,010</b>	<b>Total expenditure</b>	<b>31,541</b>	<b>143,049</b>	<b>174,589</b>	
42,305	4,711	47,016	(Increase)/decrease in fund balance for the year	(22,672)	(5,617)	(28,289)	
(3,841)	(2,230)	(6,071)	Fund balance brought forward	38,464	2,481	40,945	
<b>38,464</b>	<b>2,481</b>	<b>40,945</b>	<b>(Surplus)/deficit balance carried forward</b>	<b>15,792</b>	<b>(3,136)</b>	<b>12,656</b>	

## Notes to the Collection Fund

### Note 1: Council tax

The Council's tax base for 2021/22 - i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply), converted to an equivalent number of Band D dwellings - calculated as follows:

Band	Estimated number of dwellings after effect of discounts	Ratio	Band D equivalent dwellings	Council Tax charge per band (£)
A	3,570	6 / 9	2,380	1,242
B	22,897	7 / 9	17,809	1,449
C	30,044	8 / 9	26,706	1,656
D	19,329	9 / 9	19,329	1,864
E	7,300	11 / 9	8,922	2,277
F	1,677	13 / 9	2,422	2,691
G	396	15 / 9	658	3,105
H	20	18 / 9	40	3,726
<b>Total</b>	<b>85,233</b>		<b>78,266</b>	
Less adjustment for collection rates and anticipated changes in valuations and exemptions during the year			(1,565)	
<b>Council Tax Base</b>			<b>76,701</b>	

### Note 2: Income From Business Ratepayers

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

The total non-domestic rateable value at 31 March 2022 was £177.281 million (this compares to the 31 March 2021 value of £178.338 million). The national non-domestic multiplier for the year was 51.2 pence for each pound of rateable value (51.2 pence in the pound in 2020/21). The small business non-domestic rating multiplier was 49.9 pence for each pound of rateable value (49.1 pence in the pound in 2020/21).

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

### Note 3: Crossrail Business Rate Supplement

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

## Note 4: Collection Fund Balance

The Collection Fund is a statutory fund in which the Council records the transactions for Council Tax, and Non-Domestic Rates. In 2021/22 the balance in the Fund relating to Non-Domestic Rates increased by £22.672 million to a £15.791 million deficit. In respect of Council Tax there was an in-year surplus of £5.616 million (£4.711 million deficit in 2020/21).

In accordance with statutory guidance, the closing surpluses and deficits on the Fund will be shared between its preceptors in line with their precept proportions. For Council Tax, £2.866 million will be paid in 2022/23 with the remaining balance forming part of the 2023/24 balance. Similarly, £16.164 million will be paid to Rates preceptors in 2022/23, leaving a surplus payable in 2023/24.

### Share of Surplus/(Deficit)

	2022/23	2023/24	Total
	£'000	£'000	£'000
<b>Council Tax:</b>			
London Borough of Waltham Forest	(2,307)	(214)	(2,521)
Greater London Authority	(559)	(56)	(615)
	<b>(2,866)</b>	<b>(270)</b>	<b>(3,136)</b>
<b>Non-Domestic Rates:</b>			
London Borough of Waltham Forest	4,849	(130)	4,719
Greater London Authority	5,981	(149)	5,832
Central Government	5,334	(93)	5,241
	<b>16,164</b>	<b>(372)</b>	<b>15,792</b>

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

## SECTION – 5

### PENSION FUND ACCOUNTS AND NOTES

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## SECTION – 5

### NOTES TO THE PENSION FUND

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## Pension Fund Account

2020/21			2021/22		Note
£'000	Expenditure	£'000	£'000		
			<b>Dealings with members, employers and others directly involved in the fund</b>		
		(85,909)		(36,308)	7
		(6,843)		(4,550)	8
		<b>(92,752)</b>		<b>(40,858)</b>	
			<b>Benefits payable:</b>		
		46,546		49,945	9
		5,016		6,428	10
		<b>51,562</b>		<b>56,373</b>	
		<b>(41,190)</b>	<b>Net (Additions)/Withdrawals from dealings with members</b>		
		7,869		10,826	11
		<b>(33,321)</b>	<b>Net (Additions)/Withdrawals including fund management expenses</b>		
			<b>Return on investments</b>		
		(11,910)		(15,930)	12
		(144,821)		(5,793)	13a
		<b>(156,731)</b>	<b>Net return on investments</b>		
		(190,052)	<b>Net (Increase)/Decrease in the net assets available for benefits during the year</b>		
		(862,506)	<b>Opening net assets of the scheme</b>		
		<b>(1,052,558)</b>	<b>Closing net assets of the scheme</b>		
				<b>(1,047,940)</b>	

## Net Assets Statement

2020/21		2021/22	
£'000		£'000	Note
	<b>Investment assets</b>		
150	Long term investments	150	13
1,044,336	Investment assets	1,037,636	13
(1,631)	Investment liabilities		13
<b>1,042,855</b>	<b>Total Net investments</b>	<b>1,037,786</b>	
10,624	Current Assets	10,942	20
(921)	Creditors	(788)	21
<b>1,052,558</b>	<b>Net assets of the fund available to fund benefits at the end of the reporting period</b>	<b>1,047,940</b>	

**NOTE:** the fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at **Note 17a**.

## Notes to the Pension Fund

### Note 1: Description of the Fund

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

#### a) General

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

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

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

#### b) Membership

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

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

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

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

The following table summarises the membership of the Fund as at 31 March 2021 and 31 March 2022:

31-March-2021		31-March-2022
61	Number of employers with active members	63
	<b>Number of active employees in scheme:</b>	
4,427	London Borough of Waltham Forest	4,492
2,453	Other employers	2,447
<b>6,880</b>	<b>Total active members</b>	<b>6,939</b>
	<b>Number of pensioners:</b>	
6,761	London Borough of Waltham Forest	6,847
1,107	Other employers	1,273
<b>7,868</b>	<b>Total pensioners</b>	<b>8,120</b>
	<b>Number of Deferred members:</b>	
7,077	London Borough of Waltham Forest	6,505
2,765	Other employers	3,737
<b>9,842</b>	<b>Total deferred pensioners</b>	<b>10,242</b>
<b>24,590</b>	<b>Total number of members in the scheme</b>	<b>25,301</b>

**c) Funding**

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

**d) Benefits**

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

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

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

## Note 2: Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2021/22 financial year and its financial position at 31 March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) which is based upon International Financial Reporting Standards (IFRS,) as amended for the UK public sector. The accounts are prepared on a going concern basis which has been confirmed by management following a review of:

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

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2021/22.

