Waltham Forest Council

Statement of Accounts 2019/20

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Waltham Forest

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Preface from the Leader of the Council

2019 was a milestone year for Waltham Forest Council and we were proud to be London's first-ever Borough of Culture and the MJ Local Authority of the Year.

Like all local authorities, we have faced significant financial pressure over the last decade as a result of changes made by central Government to the way councils are funded.

Since 2010 the Council has had to make savings of £120m to our annual budget. Following changes in 2013/14, the proportion of our funding that is raised through council tax has increased rapidly as the Government has phased out the grants previously provided to fund local services.

Since 2010 we have reduced the number of staff employed by just under 1000 people (26%). At the same time the borough's population continues to increase and get older, placing more demand on services for our vulnerable residents such as social care, which now accounts for more than 50% of our total spend.

However, our strong record of prudent financial management allowed us to deliver for our residents.

Waltham Forest – London Borough of Culture

As the first-ever London Borough of Culture we secured sponsorship and funding that enabled us to deliver over 1,000 different cultural events and activities that have collectively attracted more than 500,000 visits. Every school in the borough was involved during the year.

65% of our residents have told us they think culture should be a priority for the future. We intend to build on this legacy in the years ahead. The Council has bought the former EMD Cinema and is working with Soho Theatre Group to renovate it so it can be used as a 1,000 seater venue generating an estimated £52 million for the local economy over the next ten years. Our Future Creatives programme is using the transformative power of culture to create opportunities and inspire our young people to pursue careers they otherwise might not have thought were open to them.

Keeping people safe

By the end of the 2019/20 financial year, there was a 29% fall in knife crime offences after we set up a Violence Reduction Partnership bringing together the police and other public sector agencies, housing providers, community representatives and voluntary agencies to tackle gang-related violence. We've also partnered with Hackney Council to be the first London boroughs to introduce the Safe and Together programme to support victims of domestic violence without fear of being separated from their children. At the beginning of 2020 we also held our first Citizens Assembly on stopping hate incidents and ensuring everyone in our borough feels equally welcome and safe – the first Assembly held on this topic anywhere in the world.

Climate emergency

We declared a climate emergency in April 2019 and want to lead by example in taking action to tackle climate change. Our work has already contributed to carbon emissions falling by almost 35% since 2005. We have established an independent Climate Emergency Commission to assess the council's existing work to tackle climate change, and make recommendations on what more we can do, working alongside our residents, to tackle this global problem in a local context.

Housing and infrastructure

Ensuring everyone has a decent roof over their head is one of our key priorities, and we know that providing infrastructure alongside new housing is crucial.

We have delivered the highest proportion of affordable housing in London - 42% against the London average of 17% - over the last three years. We have also brought forward the largest council housebuilding programme in Waltham Forest in a generation. Alongside this we are investing in cultural and sporting facilities like the EMD Cinema and the first Urban Cricket Centre opened in Leyton in partnership with the England and Wales Cricket Board.

Preface from the Leader of the Council (continued)

We have also worked closely with Barts NHS Trust to successfully make the case to Government to invest in a new hospital at Whipps Cross.

We have been working hard to improve our services and are proud of the progress made in 2019/20. However, in March 2020, extraordinary measures were taken in response to the Covid-19 pandemic as we entered an unprecedented lockdown. The full financial and economic impact is not yet known but it is clear that it has already and will continue to require the council to completely reassess our priorities in order to adapt as an organisation and support our residents through these challenging and uncertain times.

SECTION – 1

REVIEW AND STATUTORY CERTIFICATIONS

Narrative Report

This narrative statement was produced in 2020, and is relevant to circumstances within the accounts to 31 March 2020 and the organisation at that time. It has not been updated to reflect changes post the date of its initial preparation and approval.

Introduction

Waltham Forest is a London borough with strong economic growth and vibrant multi-cultural communities. It was the first-ever London Borough of Culture in 2019 and the Municipal Journal (MJ) Local Authority of the Year. The borough is strongly defined by its natural landscape with the Lea Valley to the West, and Epping Forest to the east; two of the largest public spaces in London.

Epping Forest

Some Key Facts about the Area

- Waltham Forest is home to over 275,000 people. It has seen rapid population growth over the past ten years with forecast population growth also above London averages. This creates new demand for Council services
- The borough is one of the most ethnically diverse areas in London. More than half (51.2%) of residents are from a minority ethnic background compared to 39.8% in London as a whole
- Waltham Forest has had strong business and employment growth in recent years although average wages tend to be low. Around 40% of local jobs paid less than the London Living Wage in 2019
- The house price/earnings ratio in the borough has almost doubled since 2009, and average monthly rents have also increased significantly since 2015. Both increase the need for more affordable accommodation

Some key facts about the Council

The Council is responsible for:	**It also:**
• 44 nurseries, schools and pupil referral units	• collects £203m Council Tax and Business Rates each year
• 6 swimming pools, gyms and leisure centres	• administers £134m housing benefit
• 70 parks, gardens, and open spaces	• provides social care to 30,000 adults
• 10,000 units of social housing	• maintaining 405km of roads, paths and verges
• Collecting an average of 99,250 tonnes of household waste annually	• empties bins for 107,000 households each week!

Impact of Covid-19 Pandemic

On 23 March 2020, the Government announced measures to stem the coronavirus pandemic. These included a lockdown where citizens were advised to stay at home apart from essential travel and all non-essential shops were closed.

During the crisis, the Council worked in a more flexible and responsive way to ensure its residents and businesses were protected. This has underlined the strengths of the Council, being able to innovate and respond quickly to new needs and develop in partnership new services to support communities. These actions were supported by our solid financial position at the start of the crisis, which meant the Council was able to act immediately and deliver needed services to its residents throughout the crisis.

Over the last few months, the Council has carried out extensive research with residents and staff with over 11,000 survey responses and a variety of focus and research groups taking place. This research, alongside members' interviews and extensive data gathering on the impacts of Covid-19 on the local economy and residents' lives, has culminated in a theme of public service to guide a new corporate strategy.

This new corporate strategy, which will lead the Council through recovery, will re-define what the term public service means. The pandemic has shown that public service must be thought of as the privilege of helping, as the act itself rather than who performs it or how it is delivered. For the Council, accepting this broader definition of public service will require more leadership and responsibility, not less. Everyone will have to play their part.

The impact of Covid-19 on Local Government has been significant in terms of finance and new changing responsibilities. The impact on Waltham Forest has been the delay to the Fair Funding Review and Business Rates reset, the latter being to reduce base funding that was expected from 2021/22. This has led to a potential increase in the funding gap in the MTFS (Medium Term Financial Strategy).

These changes have not had a dramatic impact on the financial outturn for 2019/20 as the pandemic only started to make a notable impact on the public's and businesses' behaviour in the last two weeks of March. However, the true scale of its impact on the Council's finances will be felt during 2020/21 and the Council is expecting substantial losses across many of its largest streams of commercial income. These include parking, leisure, licensing fees, registrars and planning fees.

In terms of expenditure some of the key areas of additional pressure will include accommodation and support for rough sleepers, temporary mortuary costs and additional costs in supporting our most vulnerable adults and children.

It is difficult to quantify the impact of Covid-19 at this stage with any degree of certainty, but the financial pressure on the Council will be substantial even after the Government's emergency Covid-19 funding for local authorities is taken into account.

Our key achievements 2019/20

Progress made against our 3 “Creating Futures” priorities are set out below:

Priority 1 Keep the borough clean and safe	**Improvements are being delivered by:** • Our School Streets programme; an initiative to improve local air quality by making it easier and safer for pupils and parents to walk and cycle to school. • Launch of the Park Guard Patrol service • Creating 88 Electric Vehicle charging points
Priority 2 Work to ensure everyone has a decent roof over their head	**We have worked hard to achieve this by:** • Licensing schemes which protect private renters from unscrupulous landlords in the borough. • New housing development across the borough, including Leyton’s Score Centre and Hylands Road in Walthamstow, offering 100 per cent genuinely affordable rented homes. • The largest council housebuilding programme in a generation. This includes plans for 47 new homes at Leyton Green Road.
Priority 3 Improve life chances	**To support children and young people we have:** • Launched a Schools Mental Health Charter • Established pathways for young people to develop creative careers through our ‘Future Creatives’ programme. • Created an Opportunity Bank, providing access to information on further training, volunteering and work opportunities

Other achievements and improvements during 2019/20 include:

Violence against Women and Girls (VAWG) project – delivered training and awareness to 618 members of staff, over 2,500 pupils and 262 Community Champions. All schools now have robust policies and procedures in place to effectively manage and prevent VAWG.

Climate Emergency Commission – hosted the first local authority-led commission on climate change and introduced local initiatives such as the green City Trees programme.

Enjoy Waltham Forest programme – road improvements to promote walking and cycling have resulted in 27km of new cycle lanes, cycle usage increasing by 103%, and car usage falling by 7%.