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

## Note 3: Summary of Significant Accounting Policies

### Fund Account - revenue recognition

#### a) Contribution income

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

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

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

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

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

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

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

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

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

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

#### **e) Taxation**

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

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

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

#### **Administrative expenses**

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

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

**Oversight and governance costs**

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

**Investment management expenses**

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

**Net Assets Statement**

**g) Financial assets**

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

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

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

**h) Foreign currency transactions**

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

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

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

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

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

A financial liability is recognised in the Net Asset Statement on the date the Fund becomes legally responsible for that liability. The Fund recognises financial liabilities relating to investment trading at Fair Value and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the Fund Account as part of the Change in Value of Investments. Any financial liabilities not relating to investments are classified as liabilities held at amortised cost and are carried in the Net Asset Statement at the value of the outstanding principal at 31 March each year. Any interest due not yet paid is accounted for on an accruals basis and included in Administration costs.

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

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

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

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

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

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

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



## Note 4: Critical Judgements in Applying Accounting Policies

### Pension Funding Arrangements (note 17)

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

## Note 5: Key accounting estimates

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 18)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on fund assets. Independent actuaries are engaged to provide the Fund with expert advice about the assumptions to be applied.	For instance: <ul style="list-style-type: none"> <li>a 0.5% increase in the discount rate would reduce future pension liabilities by c£140m</li> <li>a 0.25% increase in earnings inflation would increase future pension benefits by c.£3m</li> <li>a one-year increase in assumed life expectancy would increase future pension benefits by c£59m.</li> </ul>
Level 3 investments (Note 14)	Valuation techniques based on unobservable price inputs are used to determine the carrying value of pooled investment assets such as property unit trusts, hedge funds, infrastructure and social impact funds.	Changes in the valuation assumptions used could affect the fair value of level 3 investments by up to 8.9% ie an increase or decrease of £14.1m on carrying values of £159m..

## Note 6: Events After the Balance Sheet Date

No significant events have occurred between the Balance Sheet date of 31 March 2022 and the date that these financial statements were authorised for issue.

## Note 7: Contributions Receivable

### By type of employer

2020/21	Authority	2021/22
£'000		£'000
(72,847)	Administering authority	(23,746)
(12,222)	Scheduled bodies	(11,749)
(840)	Admitted bodies	(813)
<b>(85,909)</b>	<b>Total</b>	<b>(36,308)</b>

### By category

2020/21	Category	2021/22
£'000		£'000
<b>(9,879)</b>	Employees' contributions	<b>(10,401)</b>
	<i>Employer's contributions:</i>	
(51,901)	Normal Contributions	(19,259)
(22,366)	Deficit recovery contributions	(762)
(1,763)	Additional Contributions (early retirement)	(5,886)
<b>(76,030)</b>		<b>(25,907)</b>
<b>(85,909)</b>	<b>Total</b>	<b>(36,308)</b>

## Note 8: Transfers in from Other Pension Funds

### By category

2020/21	Authority	2021/22
£'000		£'000
(6,843)	Individual transfers	(4,550)
<b>(6,843)</b>	<b>Total</b>	<b>(4,550)</b>

## Note 9: Benefits Payable

### By category

2020/21	Category	2021/22
£'000		£'000
38,994	Pensions	40,160
6,583	Commutation and lump sum retirement benefits	8,299
969	Lump sum death benefits	1,486
<b>46,546</b>	<b>Total</b>	<b>49,945</b>

### By type of employer

2020/21	Authority	2021/22
£'000		£'000
40,847	Administering authority	41,915
3,443	Scheduled bodies	6,421
2,256	Admitted bodies	1,609
<b>46,546</b>	<b>Total</b>	<b>49,945</b>

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

2020/21	Authority	2021/22
£'000		£'000
129	Refunds to members leaving service	170
4,887	Individual transfers	6,258
<b>5,016</b>	<b>Total</b>	<b>6,428</b>

## Note 11: Management Expenses

2020/21	Authority	2021/22
£'000		£'000
1,062	Administration Expense	1,492
304	Actuary 's fee and expenses	196
16	External audit fees	15
323	Oversight and Governance	302
6,164	Investment management expenses (note 11a)	8,821
<b>7,869</b>	<b>Total</b>	<b>10,826</b>

## Note 11a: Investment Management Expenses

2021/22	Transaction costs	Management fees	Performance related fees	Total
	£'000	£'000	£'000	£'000
Equities	260	1,224	-	1,484
Pooled equities	482	1,860	-	2,342
Pooled Fixed Interest	52	105	-	157
Pooled property	-	669	-	669
Pooled infrastructure	-	1,075	3,056	4,131
	<b>794</b>	<b>4,933</b>	<b>3,056</b>	<b>8,783</b>
Custody fees	-	-	-	38
<b>Total</b>	<b>794</b>	<b>4,933</b>	<b>3,056</b>	<b>8,821</b>

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

## Note 12: Investment Income

2020/21	2020/21 Restated	Authority	2021/22
£'000	£'000		£'000
(6,942)		Equity Dividends	(9,049)
(1,049)		Pooled funds: Property	(2,291)
(3,870)		Pooled funds: Infrastructure	(4,243)
-		Pooled funds: Fixed Interest	(336)
(49)		Interest	(11)
-		Other	-
<b>(11,910)</b>		<b>- Total</b>	<b>(15,930)</b>

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

## Note 13: Top Investments Holdings

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

Fund Manager	31 March 2022 Market value £'000	%
LCIV Global Alpha Growth Paris Aligned Fund	159,418	15
LGIM	110,438	11
LCIV MAC Fund	110,210	11
LCIV Emerging market Fund	95,106	9
Darwin Leisure Property Fund	53,924	5
	<b>529,096</b>	<b>51</b>

## Note 13a: Reconciliation of Movements in Investment

Movements in Investment Assets 2021/22	31-March-2021	Purchases	Sales	Change in market value	31-March-2022
	£'000	£'000	£'000	£'000	£'000
Equity - London CIV	150	-	-	-	150
<b>Pooled funds:</b>					
Equities	818,897	269,723	(413,472)	(14,775)	660,373
Property	100,284	467	(150)	8,968	109,569
Infrastructure	82,143	1,263	(21,352)	16,880	78,934
Hedge Funds	-	-	-	-	-
UK Impact Ventures	4,439	58	-	(1,197)	3,300
Pooled vehicle - Fixed interest securities	-	165,336	-	(4,084)	161,252
	<b>1,005,913</b>	<b>436,847</b>	<b>(434,974)</b>	<b>5,792</b>	<b>1,013,578</b>
Cash and money market instruments	37,252	-	-	-	23,060
Investment debtors at 31 March	523	-	-	-	244
Accrued income	798	-	-	-	904
Investment creditors at 31 March	(1,631)	-	-	-	-
<b>Total</b>	<b>1,042,855</b>	<b>436,847</b>	<b>(434,974)</b>	<b>5,792</b>	<b>1,037,786</b>

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

## Note 13b: Investments Analysed by Fund Manager

31-March-2021 Market value £'000	%	Fund Manager	Type of Fund	31-March-2022 Market value £'000	%
		<b>Investments managed by the London CIV</b>			
150	0	CIV 1 Collective Vehicle	Unquoted UK equity	150	0
511,286	49	CIV 2 Global Equities	Global equities - pooled funds	339,099	33
		CIV2 Global Fixed Interest	Global fixed interest - pooled funds	161,252	16
<b>511,436</b>	<b>49</b>	<b>Total managed by the London CIV asset pool</b>		<b>500,501</b>	<b>48</b>
		<b>Investments managed outside the London CIV</b>			
		<b>Equities</b>			
221,081	21	AXA Framlington IM	Global equities - segregated funds	217,739	21
		<b>Pooled Investments</b>			
-	-	AXA Framlington IM	Global equities - pooled funds	-	-
94,172	9	LGIM	Global equities - pooled funds	110,438	11
30,230	3	Capital Dynamics	Pooled infrastructure fund	33,333	3
51,913	5	Global Infrastructure Partners II & III	Pooled infrastructure fund	45,601	4
52,520	5	Darwin Leisure Property Fund	Pooled property fund	53,924	5
26,901	3	UBS Global Asset Management	Pooled property fund	33,400	3
20,697	2	Invesco PRS	Pooled property fund	22,244	2
150	0	DTZ Investment Management	Pooled property fund		-
16	0	RREEF Limited	Pooled property fund		-
4,439	0	Impact Ventures UK	Social impact fund	3,300	0
-	-	Blue Crest	Hedge fund		-
29,300	3	Cash		17,306	2
<b>531,419</b>	<b>51</b>	<b>Total managed outside the London CIV asset pool</b>		<b>537,285</b>	<b>52</b>
<b>1,042,855</b>	<b>100</b>	<b>Total Fund Value</b>		<b>1,037,786</b>	<b>100</b>

## Note 14: Fair Value

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

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

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

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

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

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



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

The Fund has determined that the valuation methods described above for level 3 investments are likely to be accurate to within the following ranges, and has set out the consequent potential impact on the closing value of investments held at 31 March 2022 and 31 March 2021.

Asset type	Potential variation in fair value depending on valuation basis adopted	Values at 31 March 2022	Potential value on increase	Potential value on decrease
	£'000	£'000	£'000	£'000
Pooled property funds	+ or - 8.9%	76,168	82,947	69,389
Infrastructure	+ or - 8.9%	78,934	85,959	71,909
Social impact funds	+ or - 8.9%	3,300	3,594	3,006
CIV - unquoted UK equity	+ or - 8.9%	150	163	137
<b>Total</b>		<b>158,552</b>	<b>172,663</b>	<b>144,441</b>

Asset type	Potential variation in fair value depending on valuation basis adopted	Values at 31 March 2021	Potential value on increase	Potential value on decrease
	£'000	£'000	£'000	£'000
Pooled property funds	+ or - 1.2%	73,382	80,720	66,044
Hedge Funds	+ or - 8.3%	-	-	-
Infrastructure 7	+ or - 8.3%	82,143	90,357	73,929
Social impact funds	+ or - 8.3%	4,439	4,883	3,995
CIV - unquoted UK equity	+ or - 8.3%	150	165	135
<b>Total</b>		<b>160,114</b>	<b>176,125</b>	<b>144,103</b>

**Note 14b: Fair Value Hierarchy**

	Values at 31-March-2021				Values at 31-March-2022			
	Quoted market Price	Using observable inputs	With significant unobservable inputs	Total	Quoted market Price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Financial assets at fair value through profit and loss</b>								
Equity - London CIV	-	-	150	150			150	150
<b>Pooled funds</b>								
Equalities	818,897	-	-	818,897	660,375			660,375
Property	-	26,902	73,382	100,284		33,400	76,168	109,568
Infrastructure	-	-	82,143	82,143			78,934	78,934
Social impact funds	-	-	-	-			3,300	3,300
Fixed Interest	-	-	4,439	4,439	161,252			161,252
Cash and money market deposits	37,252	-	-	37,252	23,060			23,060
Cast not forming part of investments balances	1,629	-	-	1,629	198			198
Amounts receivable from investment sales	523	-	-	523	244			244
Accrues investment income	798	-	-	798	903			903
Debtors	8,995	-	-	8,995	10,744			10,744
	<b>868,094</b>	<b>26,902</b>	<b>160,114</b>	<b>1,055,110</b>	<b>856,776</b>	<b>33,400</b>	<b>158,552</b>	<b>1,048,728</b>
<b>Financial assets at fair value through profit and loss</b>								
Payable form investments purchases	(1,631)	-	-	(1,631)				-
Creditors	(921)	-	-	(921)	(788)			(788)
<b>Total</b>	<b>865,542</b>	<b>26,902</b>	<b>160,114</b>	<b>1,052,558</b>	<b>855,988</b>	<b>33,400</b>	<b>158,552</b>	<b>1,047,940</b>

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

### Reconciliation of Fair Value Measurements within level 3

2021/22	Value as 1 Apr	Purchases	Sales	Unrealised gains/losses	Realised gains/losses	Value at 31 March
	£'000	£'000	£'000	£'000	£'000	£'000
Pooled Property funds	73,382	1,142	(150)	1,810	(16)	76,168
Infrastructure	82,143	1,552	(21,352)	3,834	12,757	78,934
Hedge funds	-	-	-	-	-	-
Social impact	4,439	58	-	(1,197)	-	3,300
CIV - unquoted equity	150	-	-	-	-	150
<b>Total</b>	<b>160,114</b>	<b>2,752</b>	<b>(21,502)</b>	<b>4,447</b>	<b>12,741</b>	<b>158,552</b>