Steps into Work programme – over 340 residents supported into sustainable employment.

Safe and Together programme – introduced to support victims of domestic violence who fear being separated from their children.

Paid leave for parents of premature babies – the Council was the first employer in the country to offer new parents of premature babies extra leave on full pay.

Lowering carbon emissions – the borough had the lowest carbon emissions per person in 2019, with 42 per cent reduction in CO2 over the past 10 years.

Pension fund fossil fuel investment – we were the first public body to stop investing pension funds in fossil fuels.

Building on our Strengths

Throughout the year, we have made great strides in building on these foundations across the five principles of our Creating Futures strategy: We were the first ever London Borough of Culture in 2019. A highly successful opening event set the tone for an inspirational year in which we delivered more than 1,000 cultural events and activities attracting over 500,000 visitors. All 88 schools in the borough and more than 1,000 volunteers took part.

We recently held our first ever Citizen's Assembly, the first of its kind in the UK. It served as a powerful reminder that there is strength in diversity, with 45 residents taking part.

2019 saw investment in excess of £3.3m to create new library facilities at Lea Bridge, Wood Street and Walthamstow Plus. We also worked in partnership with Network Rail to open the new station at Lea Bridge and are developing plans to expand capacity and introduce step-free access at Walthamstow Central and Leyton stations.

Lea Bridge Railway station

Economic Growth Programme

These transformational investments will deliver lasting financial, social and cultural benefits:

Plans to create an exciting new public space in front of Waltham Forest Town Hall are gathering pace so that the recently pedestrianised area can be used for markets and events. Phase Two will see around 500 new high-quality homes for local people, a new civic office building, and new retail, food and drink outlets.

The Council has also purchased the old Granada/EMD Cinema building and is working with Soho Theatre to turn it into a local theatre with a national profile, hosting comedy, pantos and other entertainment that could add £50m to the local economy over a ten-year period.

Waltham Forest is London’s first Night-Time Enterprise Zone and December 2019 provided an exciting taster of how our town centres can become more vibrant and family-friendly after 6pm.

A new respite care centre for young people is set to open in Leyton, together with a new permanent building at Belmont Park School to deliver vocational training courses.

Plans are now in place for a brand new, state-of-the art hospital at Whipps Cross.

Empire Cinema, Walthamstow

A new Multi Use Games Area (MUGA) is being created in, Chingford, as part of the new Centenary House development in Lena Kennedy Close.

The Post Office in Wood Street is now open, together with the new, relocated Co-Op supermarket, as part of the Marlowe Road regeneration project.

Work has started on a £21m creative arts academy funded by the Department for Education. These new facilities will ensure young people have the skills and networks to succeed in creative industries.

We are also investing £4.5m to refurbish the Suntrap environmental education centre.

People Focus

The Violence Reduction Partnership (VRP) was established in 2019 and is made up of almost 50 organisations committed to finding new ways of tackling youth violence. Our Ask me ambassadors are also working to tackle youth violence and have developed an online resource answering common questions about gang culture and the support services available to young people in Waltham Forest.

Online chatbot, Is This OK? Is offering support to young people who are victims of abuse, criminal exploitation and sexual exploitation in Waltham Forest. The council's Mental Health Charter was also launched last year.

2019's Digital Month saw more than 1,400 people of all ages participate in 46 events throughout the borough. One of the most popular events was Tech Camp, designed to help students and jobseekers improve their IT skills.

New Relationships

Steps into Work is a pilot project aimed at helping residents into apprenticeships or employment.

The Fellowship Funding/Make It Happen grants programme was launched in 2019 to support local culture projects throughout the borough with funding available for artists, organisations, and individuals alike.

We have worked with the England and Wales Cricket Board to develop the first Urban Cricket Centre. This provides cricket facilities for the whole community and especially encourages more involvement in the sport by women and the Asian community.

Leyton Cricket Hub

New Ways of Working

Urbaser has taken over refuse and recycling collections, and is supporting Green Flag status for Ridgeway, Jubilee and Lloyd Parks

Four new apprenticeships have been created on the St James Quarter redevelopment

Empty Homes Week in September 2019 highlighted work done to bring properties back into use

The council is working in partnership with the Mayor of London to help deliver a zero-carbon city and increase the use of solar panels.

A new water fountain outside Highams Park Station means residents, visitors and travellers can now refill their own re-usable drinking bottles for free and reduce plastic waste.

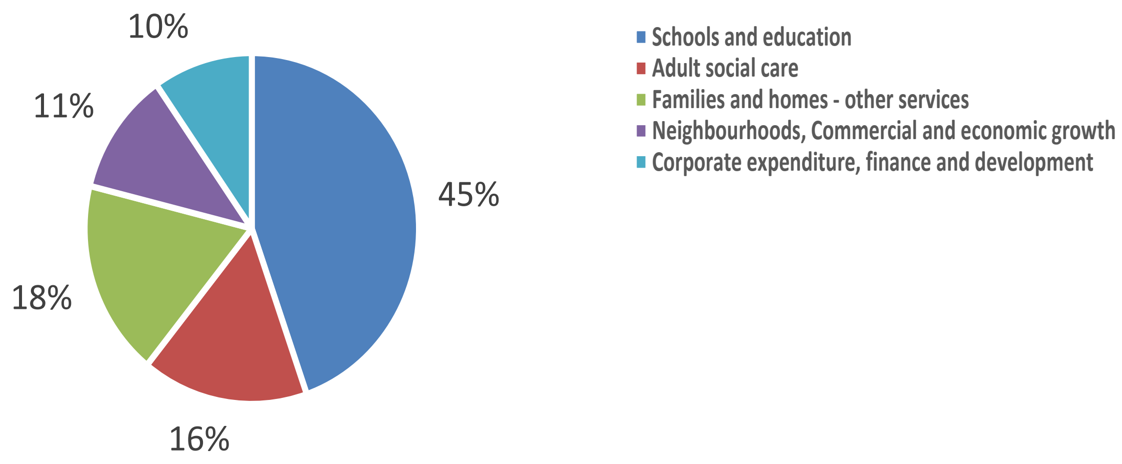
Financial Performance

Band D Council Tax for 2019/20 was set at £1,693.95, an increase of 4.89% on the previous year. Other key sources of revenue funding are:

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

The net revenue budget was set at £403m for 2019/20 (including capital charges and contingencies). Allocations to service areas are shown below:

The Council's Net Revenue Budget for 2019/20



Actual expenditure in 2019/20 was managed within the overall budget. **Page 30** of the Statement of Accounts sets out net revenue costs by service area in 2019/20, and the Expenditure and Funding Analysis in **Note 8** provides further details of the Council's income and expenditure.

Capital Expenditure

The capital budget was £121m in 2019/20. 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.

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

Walthamstow Library

Balance Sheet

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

2018/19		2019/20
£'m		£'m
2,177	Property plant and equipment	2,252
42	Heritage assets	42
8	Investment property	8
2	Other long and short term assets	1
27	Long and short term investments	40
92	Debtors	95
26	Cash and Cash equivalents	44
2,374	**TOTAL ASSETS**	**2,482**
(263)	Long and short term borrowing	(301)
(89)	Creditors and receipts in advance	(108)
(19)	Provisions	(18)
(619)	Pension Fund liabilities	(677)
(52)	Other long term liabilities	(51)
(1,042)	**TOTAL LIABILITIES**	**(1,155)**
1,332	**NET ASSETS**	**1,327**

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 5.12% interest rates and repayable between 2021 and 2057.

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 36** 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 2019/20. 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 2020 total unusable reserves were £1,168m (£1,169m at 31/03/2019), see **Note 30** for further details.

Useable reserves on the other hand totalled £161m (£167m at 31/3/2019). This balance represents a combination of:

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

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

The Collection Fund

The Collection Fund on **page 112** shows the transactions of the Council as a billing authority in relation to Business Rates and Council Tax. Total amounts collected (£203m in 2019/20) are distributed between the Council and the Greater London Authority to help fund provision of services.

The Council Tax collection rate was 95.81% (95.96% in 2018/19), and we aim to improve this to 98% within 5 years. The Business Rates collection rate was 95.96% (97.04% in 2018/19), against a target rate of 97.70%.

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 106**.

During 2019/20, 44 homes were sold under the Right to Buy, 152 were demolished, and 88 new homes were created, resulting in a total of 9,991 dwellings (10,099 at 31 March 2019). The working balance on the Housing Revenue Account has increased from £5m to £7m during the year.

Flats at Wood Street, Walthamstow

Pension Fund

In addition to the Council, 49 other employers are members of the London Borough of Waltham Forest Pension Fund. These include, for example, local academy schools and not for profit organisations. The Pension Fund Accounts on **page 115** provide details of pension fund transactions during 2019/20.

The Fund held investment assets valued at £863m at 31 March 2020. (£930m at 31 March 2019). This portfolio is externally managed, and a recent actuarial valuation has confirmed that the scheme was 80% funded as at 31 March 2020.

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 2020. 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 2020/21 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.

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 6 November 2023. All known material events that have occurred up to and including this date which relate to 2019/20 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 2020 and its income and expenditure for the year ended 31 March 2020 and I hereby authorise its issue.

06 November 2023

Date

Rob Manning

Strategic Director of Resources

Approval of the Statement of Accounts 2019/20

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 2019/20 on 1 November 2023.

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.

06 November 2023

Date

Councillor Jack Phipps

Chair, Audit and Governance Committee

London Borough of Waltham Forest

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements.

Opinion

We have audited the financial statements of the London Borough of Waltham Forest ('the Council') for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Council Comprehensive Income and Expenditure Statement,
- Council Movement in Reserves Statement,
- Council Balance Sheet,
- Council Cash Flow Statement,
- Related notes to the core financial statements 1 to 39,
- Housing Revenue Account (HRA) - Income and Expenditure Statement, Statement on the Movement on the Housing Revenue Account and the related notes 1 to 6, and
- Collection Fund Statement and the related notes 1 to 4.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

In our opinion the financial statements:

- give a true and fair view of the financial position of the London Borough of Waltham Forest as at 31 March 2020 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Strategic Director Finance and Governance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Strategic Director Finance and Governance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Statement of Accounts 2019/20, other than the financial statements and our auditor's report thereon. The Strategic Director Finance and Governance is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit in accordance with the Code of Practice 2015, and having regard to the guidance issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, the London Borough of Waltham Forest put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

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

We have nothing to report in these respects

Responsibility of the Strategic Director Finance and Governance

As explained more fully in the Statement of Responsibilities set out on page 20, the Strategic Director Finance and Governance is responsible for the preparation of the Statement of Accounts, which includes the financial statements**,** in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view.

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether the London Borough of Waltham Forest had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice 2015 in satisfying ourselves whether the London Borough of Waltham Forest put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice 2015. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the London Borough of Waltham Forest had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

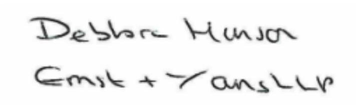
We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

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

Use of our report

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



Debbie Hanson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Luton
06 November 2023

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF THE LONDON BOROUGH OF WALTHAM FOREST PENSION FUND

Opinion

We have audited the pension fund financial statements for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The pension fund financial statements comprise the Pension Fund Account, the Net Assets Statement and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2020 and the amount and disposition of the fund’s assets and liabilities as at 31 March 2020; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report below. We are independent of the pension fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard and the Comptroller and Auditor General’s (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Strategic Director of Finance and Governance’s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Strategic Director of Finance and Governance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the pension fund’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Waltham Forest Council Statement of Accounts 2019/20, other than the financial statements and our auditor’s report thereon. The Strategic Director of Finance and Governance is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LONDON BOROUGH OF WALTHAM FOREST PENSION FUND (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects

Responsibility of the Strategic Director of Finance and Governance

As explained more fully in the Statement of Responsibilities set out on page 20, the Strategic Director of Finance and Governance is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LONDON BOROUGH OF WALTHAM FOREST PENSION FUND (continued)

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Debbie Hanson
Ernst + Young LLP

Debbie Hanson (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

Luton
06 November 2023

SECTION – 2

CORE FINANCIAL STATEMENTS

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.

2018/19				2019/20			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
£'000	£'000	£'000		£'000	£'000	£'000	Note
236	-	236	Chief Executive	232	(4)	228	
46,346	(37,778)	8,568	Economic Growth	33,097	(34,334)	(1,237)	
521,830	(384,888)	136,942	Families and Homes	408,379	(271,023)	137,356	
185,375	(172,227)	13,148	Finance & Governance	164,476	(156,055)	8,421	
26,347	22,060	48,407	Resident Services	145,687	(78,483)	67,204	
23,548	(8,871)	14,677	Corporate Development	28,231	(6,423)	21,808	
15,559	(304)	15,255	Corporate Expenditure	11,468	(2,219)	9,249	
51,322	(62,306)	(10,984)	Housing Revenue Account	36,616	(61,610)	(24,994)	
870,563	**(644,314)**	**226,249**	**Cost of Services**	**828,186**	**(610,151)**	**218,035**	
		43,090	Other operating expenditure			10,228	*5*
		31,465	Financing and investment income and expenditure			30,380	*6*
		(249,892)	Taxation and non-specific grant income and expenditure			(271,091)	*7*
		50,912	**(Surplus)/deficit on provision of services**	**828,186**	**(610,151)**	**(12,448)**	
		2,886	(Surplus) or deficit on financial assets measured at FVOCI			570	*30d*
		(9,532)	(Surplus) or deficit on revaluation of property, plant and equipment assets			(15,976)	*30a*
		31,252	Remeasurement of the net defined benefit liability			31,803	*30e, 31*
		24,606	**Other Comprehensive income and expenditure**			**16,397**	
		75,518	**Total Comprehensive income and expenditure**			**3,949**	

The Internal recharges expenditure and income are netted off.

Movement in Reserves Statement

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

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves*	Total Council Reserves	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	*Note*
Balance at 1 Apr 2018	**(14,572)**	**(100,921)**	**(4,455)**	**(39,085)**	**(20,072)**	**(179,105)**	**(1,227,616)**	**(1,406,721)**	
Movement in reserves during 2018/19									
(Surplus)/deficit on provision of services	57,325	-	(6,413)	-	-	50,912	-	50,912	
Other Comprehensive income and expenditure	-	-	-	-	-	-	24,606	24,606	
Total Comprehensive Income and Expenditure	**57,325**	**-**	**(6,413)**	**-**	**-**	**50,912**	**24,606**	**75,518**	
Adjustments from income and expenditure charged under the accounting basis to the funding basis	(81,642)	-	5,952	6,738	30,528	(38,424)	38,424	-	*14*
Increase or (decrease) before transfers to earmarked reserves	**(24,317)**	**-**	**(461)**	**6,738**	**30,528**	**12,488**	**63,030**	**75,518**	
Transfer to/(from) - earmarked reserves	24,317	(4,077)	(100)	-	(20,140)	-	-	-	*15*
Balance at 31 Mar 2019	**(14,572)**	**(104,998)**	**(5,016)**	**(32,347)**	**(9,684)**	**(166,617)**	**(1,164,586)**	**(1,331,203)**	
Movement in reserves during 2019/20									
(Surplus)/deficit on provision of services	16,216	-	(28,664)	-	-	(12,448)	-	(12,448)	
Other Comprehensive income and expenditure	-	-	-	-	-	-	16,397	16,397	
Total Comprehensive Income and Expenditure	**16,216**	**-**	**(28,664)**	**-**	**-**	**(12,448)**	**16,397**	**3,949**	
Adjustments from income and expenditure charged under the accounting basis to the funding basis	(39,999)	-	20,152	9,504	21,415	11,072	(11,072)	-	*14*
Increase or (decrease) before transfers to earmarked reserves	**(23,783)**	**-**	**(8,512)**	**9,504**	**21,415**	**(1,376)**	**5,325**	**3,949**	
Transfer to/(from) - earmarked reserves	23,493	(10,072)	6,200	-	(19,621)	-	-	-	*15*
Balance at 31 Mar 2020	**(14,862)**	**(115,070)**	**(7,328)**	**(22,843)**	**(7,890)**	**(167,993)**	**(1,159,261)**	**(1,327,254)**	

* 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.

I certify that the Statement of Accounts gives a true and fair view of the financial position of the authority as at 31 March 2020 and its income and expenditure for the year ended 31 March 2020

Rob Manning

06 November 2023

2018/19		2019/20	
31-Mar-19		31-Mar-20	
£'000		£'000	*Note*
2,176,549	Property, Plant and Equipment	2,252,026	*16, 39*
41,883	Heritage Assets	41,883	*18*
8,069	Investment Property	7,816	*19*
1,735	Intangible Assets	1,131	
1	Long-term Investments	-	*21*
4,934	Long-term Debtors	5,355	*27*
2,233,171	**Total Long-term Assets**	**2,308,211**	
27,128	Short Term Investments	40,180	*21*
43	Assets Held for Sale	-	
26	Inventories	29	
86,870	Short term debtors	90,069	*27*
26,253	Cash and Cash Equivalents	43,537	*20*
140,320	**Current Assets**	**173,815**	
(7,876)	Cash and Cash Equivalents	(11,534)	*20*
(18,588)	Short-term Borrowing	(58,776)	*21*
(87,001)	Short-term Creditors	(99,276)	*28*
(6,684)	Short-term Provisions	(5,302)	*29*
(2,266)	Grants Receipts in Advance – Capital	(8,900)	*13*
(122,415)	**Current Liabilities**	**(183,788)**	
(11,927)	Long-term Provisions	(12,618)	*29*
(236,281)	Long-term Borrowing	(230,249)	*21*
(619,267)	Pension Liability	(677,247)	*31*
(2,888)	Financial Liability (accumulated losses in companies)	(3,456)	
(3,905)	Finance lease liability	(3,904)	*24*
(45,605)	PFI Creditors	(43,510)	*25*
(919,873)	**Long-term Liabilities**	**(970,984)**	
1,331,203	**Net Assets**	**1,327,254**	
(166,617)	Usable Reserves	(167,993)	
(1,164,586)	Unusable Reserves	(1,159,261)	*30*
(1,331,203)	**Total Reserves**	**(1,327,254)**	

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.