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

Note 15a: Classification of Financial Instruments

	Values at 31-March-2021				Values at 31-March-2022			
	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Total	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Financial assets</b>								
London CIV	150	-	-	150	150			150
<b>Pooled funds</b>								
Equities	818,897	-	-	818,897	660,375			660,375
Property	100,284	-	-	100,284	109,568			109,568
Infrastructure	82,143	-	-	82,143	78,934			78,934
Fixed interest	-	-	-	-	161,252			161,252
UK impact ventures	4,439	-	-	4,439	3,300			3,300
Cash and money market deposits	-	37,252	-	37,252		23,060		23,060
Cash not forming part of investment balances	-	1,629	-	1,629		198		198
Amounts receivable from investments sales	-	523	-	523		244		244
Accrued investment income	-	798	-	798		903		903
Debtors	-	8,995	-	8,995		10,744		10,744
<b>Financial assets total</b>	<b>1,005,913</b>	<b>49,197</b>	<b>-</b>	<b>1,055,110</b>	<b>1,013,579</b>	<b>35,149</b>	<b>-</b>	<b>1,048,728</b>
<b>Financial liabilities</b>								
Amounts payable for investment purchases	-	-	(1,631)	(1,631)	-	-		-
Creditors	-	-	(921)	(921)	-	-	(788)	(788)
<b>Financial liabilities total</b>	<b>-</b>	<b>-</b>	<b>(2,552)</b>	<b>(2,552)</b>	<b>-</b>	<b>-</b>	<b>(788)</b>	<b>(788)</b>
<b>Total</b>	<b>1,005,913</b>	<b>49,197</b>	<b>(2,552)</b>	<b>1,052,558</b>	<b>1,013,579</b>	<b>35,149</b>	<b>(788)</b>	<b>1,047,940</b>

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

2020/21	Investments	2021/22
£'000		£'000
	<b>Financial Assets</b>	
158,110	Gains on assets designated at fair value through profit and loss	32,244
(13,289)	(Losses) on assets designated at fair value through profit and loss	(26,452)
<b>144,821</b>	<b>Total</b>	<b>5,792</b>

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

### Risk and risk management

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

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

### Market risk

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

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

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

### Other price risk

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

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

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

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

Asset Type	Values at 31-March-2022	Potential market movement (+/-)	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Equities (pooled and non-pooled)	660,525	13.6	750,224	570,826
Pooled property investments	109,568	5.2	115,309	103,827
Alternatives	82,234	5.3	86,584	77,884
Pooled fixed interest	161,252	5.4	169,960	152,544
Cash, debtors and creditors	34,361	0.9	34,674	34,048
<b>Total assets available to pay benefits</b>	<b>1,047,940</b>		<b>1,156,751</b>	<b>939,129</b>

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

**Interest rate risk**

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

	Values at 31-March-2022	Impact of 1% increase	Impact of 1% decrease
	£'000	£'000	£'000
Cash held with custodian	5,754	5,812	5,697
Money market funds	17,301	17,474	17,130
Cash not forming part of investment balances	198	200	196
<b>Total</b>	<b>23,253</b>	<b>23,486</b>	<b>23,023</b>

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

**Currency risk**

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on financial instruments that are denominated in any currency other than sterling. The fund's currency rate risk is routinely monitored by the pension fund and its investment advisers in accordance with the fund's investment strategy.

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

Asset Type	Values at 31-March-2022	Potential market movement (+/-)	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Overseas Equities	449,537	7.3	482,353	416,721
Overseas pooled property investments	38,716	7.3	41,542	35,890
Overseas Alternatives	35,523	7.3	38,116	32,930
<b>Total</b>	<b>523,776</b>		<b>562,012</b>	<b>485,540</b>

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

**Credit risk**

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

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

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

**Liquidity risk**

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The pension fund therefore takes steps to ensure that it always has adequate cash resources to meet its commitments. The fund's cash holding under its treasury management arrangements as at 31 March 2022 was £5.75m (31 March 2021 £7.95m).

The fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at March 2022, the value of liquid assets was £845m, representing 81% of total fund assets (31 March 2022 £858m, representing 81% of total fund assets).

**Refinancing risk**

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

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## Note 17: Funding Arrangements

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

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

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

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

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

### Key demographic assumptions

		31-March-2020	31-March-2016
Retiring today	Males	22.5	22.3
	Females	25.0	25.3
Retiring in 20 years	Males	24.1	24.5
	Females	26.9	27.6

### Key financial assumptions

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

All investment assets were assessed at market value.

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

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

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

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

2020/21		2021/22
%		%
2.7	Rate of CPI (inflation)	3.4
2.8	Pension increase rate	3.5
4.2	Salary increase rate	4.9
2.1	Discount rate (investment returns)	2.8

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

2020/21		2021/22
£'000		£'000
(2,132,104)	Rate of CPI (inflation)	(1,952,100)
1,042,855	Pension increase rate	1,037,786
<b>(1,089,249)</b>		<b>(914,314)</b>

**Note 19: Current Asset**

Analysis of debtors outstanding at 31 March 2022:

2020/21		2021/22
£'000		£'000
	<b>Debtors</b>	
317	Contributions due - employees	367
1,336	Contributions due - employers	2,112
<b>1,653</b>		<b>2,479</b>
7,342	Amount due from Waltham Forest	8,265
1,629	Cash not forming part of investment balances	198
<b>10,624</b>		<b>10,942</b>

**Note 20: Current Liabilities**

Analysis of creditors outstanding at 31 March 2022:

2020/21		2021/22
£'000		£'000
(129)	Unpaid benefits	(197)
-	Owed to administering authority (LBWF)	-
(792)	Other entities and individuals	(591)
<b>(921)</b>		<b>(788)</b>

**Note 21: Additional Voluntary Contributions**

	Contributions	Market Value	Contributions	Market Value
	2020/21	31-March-2021	2021/22	31-March-2022
	£'000	£'000	£'000	£'000
Equitable Life	-	148	*	*
Clerical Medical	33	681	26	639
Phoenix Life	-	24	*	*
	<b>33</b>	<b>853</b>	<b>26</b>	<b>639</b>

\*Not available at this time

## Note 22: Related Party Transactions

### London Borough of Waltham Forest

The Pension Fund is administered by the London Borough of Waltham Forest, which is also the single largest employing body in the pension fund. The Pension Fund is administered by the Council and was charged £713,500 for staff time and services in 2021/22 (£644,975 in 2020/21).

#### Governance

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

#### Key management personnel

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

2020/21		2021/22
£'000		£'000
58	Short-term benefits	57
-	Post-employment benefits	-
<b>58</b>		<b>57</b>

## Note 22: Contingent Liabilities and Contractual Commitments

The Fund has outstanding commitments in relation to its three infrastructure funds and a Social Impact Fund. As at 31 March 2022 there were £9m of infrastructure commitments outstanding (£9m as at 31 March 2021). The Social Impact Fund had outstanding commitments of £0.1m at 31 March 2022 (£0.2 million as at 31 March 2021). These commitments are drawn down in tranches over time as and when fund managers request them and are not included in the Pension Fund accounts up to that point.

## Note 23: Further Information

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

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

**SECTION – 6**

**ANNUAL GOVERNANCE STATEMENT**

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## ANNUAL GOVERNANCE STATEMENT - YEAR ENDED 31 MARCH 2022

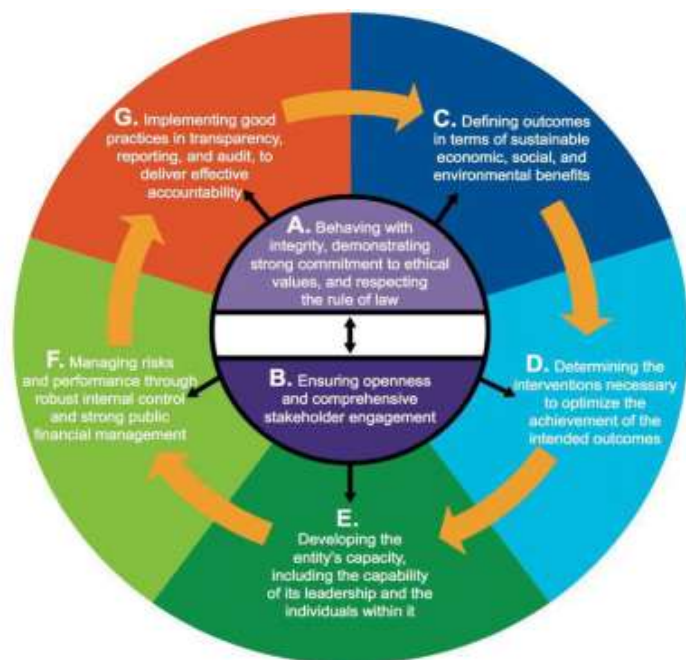
### 1. Scope of Responsibility

Waltham Forest Council is responsible for ensuring that:

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

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

The Framework comprises 7 key principles as set out below:



The purpose of this annual Statement is to explain how the Council's governance arrangements operated in practice during 2021/22, and to demonstrate how the CIPFA/SOLACE Framework has been applied.

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

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

## 2. The Purpose of the Governance Framework

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

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

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

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

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

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



**Cllr Jack Phipps**  
**Chair of Audit and Governance Committee**

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

### 3. Significant risks identified

A prime purpose of the governance framework is to ensure that any significant risks which do arise are highlighted so that appropriate mitigating action can be taken. Key risks identified in 2021/22 are set out below together with the Council's response:

#### Inflation & Energy Pressures

The 2022/23 Budget approved by full Council in March 2022 incorporated a pay award of up to 3% and general inflation of 2%. However, as Council Tax resourcing, comprises approximately half of the general fund budget and was capped at 1.99%, the budget strategy was absorbing at least 1.2% of inflationary pressures

The consumer prices index (CPI) is now at 9% in May 2022 compared to 2.1% for May 2021 and the Bank of England is forecasting that it could increase to 10% this year but expects it to be close to 2% in two years. However, any forecast on inflation is dependent on a number of factors including the performance of economies around the world as well as the war in Ukraine.

The impact of inflation will impact both revenue spend, e.g. pay and contractual spend as well as spend on capital programmes.

The impact of the cost of energy for the Council and suppliers had been assumed to be an in-year pressure within the 2022/23 budget but it is now considered to be more substantial and longer term.

As the Government have not indicated any additional grant income to support the impact of inflation on local government, mitigations are currently being developed to mitigate these pressures which will be incorporated within the MTFS refresh for 2023/24.

#### Cost of Living Crisis

Following on from the COVID pandemic, there is an increased pressure on materials, labour and services, which when combined with the Russian invasion of Ukraine has created a perfect storm through high inflation, of a cost of living crisis for our residents. Each of the Council services have felt and are feeling the impact of these cost increases, such as material for the capital programme, increased costs of goods and services plus inflation busting increases in energy bills across the Council estate.

The Council has responded by closely monitoring any inflationary increases requested by third parties, through good commercial management, fixed prices contracts and consideration of demand reduction where possible.

The Council invested over £5.5 million to help the borough's most vulnerable residents cope with the cost-of-living crisis over the winter months, as part of the Fair Deal Campaign. In addition, Waltham Forest was allocated £2.3 million of Government Household Support Funding to support residents with essentials such as food, clothing, energy, and water costs. The Council used this funding to support the borough's most vulnerable residents and topped up our discretionary support for those in greatest hardship. We also worked closely with a number of VCS partners to create more opportunities to help residents in financial hardship, including a winter crisis support programme with Citizen's Advice to issue vouchers to help residents with covering costs for basic essentials; a series of community roadshows with the HEET projects to identify and help residents with managing fuel costs, and increasing food supply to our 4 key partner food banks.

#### Savings targets

The Council's latest MTFS shows there is a £10m funding gap over the last two years of MTFS period, up to 2024/25. Savings delivery is closely monitored, and the Council maintains a healthy level of reserves to manage any short-term volatility.

#### Growing the local economy

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

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



## Housing Services

A financial claim from the Council's former repairs and maintenance contractor could have a detrimental impact on the Housing Revenue Account. The Council has engaged specialist advisors to assist in resolving the financial claim from the contractor.

## Asylum seekers

The number of asylum seekers, especially unaccompanied young people and children, remains unpredictable and despite measures such as the National Transfer Scheme, presents a demand-led risk to our Children social care budget. Mitigations include monthly tracking meetings are held to ensure that the Council has care packages in place for all young Asylum Seekers, has provided advice on benefits and other financial support available and is working to resolve the immigration status of young people before they turn 18.