2018/19		2019/20	
£'000		£'000	*Note*
(50,912)	Net surplus or (deficit) on the provision of services	12,448	
119,578	Adjustment to surplus or (deficit) on the provision of services for non-cash movements	80,411	*32*
(43,687)	Adjustment for items included in the net surplus or(deficit) on the provision of services that are investing and financing activities	(65,983)	*32*
24,979	**Net cash flows from operating activities**	**26,876**	
(4,938)	Investing Activities	(47,886)	*33*
(21,361)	Financing Activities	34,636	*34*
(1,320)	**Net increase or (decrease) in cash and cash equivalents**	**13,626**	
19,697	Cash and cash equivalents at the beginning of the reporting period	18,377	
18,377	**Cash and cash equivalents at the end of the reporting period**	**32,003**	*20*

SECTION – 3

NOTES TO THE CORE FINANCIAL STATEMENTS

SECTION – 3

NOTES TO THE CORE FINANCIAL STATEMENTS

Notes to the Core Financial Statements

Note 1: Accounting Policies

1.1 Basis of Preparation

Going Concern

The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code (Code of Practice on Local Authority Accounting in the United Kingdom 2019/20) in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

Local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code therefore assume that a local authority's services will continue to operate for the foreseeable future.

In light of the unprecedented nature of Covid-19, its impact on the funding of public sector entities and uncertainty over the form and extent of government support, this note supports the S151 Officer's assertion that the statements have been prepared on a going concern basis.

The Covid-19 restrictions across the UK, have created significant issues for many businesses and residents. The Section 151 Officer has carried out an assessment of the impact of Covid-19 on the Medium Term Financial Strategy (MTFS) and is satisfied that the financial strategy previously adopted by the council means that it is able to navigate the unprecedented financial challenges presented by the pandemic. Through this assessment it has been identified that there is an expected unfunded pressure in 2020/21

At the time of publication of these Statement of Accounts, the council had received additional government funding of £46.05m for the 2020/21 financial year and £21.88m for the 2021/22 financial year. This funding was provided in respect of additional Covid related cost pressures borne by the Council, including Track & Trace, Infection Control, providing support to the Clinically Extremely Vulnerable and Reopening High Streets Safely. Funding was also provided to compensate loss of revenue streams like sales, fees and charges income.

With regard to the Council's financial stability, reserves are used to manage risks. There are certain earmarked reserves that have been set aside for specific risks, for example: the collection fund and budget pressures. These reserves and the potential pressures that need to be managed are reviewed as part of the budget setting process.

The Council also manages unforeseen financial shocks by maintaining a Working Balance in its General Fund. The Council's agreed policy is to maintain working balances at between £10 million and £15 million which has been maintained in subsequent years. This level of working balance is kept under review and the Chief Finance Officer has expressed a view, within the Section 25 Report, that the level is reasonable as part of the budget setting process.

The MTFS is reviewed and updated throughout the year so that the Council is well placed to consider its financial standing and associated budget risks. In addition, the regular review of balances and the rigorous monthly monitoring of the revenue budget are formally reported to Cabinet. This contributes to an assessment and understanding of budget risks.

Note 1: Accounting Policies (continued)

The Council's most recent year-end balances, as reported in these statements are as follows.

Date	General Fund	Housing Revenue Account	Earmarked Reserves
31 March 2020	£14.9m	£7.3m	£115m
31 March 2021	£14.9m	£3.3m	£128m
31 March 2022	£14.9m	£5.5m	£121.5m
31 March 2023	£14.9m	£6m	£103m

Subsequent years' figures are subject to audit.

Cash flow forecasts have been completed across the MTFS cycle and the council has sufficient cash to navigate this challenging period. Treasury officers will continue to work closely with the Corporate Finance team to monitor any slippage within the capital programme and income through the Collection Fund, which will impact on future cashflow levels. In addition, regular review work has begun on refreshing the MTFS and identifying savings and additional income.

The Council has sufficient reserves to maintain a balanced medium-term financial strategy and sufficient liquid funds to provide cash funding for these activities. It is therefore the S151 Officer's professional view that the cash flow forecasts confirm that the Council can meet its obligations for 12 months from the authorisation of these accounts and the Accounts have therefore been prepared on a going concern basis.

Note 1: Accounting Policies (continued)

1.2. General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. 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 2019/20, 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".

1.3. Accruals of Income and Expenditure

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

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

1.4. 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.

1.5. 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 1: Accounting Policies (continued)

1.6. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post-employment Benefits

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

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

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

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

The Local Government Pension Scheme

The LGPS is accounted for as a defined benefits scheme.

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

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

Note 1: 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.

1.7. 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 2020.

For non-PWLB loans the fair value is deemed to be the standard new loan rate also published by the PWLB on 31 March 2020.

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 1: 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.

1.8. 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.

When conditions are satisfied, the grant or contribution is credited to the relevant service line or taxation and non-specific grant income and expenditure in the CIES.

Where capital grants are credited to the CIES, they are reversed out of the general fund balance in the movement in reserves statement.

Where the grant has yet to be used to finance capital expenditure, it is posted to the capital grants unapplied reserve. Where it has been applied, it is posted to the capital adjustment account.

Amounts in the capital grants unapplied reserve are transferred to the capital adjustment account once they have been applied to fund capital expenditure.

Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments 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 1: Accounting Policies (continued)

1.9. 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.

1.10. 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 liabilities at FVOCI.

1.11. 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.

1.12. 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

<u>Finance Leases</u>

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.

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).

Note 1: Accounting Policies (continued)

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.

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.

1.13. 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.

Note 1: Accounting Policies (continued)

1.14. 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, 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)

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.

Note 1: Accounting Policies (continued)

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

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.

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.

1.15. Highways Infrastructure Assets

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

Recognition

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

Measurement

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

Note 1: Accounting Policies (continued)

Depreciation

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives.
Depreciation is charged on a straight-line basis.
Annual depreciation is the depreciation amount allocated each year.

Useful lives of the various parts of the highways network are assessed as follows:

Part of the Highways network	Useful life
Carriageways, Footways and cycle tracks, Structures (bridges, tunnels and underpasses), Street lighting, Street furniture, Traffic Management systems.	20 years

Disposals and derecognition

When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the 'Other operating expenditure' line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

The written-off amounts of disposals are 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 transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement

1.16. 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.

1.17. 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.

Note 1: Accounting Policies (continued)

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.

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.

1.18. 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.

1.19. 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.

1.20. 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.

1.21. 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

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code), the Council is required to disclose the impact that an accounting change arising from a new standard would have on the current year's accounts if it had applied in the year. The two key changes to accounting standards are:

- **IFRS 16** Leasing which replaces IAS17 Leasing. The new standard would require the recognition on the balance sheet of all assets used by the Council currently funded through operating leases from third party lessors. CIPFA have deferred implementation of the standard to 1 April 2022.
- Amendments to IAS19 Employee Benefits which would require a revised valuation for the Council whenever there was a settlement or curtailment during the year, such as when school achieved academy status or there was a transfer of staff to a third party employer. There would have been no impact on 2019/20 had the amendments to IAS19 applied in 2019/20 because there were no schools which transferred to academy status nor were there any other staff outsourcings.

Note 2: Accounting Standards Issued but Not Yet Adopted (continued)

In addition there some minor amendments as follows, none of which would have impacted upon the Council:

- Amendments to IFRS 28 *Investments in Associates and Joint Ventures* ;
- Amendments to IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements* ;
- Amendments to IAS23 *Borrowing Costs* .

Note 3: Critical Judgements in Applying Accounting Policies

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be materially impaired as a result of a need to close facilities and substantially reduce levels of service provision.