## Freedom of Information Requests

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

The organisation subsequently took a number of steps to improve FOI performance, including bringing together the Complaints and FOI teams to share best practice and improve efficiency, re-writing and re-issuing internal guidance procedures and templates, and undertaking bespoke training sessions with services, resulting in consistent performance of 100% compliance since September 2020 and the closure of the ICO Practice Notice. This is achieved by circulating a daily report which lists all open FOIs and FOIs due a response within 7 days from the date of the report. This enables us to alert service areas when an FOI is close to its due date and to work with them to avoid breaches. An internal audit of FOI's in January 2021 produced a Reasonable Assurance result, putting the organisation in a positive position prior to a final audit from the ICO in May 2021. All resultant recommendations have been actioned.

## Covid

The ongoing COVID-19 pandemic has had a significant impact on continuity of services in the first part of the year, especially across adults and children's social care, public health, coroner's and mortuary services. The Council has redeployed staff to critical service areas and is working in partnership with others to support and safeguard vulnerable residents. The latter part of the year moved into recovery from COVID, with services finding the new norm post the pandemic, but with continuing pressures still being seen in adult social care through an increase in hospital admissions and to a lesser degree the impact of long COVID.

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

## Data Protection and Cyber Security

The global threat of cyber attacks represents a significant risk to the delivery and management of services. Cyber criminals operate at scale using malicious websites, emails and social media, as well as targeting weaknesses in the technology landscape.

The Council's technology security is good (internal PWC audit) and is continuing to improve through the recruitment of additional staff, investment in new security software, accreditation, staff training and testing, ongoing monitoring and remediation.

Nevertheless, the risk remains high and we continue to be pro-active. We work closely with our security partners, regularly review governance and processes, undertake 3rd party assessment, upgrade services and develop our resilience and recovery capabilities.

## 4. Review of effectiveness

The governance framework described in Appendix A has been in place throughout 2021/22 and maintained up to the date of the approval of the Statement of Accounts. Key governance processes during 2021/22 comprised the following:

<b>Audit and Governance Committee</b>	<ul style="list-style-type: none"> <li>Regular reports on risk management, Internal Audit coverage, Treasury Management and anti-fraud work.</li> <li>Annual report to consider Ombudsman referrals and complaints</li> <li>Reviewed and updated the Council's Constitution, Contract Procedure Rules and counter-fraud policies.</li> </ul>
<b>Scrutiny Committees</b>	8 Scrutiny committees operated during the year. Their remit is to monitor delivery of council services, scrutinise key decisions, and make recommendations on future policy development. Committees have collaborated to produce six themed reviews. The joint themed reviews have focussed on the themes of violence reduction, job growth, primary care, resident engagement, and climate emergency.
<b>Internal Audit Coverage</b>	Internal audit work is delivered jointly by the Council's in-house Internal Audit Team and the CCAS framework (procured by Barnet Council and delivered by PwC). In 2021/22 all Internal Audit work was undertaken in line with PSIAS and CIPFA standards and all planned work has been completed.
<b>Anti-fraud work</b>	The Corporate Anti-Fraud Team carried out a detailed programme of proactive work and reactive investigations. This work focussed on ongoing fraud risks including additional Covid Support Grants, Council Tax Fraud, Internal Fraud and Social Housing Fraud. This work identified savings in excess of £18.45m in 2021/22 (which includes 35 council properties being returned to its housing stock which have been relet to persons in most need. In addition, 138 Right To Buy Applications have been withdrawn following further checks..
<b>Risk Management</b>	<p>The Council, identifies and monitors strategic, operational and programme/project risks. Risks are scored according to likelihood and impact, and the Council uses a traffic light system to help prioritise risks and develop appropriate mitigation.</p> <p>Strategic risks are reported to Management Board and Audit and Governance Committee quarterly. Risk Review Panels are held quarterly by the Audit and Governance Committee to facilitate an in-depth review of risks. Operational risk registers are reported to relevant Directorate Management Teams monthly, and programme and project risk registers are reported to the relevant management team.</p>
<b>Group companies and partnerships</b>	<p>Risk management arrangements described above also apply to Group companies and partnerships and include the following areas:</p> <ul style="list-style-type: none"> <li>Risks associated with failure of partner organisation to meet contractual obligations</li> <li>Shared service arrangements and accountability</li> <li>Procurement</li> <li>Contract management and monitoring arrangements</li> <li>A governance review of the Council's LATCs was undertaken in 20/21 and an action plan identified a number of recommendations which are being taken forward by the Monitoring Officer</li> </ul>
<b>Performance Management</b>	<p>Performance reporting provides Directorates and services with a comprehensive appraisal of delivery against key performance indicators and outcome measures agreed at the beginning of each financial year. Reports include:</p> <ul style="list-style-type: none"> <li>Comparisons to other London boroughs</li> <li>Trends and Direction of Travel</li> <li>Whether performance is above, below, or close to target</li> <li>Remedial action where performance is a cause for concern</li> <li>The Council's Corporate Performance Framework has been reviewed and new reporting arrangements have been put in place for 2021/22</li> </ul>
<b>Complaints investigation</b>	Complaints are investigated initially by the relevant service department, then if necessary, by the corporate complaints team. When a complainant remains dissatisfied, they can escalate their complaint to the Local Government Ombudsman or the Housing Ombudsman Service. . Member complaints and whistleblowing allegations are dealt with by the Council's Monitoring Officer.

## 4. Review of effectiveness (continued)

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

### External inspections, assessments and reviews

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

The Council commissioned a CIPFA led review of its Financial Management Capability in November 2020. The Council received a two-star out of CIPFA's five-star rating. The review concluded that financial management is reliable and competent, but its main area of weakness is the "People" dimension. CIPFA have made a number of recommendations as part of the review, which were partly delayed due to the pandemic but will be delivered as part of the implementation of the new ERP system (i.e. Oracle). This implementation will include:

Phase 1 going live in August'22 which is the rollout of "Mybudget", a new budget planning and forecasting tool, that will significantly overhaul the budget monitoring process. This rollout will include training for all budget holders, not just on the system but also on financial management responsibilities

Phase 2 going live in April '23 with Payroll, HR, Finance and procurement systems

Phase 3 going live in April'24 with other HR and Payroll modules.

Another LGA Peer review is planned for October'22.

### Internal Audit work

The Head of Internal Audit has concluded that reasonable assurance can be placed on the effectiveness of the Council's internal control, governance and risk management arrangements for the areas reviewed in 2021/22. Where weaknesses have been identified, these have either been addressed or are in the process of being addressed by management.

### Referrals and Complaints

The Council recorded a total of 19 complaints reviewed by the Local Government and Social Care Ombudsman (LGSCO) during the period 1 April 2021 to 31 March 2022 and 14 reviewed by the Housing Ombudsman Service (HOS). The LGSCO upheld 11 complaints while the HOS upheld 6 complaints.

There were also 4 whistleblowing complaints made during 2021/22, one of which was anonymous. The first claim related to the use of the Council's logo without consent and preventative action was taken. One related to a third party supported living provider and was not upheld, one related to an allegation against a number of members and officers about misuse of public office in relation to a procurement matter which was not upheld and the final one related to housing and the services of Waking Watch which was not upheld. Accordingly with the exception of the first complaint all were dismissed without merit following investigation by the Council's Monitoring Officer.

There were eleven member complaints investigated by the Monitoring Officer in consultation with the Council's statutory independent person. Three related to correspondence not being dealt with in a timely manner and were not upheld but dealt with informally. Two related to private matters on social media rather than the councillors official duties and therefore were not within scope of the code. Three complaints related to an alleged failure to update the Member's Register Interests of which two were upheld and informally resolved by updating the Register of Interests. The complainant in the first matter was deemed to have acted unreasonably and action was taken against him under the Council's Unreasonable Behaviour Policy. One of the allegations related to the misuse of public funds which was not upheld, There were over 200 complaints about the same matter in relation to one councillor to bringing the council into disrepute and the inappropriate use of resources to facilitate the flying of the Turkish North Cypriot flag. The matter was referred to external solicitors to investigate and although they concluded that there had been a breach no further action was taken as the member had not sought re-election. The last complaint was in relation to bringing the Council into disrepute by the lowering of the flag and the matter was not upheld. None of the matters needed to be referred to the Audit and Governance subcommittee. However in preparation for the May 2022 elections, induction training has been arranged for all members on the Code of Conduct.

## 5. Conclusion

The Council has concluded that there is a robust governance framework in place which has operated effectively during 2021/22. Looking forwards, the Council will address the matters raised in this Report and take prompt action to address any other weaknesses identified.



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**Martin Esom, Chief Executive**



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**Cllr Grace Williams, Leader of the Council**

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

### A. Behaving with Integrity

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

### B. Open and comprehensive stakeholder engagement

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

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

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

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

### D. Achieving intended outcomes

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

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

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

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

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

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

### G. Transparent reporting and accountability

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

**SECTION – 7**

**GLOSSARY OF FINANCIAL TERMS**

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## GLOSSARY OF FINANCIAL TERMS

### ACCRUALS

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

### ACTUARY

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

### ACTUARIAL VALUATION

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

### AMORTISATION

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

### BAD DEBT PROVISION

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

### BAND PROPORTIONS

(Also known as VALUATION BANDS)

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

### BILLING AUTHORITY

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

### BUDGET

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

### BUSINESS RATE RETENTION

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

### CAPITAL EXPENDITURE

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

### CARRYING AMOUNT/CARRYING VALUE

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

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

### **CASH EQUIVALENTS**

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

### **CODE**

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

### **COLLECTION FUND**

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

### **COMMUNITY ASSETS**

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

### **COMPONENTISATION**

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

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

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

### **CONTINGENT ASSET**

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

### **CONTINGENT LIABILITY**

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

### **COUNCIL TAX**

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

### **COUNCIL TAX BASE**

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

### **CREDITORS**

Amounts of money owed by the Council for goods or services received.

### **DEBTORS**

Amounts of money owed to the Council for goods or services provided.



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

### **DEDICATED SCHOOLS GRANT (DSG)**

A ring-fenced grant from the Department for Education paid to Local Education Authorities for the Education of Children and Young Adults up to the age of 25.

### **DEPRECIATION**

A provision made in the accounts to reflect the cost of consuming assets during the year, e.g. a vehicle purchased for £30,000 with a life of five years would depreciate on a straight-line basis at the rate of £6,000 per annum. Depreciation forms part of the 'capital charges' made to service revenue accounts and is covered by International Accounting Standard (IAS) 16.

### **DIRECT REVENUE FINANCING**

Funding of capital expenditure directly from revenue budgets.

### **EARMARKED RESERVES**

Amounts set aside for a specific purpose to meet future commitments or potential liabilities, for which it is not appropriate to establish a provision.

### **EXIT PACKAGES**

The cost to the Council of early termination of staff employment before normal retirement age.

### **EXTERNAL AUDITOR**

The Public Sector Audit Appointments Limited (**PSAA**) appoints the external auditor. The current auditor is Ernst Young.

### **FAIR VALUE**

Fair Value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no motive in their negotiations other than to secure a fair price.

### **FINANCE LEASE**

A contractual agreement for the use of an asset, where in substance the risks and rewards associated with ownership reside with the user of the asset (lessee) rather than the owner (lessor).

### **FINANCIAL YEAR**

The local authority financial year starts on 1 April and ends the following 31 March.

### **GENERAL FUND**

This is the main revenue account of the Council. It includes the cost of all services provided which are paid from Government grants, generated income, NNDR retention and borough's share of Council Tax. It excludes the HRA. By law, it includes the cost of services provided by other bodies who charge a levy to the Council.

### **HERITAGE ASSETS**

Assets held and maintained principally for their contribution to knowledge and culture. e.g. War memorials and museum stocks.

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

### **HOUSING REVENUE ACCOUNT (HRA)**

An account which includes expenditure and income arising from the provision of rented dwellings. It is, in effect, a landlord account. Statute provides for this account to be separate from the General Fund and any surplus or deficit must be retained within the HRA. No costs may be charged to Council Tax nor can Housing Rent income be used to support General Fund expenditure.

### **IMPAIRMENT**

This is where the value of an asset falls below the carrying value in the accounts and so to reflect the commercial reality of the situation a charge is made in the running costs.

### **INFRASTRUCTURE ASSETS**

Non-current assets that are unable to be readily disposed of, the expenditure on which is recoverable only by continued use of the asset created. Examples are highways and footpaths.

### **INTANGIBLE ASSETS**

Assets which do not have a physical form but provide an economic benefit for a period of more than one year; e.g. software licences.

### **INTERNATIONAL FINANCIAL REPORTING INTERPRETATION COMMITTEE (IFRIC)**

The body which set financial reporting guidelines based on International Financial Reporting Standards. Since 2009/10, the treatment of PFI was based on the adoption of IFRIC standard 12. IFRIC standard 4 is followed in determining whether an arrangement contains a lease

### **INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

Local authorities are required to adopt the International Financial Reporting Standards (IFRS); a code of practice based on an internationally agreed set of financial rules. These dictate a level of analysis and disclosure that allows readers of the Statement of Accounts to gain a clearer understanding of the Council's financial position and activities.