- School service concessions – the Council is deemed to control the services and the residual assets created under the contracts for Lammas School, Grouped Schools and Frederick Bremer School. The accounting policies for service concessions have been applied to these contracts and assets valued at £179.2m 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 a number of interests in other entities which fall within the group accounting boundary on the grounds of control and significant influence. If accounted for on a Group basis, in aggregate these interests would reduce net worth and short term debtors by £3.1m and £1.3m respectively, and increase current liabilities and the deficit on the Comprehensive Income and Expenditure Statement by £2m and £0.8m respectively in 2019/20. The Council's view is that this does not warrant producing consolidated group financial statements on the grounds of materiality. In line with the Code, a range of narrative disclosures have been included in Note 35 Related Party Transactions. The movement in the net worth of these entities by £568k is reflected in the Financial Instruments Revaluation Reserve in Note 30 and the Financial Instruments disclosures at Note 21 and disclosure of £3.45m financial liability has been made under long term liabilities on Balance Sheet .

- The Council collects approximately net £66m in business rates. The assumptions around the outcome of appeals against the NNDR valuations (either received to date or expected in future years) represent a material and critical judgement applied to the accounts. The appeals provision is empirically derived from the experience with both the 2005 and 2010 lists as well as appeals determinations so far made against the 2017 list. The Council is currently in the business rates pilot with the other London Boroughs, the City of London Corporation and the Greater London Authority (GLA) and the pool will ensure that councils will not lose more 7.5% of their baseline funding, in our case 7.5% of £69m which is approximately £5.2m. However, due to the technical adjustment relating to the Collection Fund Adjustment Account, if the Council did enter the safety net it would only impact the general fund the year after this happens. Therefore, if the net rate income reduces below the levels set by central government the Council is expected to be compensated via the pilot pool. From 2019/20 the council will retain 75% of the business rates income it collects and also receive a £53.34 top-up from the London pooling pilot.

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 2020 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	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.	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 £2.9m for every year that useful lives had to be reduced.
	Assets have been valued by the Authority's external valuers on the basis of a five year rolling valuation programme. In the current economic climate, the Balance Sheet valuation of £2,261m may be subject to fluctuations.	If the asset valuation of all property plant and equipment were to fall by *1%* a reduction in value of £22.6m 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.
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	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. 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).	The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels and the respective covenant strength of tenants. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties.
Provisions	The Council has made a number of provisions. Provisions are defined as probable future liabilities based on past events and therefore, there are inherent uncertainties related to amounts set aside as provisions. If future liabilities exceed the amount set aside in a provision, the additional expense would have to be met from the Council's revenue accounts.	An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £1.8m to the provision needed.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	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: • A 0.1% increase in the discount rate will reduce the net liability by £19.5m • a 0.1% increase in inflation will increase the net liability by £19.8m • An increase of one year in longevity will increase the net liability by £37.8m

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

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

Note 5: Other Operating Expenditure

2018/19		2019/20
£'000		£'000
8,092	Levies	9,694
1,310	Payments to the Government housing capital receipts pool	1,310
959	Pension administration expenses	705
32,729	(Gains)/losses on the disposal of non-current assets	(1,481)
43,090	**Total**	**10,228**

Note 6: Financing and Investment Income and Expenditure

2018/19		2019/20
£'000		£'000
19,331	Interest payable and similar charges	17,189
13,549	Net interest on the net defined benefit liability (asset)	14,292
(1,153)	Interest receivable and similar income	(1,112)
(262)	Income and expenditure relating to investment properties	(243)
-	Changes in fair value of investment properties	254
31,465	**Total**	**30,380**

Note 7: Taxation and Non-Specific Grant Income

2018/19 £'000		2019/20 £'000
(100,488)	Council tax income	(106,287)
(103,496)	Non-domestic rates income and expenditure	(95,726)
(4,024)	Non-ringfenced government grants	(11,628)
(41,884)	Capital grant and contributions	(57,450)
(249,892)	**Total**	**(271,091)**

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.

2018/19				2019/20		
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
236	(21)	215	Chief Executive	228	-	228
8,568	(4,388)	4,180	Economic Growth	(1,237)	(2,078)	(3,315)
136,942	(42,483)	94,459	Families and Homes	137,356	(21,205)	116,151
48,407	(12,907)	35,500	Resident Services	67,204	(7,484)	59,720
14,677	(2,109)	12,568	Corporate Development	21,808	(1,664)	20,144
13,148	(16,599)	(3,451)	Finance & Governance	8,421	(8,732)	(311)
(10,984)	5,952	(5,032)	Housing Revenue Account	(24,994)	20,152	(4,842)
15,255	(1,393)	13,862	Corporate Expenditure	9,249	(415)	8,834
226,249	**(73,948)**	**152,301**	**Net Cost of Services**	**218,035**	**(21,426)**	**196,609**
(175,337)	(1,742)	(177,079)	Other Income and Expenditure	(230,483)	1,580	(228,903)
50,912	**(75,690)**	**(24,778)**	**(Surplus)/Deficit**	**(12,448)**	**(19,846)**	**(32,294)**
		(119,948)	Opening General Fund and HRA Balance			(124,586)
		20,140	Transfer to/(from) - earmarked reserves			19,621
		(124,586)	**Closing General Fund and HRA Balance***			**(137,259)**

* 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)

2018/19					2019/20			
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
(14)	(7)	-	(21)	Chief Executive	-	-	-	-
(3,108)	(1,308)	28	(4,388)	Economic Growth	(805)	(1,232)	(41)	(2,078)
(28,977)	(13,820)	314	(42,483)	Families and Homes	(8,217)	(12,567)	(421)	(21,205)
(11,421)	(1,501)	15	(12,907)	Resident Services	(2,901)	(4,435)	(149)	(7,485)
(1,455)	(668)	14	(2,109)	Corporate Development	(645)	(986)	(33)	(1,664)
(11,451)	(5,261)	113	(16,599)	Finance & Governance	(3,384)	(5,175)	(173)	(8,732)
6,623	(703)	32	5,952	Housing Revenue Account	21,672	(1,536)	16	20,152
(961)	(441)	9	(1,393)	Corporate Expenditure	(161)	(246)	(8)	(415)
(50,764)	**(23,709)**	**525**	**(73,948)**	**Net Cost of Services**	**5,559**	**(26,177)**	**(809)**	**(21,427)**
1,920	-	(3,662)	(1,742)	Other income and expenditure from the Funding Analysis	-	-	1,581	1,581
(48,844)	**(23,709)**	**(3,137)**	**(75,690)**	**Difference between (Surplus)/Deficit and the CIES Statement (Surplus)/Deficit on Provision of Services**	**5,559**	**(26,177)**	**772**	**(19,846)**

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

2018/19		2019/20
£'000		£'000
	Expenditure	
268,397	Employee Benefit Expenses	284,772
577,280	Other Service Expenses	507,938
49,697	Depreciation, Amortisation, Impairment	39,502
32,880	Interest Payments	31,481
8,092	Precepts and Levies	9,694
1,310	Payments to the Housing Capital Receipts Pool	1,310
32,729	Losses on Disposals	-
970,385	**Total expenditure**	**874,697**
	Income	
(260,142)	Fees, charges and other service income	(223,670)
(1,415)	Interest and investment income	(1,101)
(203,984)	Income from council tax, non-domestic rates	(202,013)
(453,932)	Government grants and contributions	(458,880)
-	Gains on Disposals	(1,481)
(919,473)	**Total income**	**(887,145)**
50,912	**(Surplus) or Deficit on the Provision of Services**	**(12,448)**

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 2019/20 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.

Note 9: Partnership Arrangements (continued)

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. 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.

2018/19			2019/20	
BCF Restated	iBCF		BCF	iBCF
£'000	£'000		£'000	£'000
		Funding from:		
(2,258)	(6,835)	L B Waltham Forest	(2,145)	(8,119)
(18,349)	-	Waltham Forest CCG	(18,363)	-
(20,607)	**(6,835)**		**(20,508)**	**(8,119)**
		Expenditure		
2,258	6,835	L B Waltham Forest	2,145	8,119
18,349	-	Waltham Forest CCG	18,363	-
20,607	**6,835**		**20,508**	**8,119**

Note 10: Members' Allowances

The Council paid allowances to its members in 2019/20 of £1.269 million (£1.205 million in 2018/19). 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	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
£0 - £20,000	20	**32**	39	**3**	59	**35**	560	**249**
£20,001 - £40,000	1	**3**	6	**1**	7	**4**	212	**117**
£40,001 - £60,000	2	**1**	6	**-**	8	**1**	405	**46**
£60,001 - £80,000	1	**-**	6	**-**	7	**-**	477	**-**
£80,001 - £100,000	1	**-**	1	**-**	2	**-**	186	**-**
£100,001 - £150,000	1	**1**	1	**-**	2	**1**	212	**113**
Total	**26**	**37**	**59**	**4**	**85**	**41**	**2,052**	**525**

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:

2019/20	Salary including fees and allowances	Taxable Expenses	Total Remuneration excluding Pension costs	Employers Pension Contributions	Total Remuneration including Pension contributions	Notes
	£	£	£	£	£	
Post holder information						
Chief Executive - Mr Martin Esom	221,610	-	221,610	-	221,610	
Deputy Chief Executive - Families - Ms Linzi Roberts-Egan	78,753	-	78,753	10,808	89,561	1
Strategic Director of Economic Growth - Mr Stewart Murray	157,524	-	157,524	22,914	180,438	6
Strategic Director of Finance & Governance	146,983	-	146,983	-	146,983	
Strategic Director of Resident Services	143,133	-	143,133	20,798	163,931	3
Strategic Director of Corporate Development	136,063	-	136,063	19,711	155,774	
Director of Governance & Law	129,859	-	129,859	17,888	147,747	
Director of Public Health	100,676	-	100,676	14,799	115,475	
Strategic Director of Families	75,446	-	75,446	10,882	86,328	2

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

Note 2 : The Strategic Director for Families commenced the role in September 2019.