### **INVENTORIES**

Materials or supplies to be used in the production process or in providing services; for this Council, the fuel transport store.

### **LEVIES**

The Council is statutorily required to pay levies to a number of national, London-wide and local bodies. Examples are the North London Waste Authority and the Lee Valley Regional Park Authority.

### **MINIMUM REVENUE PROVISION (MRP)**

A statutory amount, that has to be charged to revenue, to provide for the redemption of debt.

### **NATIONAL NON-DOMESTIC RATE (NNDR)**

More commonly known as 'business rates', these are collected by billing authorities from all non-residential buildings. The poundage level is set by the Treasury. Amounts payable are based on rateable values multiplied by this poundage level.

### **NEW HOMES BONUS**

New Homes Bonus is a Government scheme aimed at encouraging local authorities to grant planning permissions for building new houses and bringing long-term empty properties back into use. The non ring-fenced grant is based on the number of properties.

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

### **NET BOOK VALUE**

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value, less the cumulative amounts provided for depreciation.

### **NON-CURRENT ASSETS**

Assets which yield a benefit to the Council for a period of more than one year.

### **OPERATIONAL ASSETS**

Fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or a discretionary responsibility.

### **NON-OPERATIONAL ASSETS**

Fixed assets held by a Council, but not directly occupied, used or consumed in the delivery of services; for example, investment properties and assets surplus to requirements held pending sale or redevelopment.

### **OUTTURN**

This is the actual level of expenditure and income for the financial year.

### **PENSION FUNDS**

For the Local Government Pension Scheme, the funds that invest employers' and employees' pension contributions in order to provide pensions for employees on their retirement and pensions for employees' dependants in the event of death of an employee.

### **PENSION STRAIN**

The cost to the Council of reimbursing the Pension Fund should it agree to employees aged 55 and over drawing their pension before normal retirement age.

### **PRIVATE FINANCE INITIATIVE (PFI)**

PFI offers a form of Public-Private Partnership in which local authorities do not buy assets but rather pay for the use of assets held by the private sector.

### **PRECEPT**

This is the method by which a precepting authority (Greater London Authority in London) obtains income from the billing authority to cover its net expenditure. This is calculated after deducting its own Revenue Support Grant. The precept levied by the precepting authority is incorporated within the Council Tax charge. The Council pays the amount demanded over an agreed time scale.

### **PROPERTY, PLANT AND EQUIPMENT (PPE)**

Covers all tangible (physical) assets used in the delivery of services, for rental to others, or for administrative purposes, that are used for more than one year.

### **PROVISION**

Amount set aside for liabilities and losses, which are certain or very likely to occur but where the exact amount or timing of the payment is uncertain.

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

### **PRUDENTIAL CODE**

The Prudential Code frees authorities to set their own borrowing limits having regard to affordability. In order to demonstrate this has been done, and enable adherence to be monitored, authorities are required to adopt a number of appropriate 'Prudential Indicators'.

### **PUBLIC WORKS LOAN BOARD (PWLb)**

A government agency, part of the Debt Management Office which lends money to public bodies for capital purposes. The majority of borrowers are local authorities. Monies are drawn from the National Loans Fund and rates of interest are determined by the Treasury.

### **PUPIL PREMIUM GRANT**

This is based on Free School Meals (FSM) eligibility data as at January each year. It is ring-fenced to schools in the same way as DSG.

### **RATEABLE VALUE**

The Valuation Office Agency (part of HM Revenue and Customs) assesses the rateable value of non-domestic properties. Business rate bills are set by multiplying the rateable value by the NNDR poundage set by the Government for the year. Domestic properties do not have rateable values; instead they are assigned to one of the eight valuation bands for Council Tax.

### **RELEVANT POPULATION**

The population of the London Borough of Waltham Forest, as determined by the Secretary of State, is used to determine the Council's share of Revenue Support Grant.

### **RETAIL PRICE INDEX (RPI)**

The measure of inflation used prior to the adoption of CPI by the Government.

### **REVALUATION**

Recognises increases or decreases in the value of non-current assets that are not matched by expenditure on the asset; gains or losses are accounted for through the revaluation reserve.

### **REVENUE EXPENDITURE**

The regular day to day running costs a Council incurs to provide services.

### **REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)**

Expenditure which is legitimately financed from capital resources, but which does not result in, or remain matched with tangible assets.

### **REVENUE SUPPORT GRANT (RSG)**

The general grant paid by the Government to local authorities to help finance their services.

### **SURPLUS ASSETS**

Assets not being used in the delivery of services that do not qualify as being 'held for sale' under accounting guidance.

### **SOFT LOANS**

Funds received and advanced at less than market rates.

## GLOSSARY OF FINANCIAL TERMS (continued)

### UNSUPPORTED BORROWING

Local authorities can set their own borrowing levels based upon their capital need and their ability to pay for the borrowing, costs are not supported by the Government so services need to ensure they can fund the repayment costs. The borrowing may also be referred to as Prudential Borrowing.

### USABLE CAPITAL RECEIPTS

This represents the amount of capital receipts available to finance capital expenditure in future years, or to provide for the repayment of debt.

### ABBREVIATIONS USED IN THE ACCOUNTS:

**BRS** – Business Rate Supplement

**CCG** – Clinical Commissioning Group

**CIPFA** – Chartered Institute of Public Finance and Accountancy

**CIES** – Comprehensive Income and Expenditure Statement

**CPI** – Consumer Price Index

**DSG** – Dedicated Schools Grant

**EIP** – Equal Interest and Principal

**EIR** – Effective Interest Rate

**FRS** – Financial Reporting Standard

**HRA** – Housing Revenue Account

**IAS** – International Accounting Standards

**ISB** – Individual Schools Budget

**IFRS** – International Financial Reporting Standards

**MiRS** – Movement in Reserves Statement

**MRR** – Major Repairs Reserve

**NELFT** – North East London Foundation Trust

**NNDR** – National Non-Domestic Rates

**NPS** – Norfolk Property Services

**PFI** – Private Finance Initiative

**PPE** – Property, Plant and Equipment

**PWLB** – Public Works Loan Board

**REFCUS** – Revenue Expenditure Funded From Capital Under Statute

**RICS** – Royal Institution of Chartered Surveyors

**RPI** – Retail Price Index

**RSG** – Revenue Support Grant

**RTB** – Right to Buy