Note 3 : The Strategic Director of Neighbourhood and Comms role in 2018/19 was realigned to Strategic Director of Resident Services in 2019/20

Note 4 : The Director of Property and Asset Management role has been restructured.

Note 5 : The Director of Regeneration and Growth role has been restructured.

Note 6 : 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.

2018/19	Salary including fees and allowances	Taxable Expenses	Total Remuneration excluding Pension costs	Employers Pension Contributions	Total Remuneration including Pension contributions	Notes
	£	£	£	£	£	
Post holder information						
Chief Executive - Mr Martin Esom	211,013	-	211,013	-	211,013	
Deputy Chief Executive - Families - Linzi Roberts-Egan	166,331	-	166,331	24,157	190,488	
Strategic Director of Finance & Governance	142,734	-	142,734	-	142,734	
Strategic Director of Economic Growth	140,156	-	140,156	20,603	160,759	1
Strategic Director of Neighbourhoods & Comms	133,664	-	133,664	19,502	153,166	
Strategic Director of Corporate Development	134,664	-	134,664	19,502	154,166	
Director of Governance & Law	123,198	-	123,198	17,357	140,555	
Director of Property & Asset Management	111,814	-	111,814	-	111,814	
Director of Regeneration & Growth	114,415	-	114,415	16,672	131,087	
Director of Public Health	98,702	-	98,702	14,509	113,211	

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.

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	2018/19 Number of employees			2019/20 Number of employees		
	Schools	Non Schools	Total	Schools	Non Schools	Total
£50,000 - £54,999	89	72	161	54	79	133
£55,000 - £59,999	29	48	77	56	61	117
£60,000 - £64,999	26	20	46	34	29	63
£65,000 - £69,999	23	26	49	28	29	57
£70,000 - £74,999	17	8	25	23	12	35
£75,000 - £79,999	11	5	16	14	9	23
£80,000 - £84,999	11	4	15	14	5	19
£85,000 - £89,999	7	5	12	8	4	12
£90,000 - £94,999	3	4	7	3	2	5
£95,000 - £99,999	2	4	6	4	5	9
£100,000 - £104,999	-	2	2	1	7	8
£105,000 - £109,999	1	1	2	1	3	4
£110,000 - £114,999	5	3	8	2	3	5
£115,000 - £119,999	-	-	-	3	1	4
£120,000 - £124,999	1	-	1	-	3	3
£125,000 - £129,999	-	2	2	-	1	1
Total	**225**	**204**	**429**	**245**	**253**	**498**

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 2019/20 are EY LLP. The Council’s external auditors for the certification of grant claims are Grant Thornton. The Authority has incurred the following expenditure for services provided by the external auditors for the relevant year:

2018/19		2019/20
£'000		£'000
129	Fees payable in relation to the audit of the Statement of Accounts *	128
38	Fees payable in relation to certification of grant claims and returns	25
28	Fees payable in relation to work on objections to the Statement of Accounts (2016/17 and 2017/18)	-
195		**153**

**Final fee expected to be higher but this has not yet been confirmed and so is not reflected in the accounts or this note item*

Note 12: Dedicated Schools Grant (DSG)

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the council's area. DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the Schools and Early Years Finance (England) Regulations 2017. Schools Budget includes elements for a range of educational services provided on an authority-wide basis and the Individual Schools Budget, which is divided into a budget share for each maintained school, funding for early years providers, and high-needs payments to providers.

2018/19				2019/20		
Central expenditure	Individual Schools budget (ISB)	Total	Schools budget funded by Dedicated Schools Grant	Central expenditure	Individual Schools budget (ISB)	Total
£'000	£'000	£'000		£'000	£'000	£'000
		261,217	Final DSG before Academy recoupment			262,399
		(94,455)	Academy figure recouped			(103,148)
		166,762	**Total DSG after recoupment**			**159,251**
		4,394	Brought forward DSG			2,012
		(1,677)	Less carry forward agreed in advance			(1,263)
4,072	**165,407**	**169,479**	**Agreed Initial budgeted distribution**	**3,622**	**156,378**	**160,000**
(210)	(56)	(266)	In year adjustments	-	538	538
3,862	**165,351**	**169,213**	**Final Budgeted Distribution**	**3,622**	**156,916**	**160,538**
(3,769)	-	(3,769)	less Actual central expenditure	(3,472)	-	(3,472)
-	(165,109)	(165,109)	less Actual ISB deployed to schools	-	(157,756)	(157,756)
93	**242**	**2,012**	**Carry Forward**	**150**	**(840)**	**573**

Note 13: Grant Income

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

2018/19 £'000		2019/20 £'000
	Credited to Taxation and non-specific grant income	
(3,917)	New Homes Bonus Grant	(3,864)
(107)	Other General Government Grants	(7,764)
(4,024)	**Total of Non-ringfenced government grants**	**(11,628)**
	Capital grant and contributions	
(14,085)	Basic Need (DfE)	(21,546)
(9,879)	Transport for London (TfL)	(8,057)
(2,277)	Capital Maintenance (DfE)	(2,215)
(4,769)	Local Community Infrastructure Levy Income	(2,248)
(5,401)	Other grants (government)	(4,477)
(1,897)	Other grants (non-government)	(13,211)
(3,576)	Other capital contributions	(5,697)
(41,884)	**Total**	**(57,451)**
	Credited to services	
(105,134)	Rent Allowance: subsidy (DWP)	(90,925)
(16,879)	Rent rebates outside HRA: subsidy (DWP)	(16,176)
(29,683)	Rent rebates granted to HRA tenants: subsidy (DWP)	(27,074)
(1,537)	Housing Benefit and Council Tax Benefit admin grant DWP)	(1,370)
(3,149)	Further education funding 19+ (SFA)	(1,557)
(2,941)	Sixth Form Funding (DfE)	(2,600)
(8,407)	PFI special grant (DfE)	(8,407)
(166,763)	Dedicated Schools Grant (DfE)	(159,251)
(7,731)	Pupil Premium grant (DfE)	(6,956)
(5,931)	Flexible Homelessness Support Grant (MHCLG)	(5,276)
(680)	Adult Social Care Support Grant (MHCLG)	(1,860)
-	Improved Better care grant	(8,119)
(15,932)	Public Health Grant (DH)	(15,511)
(24,370)	Other revenue grants (government)	(19,903)
(18,887)	Other revenue grants and contributions	(24,816)
(408,024)	**Total of Government Grant credited to Net Cost of Services**	**(389,801)**

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 2020 are as follows:

2018/19		2019/20
£'000		£'000
(2,266)	**Capital grants receipts in advance**	**(8,900)**
	Revenue grants receipts in advance (within short term creditors)	
(1,718)	NNDR - MHCLG	(3,756)
(2,579)	NNDR - GLA	(2,407)
(2,679)	Other government grants	(7,786)
-	Other non-government grants	(109)
(6,976)	**Total**	**(14,058)**

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.

2019/20	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions costs (transferred to (or from) the Pensions Reserve)	(24,641)	(1,536)	-	-	-	(26,177)
Financial instruments (transferred to the Financial Instruments Adjustments Account)	544	41	-	-	-	585
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	1,036	-	-	-	-	1,036
Holiday pay (transferred to the Accumulated Absences Reserve)	(826)	(25)	-	-	-	(851)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	(26,520)	(348)	-	-	-	(26,868)
Adjustments between Revenue and Capital Resources:						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-	9,950	(10,322)	-	-	(372)
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserves	-	(133)	133	-	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(1,310)	-	1,310	-	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	10,587	-	(10,587)	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	7,951	-	-	-	-	7,951
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	3,767	1,271	-	-	-	5,038
Adjustments to Capital Resources:						
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	18,383	-	-	18,383
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	10,587	-	10,587
Application of capital grants to finance capital expenditure	-	-	-	-	21,415	21,415
Cash payments in relation to deferred capital receipts	-	345	-	-	-	345
Total Adjustments	**(39,999)**	**20,152**	**9,504**	**-**	**21,415**	**11,072**

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.

2018/19	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions costs (transferred to (or from) the Pensions Reserve)	(23,006)	(703)	-	-	-	(23,709)
Financial instruments (transferred to the Financial Instruments Adjustments Account)	(990)	41	-	-	-	(949)
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	(2,672)	-	-	-	-	(2,672)
Holiday pay (transferred to the Accumulated Absences Reserve)	493	(9)	-	-	-	484
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):	(67,303)	(20,622)	-	-	-	(87,925)
Adjustments between Revenue and Capital Resources:						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	2,000	9,905	(12,614)	-	-	(709)
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserves	(80)	(326)	406	-	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(1,310)	-	1,310	-	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	10,846	-	(10,846)	-	-
Capital receipts applied to repayment of debt	(67)	-	67	-	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	7,980	-	-	-	-	7,980
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	3,313	6,448	-	-	-	9,761
Adjustments to Capital Resources:						
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	17,569	-	-	17,569
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	10,846	-	10,846
Application of capital grants to finance capital expenditure	-	-	-	-	30,528	30,528
Cash payments in relation to deferred capital receipts	-	372	-	-	-	372
Total Adjustments	**(81,642)**	**5,952**	**6,738**	**-**	**30,528**	**(38,424)**

Note 15: Earmarked Reserves

Movement in Earmarked reserves	1st April 2018	Transfers Out	Transfers In	Balance at 31st March 2019	Transfers Out	Transfers In	Balance at 31st March 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Corporate / Cross cutting	(17,366)	3,328	(13,658)	(27,696)	11,865	(21,612)	(37,443)
Budget Strategy Reserve	(44,833)	8,659	(1,398)	(37,572)	16,390	(1,041)	(22,223)
Total Corporate reserves	**(62,199)**	**11,987**	**(15,056)**	**(65,268)**	**28,255**	**(22,653)**	**(59,666)**
Service Reserves	(14,429)	5,944	(4,118)	(12,603)	13,163	(14,253)	(13,693)
General Fund earmarked reserves	**(76,628)**	**17,931**	**(19,174)**	**(77,871)**	**41,418**	**(36,906)**	**(73,359)**
Grant related reserves (General Fund)	(10,582)	3,027	(6,596)	(14,151)	16,423	(18,707)	(16,435)
Schools reserves	(8,911)	8,352	(7,772)	(8,331)	5,791	(11,891)	(14,431)
HRA earmarked reserves	(4,800)	18,158	(18,003)	(4,645)	500	(6,700)	(10,845)
Total Earmarked reserves	**(100,921)**	**47,468**	**(51,545)**	**(104,998)**	**64,132**	**(74,204)**	**(115,070)**

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 forgeneral use.

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

Note 16: Property, Plant and Equipment

Values as at 31 March 2020

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

Note: Excludes infrastructure assets, which are shown in Note 39

Movements in 2019/20	Operational assets				Non-operational assets		Total
	Council dwellings	Other land and buildings	Vehicles, plant and equipment	Community assets	Surplus assets	Assets under construction	Property, plant and equipment (excluding Infrastructure assets)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation							
At 1 April 2019	**846,990**	**1,109,204**	**13,685**	**33,670**	**8,374**	**62,953**	**2,074,876**
Additions	21,980	23,895	2,895	591	54	47,099	96,514
Revaluation increases/(decreases) recognised in the revaluation reserve	(4,031)	2,500	-	-	273	-	(1,258)
Revaluation increases/(decreases) recognised in the surplus/(deficit) on the provision of services	3,540	(15,031)	-	-	-	-	(11,491)
Derecognition – disposals	(8,791)	-	-	-	-	-	(8,791)
Other transfers/movements	-	(1,017)	-	98	1	965	47
At 31 March 2020	**859,688**	**1,119,551**	**16,580**	**34,359**	**8,702**	**111,017**	**2,149,897**
Accumulated depreciation and impairment							
At 1 April 2019	**-**	**(2,553)**	**(6,069)**	**(72)**	**-**	**(25)**	**(8,719)**
Depreciation charge	(10,587)	(14,786)	(816)	(7)	(126)	-	(26,322)
Depreciation written out to the revaluation reserve	10,477	6,631	-	-	126	-	17,234
Depreciation written out to the surplus/(deficit) on the provision of services	-	7,684	-	-	-	-	7,684
Derecognition – disposal	110	-	-	-	-	-	110
Other transfers/movements	-	48	-	-	-	(48)	-
At 31 March 2020	**-**	**(2,976)**	**(6,885)**	**(79)**	**-**	**(73)**	**(10,013)**
Net book value at 31 March 2019	**846,990**	**1,106,651**	**7,616**	**33,598**	**8,374**	**62,928**	**2,066,157**
Net book value at 31 March 2020	**859,688**	**1,116,575**	**9,695**	**34,280**	**8,702**	**110,944**	**2,139,884**

Impairment Losses/(Reversals)

During 2019/20 the Authority reversed £3.5m of impairments (£8.6m charged in 2018/19) in respect of its Council Dwellings to the surplus or deficit on the Provision of Services. These have been reversed in the Comprehensive Income & Expenditure Statement against the Housing Revenue Account line leaving a balance of £77m of impairment losses to be recovered (£89m in 2018/19)

Note 16: Property, Plant and Equipment (continued)

Values as at 31 March 2019

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 2018/19	Operational assets				Non-operational assets		Total
	Council dwellings	Other land and buildings	Vehicles, plant and equipment	Community assets	Surplus assets	Assets under construction	Property, plant and equipment (excluding Infrastructure assets)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation							
At 1 April 2018	**857,921**	**1,147,288**	**13,684**	**31,996**	**8,111**	**34,080**	**2,093,080**
Additions	13,373	29,491	1	1,673	-	28,873	73,411
Revaluation increases/(decreases) recognised in the revaluation reserve	(12,957)	(2,152)	-	-	265	-	(14,844)
Revaluation increases/(decreases) recognised in the surplus/(deficit) on the provision of services	(8,599)	(15,288)	-	-	-	-	(23,887)
Derecognition – disposals	(2,749)	(50,131)	-	-	-	-	(52,880)
Other transfers/movements	1	(4)	-	1	(2)	-	(4)
At 31 March 2019	**846,990**	**1,109,204**	**13,685**	**33,670**	**8,374**	**62,953**	**2,074,876**
Accumulated depreciation and impairment							
At 1 April 2018	**-**	**(9,922)**	**(5,190)**	**(65)**	**-**	**(25)**	**(15,202)**
Depreciation charge	(10,536)	(15,984)	(879)	(7)	(119)	-	(27,525)
Depreciation written out to the revaluation reserve	10,502	7,348	-	-	119	-	17,969
Depreciation written out to the surplus/(deficit) on the provision of services	-	6,929	-	-	-	-	6,929
Derecognition – disposal	34	9,076	-	-	-	-	9,110
Other transfers/movements	-	-	-	-	-	-	-
At 31 March 2019	**-**	**(2,553)**	**(6,069)**	**(72)**	**-**	**(25)**	**(8,719)**
Net book value at 31 March 2018	**857,921**	**1,137,366**	**8,494**	**31,931**	**8,111**	**34,055**	**2,077,878**
Net book value at 31 March 2019	**846,990**	**1,106,651**	**7,616**	**33,598**	**8,374**	**62,928**	**2,066,157**

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 2019/20. Operational property, investment property and HRA stock was valued at 31st March 2020.

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 2020, 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 2019 amounted to £16.5m. As at 31 March 2020, the Council had the following major commitments:

	2019/20
	£'000
Housing & Growth Programme	7,070
Schools Programme	8,559
Juniper House	28,009
The Mall	1,052
Total	**44,690**

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:

2018/19		2019/20
£'000		£'000
34,055	**Balance at 1 April**	**62,928**
	Expenditure:	
118	Central Parade	-
-	WTH Campus Development	6,580
13,733	Marlow Flats GF Housing	15,394
10,378	Marlowe Road Estate Redevelopment	2,932
1,251	New Build Schemes (Housing)	11,948
-	Sixty Bricks Sites	3,146
-	EMD Cinema	2,285
-	Juniper House Conversion to Residential	2,206
3,393	Other schemes	2,608
28,873	**Sub-total**	**47,099**
-	Other transfers/movements	917
62,928	**Balance at 31 March**	**110,944**

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.

These assets were last valued in August 2011 by Christie's, who were appointed by the council as its external valuers. The basis of valuation was current auction estimates based on expert knowledge of the field.

2018/19		2019/20
£'000		£'000
35,378	**Balance at 1 April**	**41,883**
-	Additions	-
6,505	Revaluations	-
41,883	**Balance at 31 March**	**41,883**

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.

2018/19		2019/20
£'000		£'000
7,785	**Balance at 1 April**	**8,069**
-	Additions	-
22	Enhancement	-
262	Net gains/(losses) from fair value adjustments	(254)
8,069	**Balance at 31 March**	**7,815**

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:

2018/19		2019/20
£'000		£'000
(627)	Rental income from investment property	(406)
191	Direct operating expenses arising from investment property	163
(436)	**Total**	**(243)**

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:

2018/19 £'000		2019/20 £'000
397	Within one year	407
1,408	Between one and five years	1,292
556	Later than five years	265
2,361	**Total**	**1,964**

Note 20: Cash and Cash Equivalents

2018/19 £'000		2019/20 £'000
40	Cash held by the Council	38
10,131	Bank current accounts	15,934
16,082	Short-term deposits	27,565
26,253	*Disclosed in current assets*	43,537
(7,876)	Less bank overdraft - disclosed in current liabilities	(11,534)
18,377	**Net cash and cash equivalents**	**32,003**

Note 21: Financial Instruments

By Category

2018/19				2019/20		
Non-Current	Current	Total		Non-Current	Current	Total
£'000	£'000	£'000		£'000	£'000	£'000
			Financial Assets			
			Fair value through profit and loss			
-	**-**	**-**		**-**	**-**	**-**
			Amortised cost			
-	27,128	27,128	Investments	-	40,180	40,180
3,813	-	3,813	Finance lease	3,812	-	3,812
1,121	33,117	34,238	Debtors	1,542	43,292	44,834
-	26,253	26,253	Cash and cash equivalents	-	43,537	43,537
4,934	**86,498**	**91,432**		**5,354**	**127,009**	**132,363**
2	-	2	Fair value through other comprehensive income	-	-	-
4,936	**86,498**	**91,434**	**Total financial assets**	**5,354**	**127,009**	**132,363**
			Financial Liabilities			
			Amortised cost			
(236,281)	(18,588)	(254,869)	Loans outstanding	(230,249)	(58,776)	(289,025)
(45,605)	-	(45,605)	PFI contracts	(43,510)	-	(43,510)
(3,905)	-	(3,905)	Finance leases	(3,905)	-	(3,905)
-	(62,570)	(62,570)	Creditors	-	(57,542)	(57,542)
-	(7,876)	(7,876)	Bank overdraft	-	(11,534)	(11,534)
(285,791)	**(89,034)**	**(374,825)**		**(277,664)**	**(127,852)**	**(405,516)**
(2,888)	-	(2,888)	Fair value through other comprehensive income	(3,456)	-	(3,456)
(288,679)	**(89,034)**	**(377,713)**	**Total financial liabilities**	**(281,120)**	**(127,852)**	**(408,972)**

Note 21: Financial Instruments (continued)

Income, Expense, Gains and Losses

2018/19				2019/20		
Financial Liabilities	Financial Assets			Financial Liabilities	Financial Assets	
Liabilities at amortised cost	Loans and Receivables	Fair value through other comprehensive income		Liabilities at amortised cost	Loans and Receivables	Fair value through other comprehensive income
£'000	£'000	£'000		£'000	£'000	£'000
			Net gains/Losses on:			
-	-	-	Net Loss on financial assets at fair value through profit and loss	-	-	-
19,331	-	-	Interest expense	17,189	-	-
-	-	-	Impairment Losses	-	-	-
19,331	-	-	**Total expense in Surplus/Deficit on the Provision of Service**	17,189	-	-
-	(1,153)	-	Interest income	-	(1,112)	-
-	**(1,153)**	**-**	**Total Income in Surplus/Deficit on the Provision of Services**	**-**	**(1,112)**	**-**
			Interest revenue			
-	-	(2)	Gains on Revaluation	-	-	(219)
-	-	2,899	Losses on Revaluation	-	-	789
-	**-**	**2,897**	**Surplus/Deficit arising on Revaluation of financial Assets in Other Comprehensive Income and Expenditure**	**-**	**-**	**570**
19,331	**(1,153)**	**2,897**	**Net gain/Loss for the Year**	**17,189**	**(1,112)**	**570**

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

Overall procedures for managing risk

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

Credit Risk

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

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

Credit Risk - Treasury Investments

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

31-Mar-19			Fitch Rating	31-Mar-20		
FVOCI	Loans and Receivables	Cash and cash equivalents		FVOCI	Assets at amortised cost	Cash and cash equivalents
£'000	£'000	£'000		£'000	£'000	£'000
-	-	16,072	AAA	-	-	27,555
-	5,041	-	A+	-	15,131	-
-	5,008	-	A	-	-	-
-	10,063	-	A-	-	-	-
-	-	-	AA-	-	15,023	-
-	1,002	-	BBB+	-	-	-
-	-	-	BBB	-	-	-
-	5,012	-	BB-	-	5,012	-
2	39,053	10,181	Not Applicable	-	53,660	15,982
2	**65,179**	**26,253**		**-**	**88,826**	**43,537**

The Maximum single commercial exposure is to Lloyds TSB Bank plc at £10m, which is at the individual counterparty limit of £10m for investments. Overall the portfolio is diversified by the use of 14 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-Mar-19		31-Mar-20
£'000		£'000
5,779	Less than three months	15,046
2,347	Three to six months	1,531
2,515	Six months to one year	2,363
5,582	More than one year	7,380
16,223	**Total**	**26,320**

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

2018/19		2019/20
£'000		£'000
13,256	Balance c/f	15,449
2,193	Increase in impairment allowance	(1,481)
15,449	**Balance c/f**	**13,968**

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-Mar-19		31-Mar-20
£'000		£'000
91,130	Less than one year	127,522
5,502	Between 1 and 2 years	6,141
16,223	Between 3 and 5 years	22,570
33,153	Between 6 and 10 years	41,802
228,818	More than 10 years	207,481
374,826	**Total**	**405,516**

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 2020, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on receivable rate investments	275
Impact on surplus/deficit on the provision of services	**275**

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

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

Impact on other comprehensive income and expenditure	£'000
Decrease in fair value of fixed rate investment assets	-
Decrease in fair value of fixed rate borrowings liabilities	110,100

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. The above sensitivity analysis is based on the loans and investments as at 31 March 2020.

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 2020 is shown in the table below.

Total expenditure incurred on improvement, enhancement and acquisition of non-current assets in 2019/20 was £123m (2018/19, £114m). This is made up of £120m of capital expenditure and £3m of lifecycle works on PFI schools. The financing sources used are shown below and include amounts used to finance REFCUS expenditure.

2018/19		2019/20
£'000		£'000
424,734	**Opening capital financing requirement**	**426,594**
(3,483)	Restatement of opening balance (Note 1)	-
421,251	**Restated opening capital financing requirement**	**426,594**
	Capital investment	
87,917	Property, plant and equipment	107,033
23	Investment Properties	-
81	Intangible Assets	-
15,749	Revenue expenditure funded from capital under statute	15,776
	Sources of finance	
(17,569)	- Capital receipts	(18,383)
(52,272)	- Government grants and other contributions	(58,760)
(10,846)	- Major repairs re `	(10,587)
	Sums set aside from revenue	
(9,760)	- Direct revenue financing	(5,038)
(7,980)	- Minimum revenue provision	(7,951)
426,594	**Closing capital financing requirement**	**448,684**
	Explanation of movements in year:	
(7,980)	Increase/(decrease) in underlying need to borrow (PFI)	(7,943)
13,323	Increase/(decrease) in underlying need to borrow (finance leases)	30,033
5,343	**Increase/(decrease) in CFR for the year**	**22,090**

Note 1 - the opening balance was restated in 2018/19 following a detailed review of the PFI schemes by the Council's external auditors, Ernst and Young LLP. The impact of the restatement was to reduce the opening balance at 1 April 2018 by £3.483m.

Note 24: Leases

Council as lessee

Finance leases

The Council has interests in three industrial estates acquired under finance leases. The assets are carried as Operational Land and Buildings in the Balance Sheet at £8.364m (£11.035m 2018/19).

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 2019		31 March 2020
£'000		£'000
	Finance lease liabilities (net present value of minimum lease payments):	
1	- current (not later than one year)	1
3,905	- non-current (later than one year)	3,904
21,199	Finance costs payable in future years	20,868
25,105		**24,773**

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

2018/19			2019/20	
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	4	Later than 1 year and not later than 5 years	1,328	5
23,445	3,900	Later than 5 years	23,113	3,899
25,105	**3,905**		**24,773**	**3,905**

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 2019/20, £0.678m of contingent rents were payable by the Council (£0.572m in 2018/19).

The Authority has sub-let industrial units held on the sites held under these finance leases. At 31 March 2020, the minimum payments expected to be received under non-cancellable sub-leases was £6.063m (£4.971m at 31 March 2019). 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 2019		31 March 2020
£'000		£'000
740	Not later than 1 year	502
1,604	Later than 1 year and not later than 5 years	907
1,581	Later than 5 years	1,517
3,925		**2,926**

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

2018/19		2019/20
£'000		£'000
916	Minimum lease payments	687
27	Contingent rents	27
943		**714**

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 93 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 2019		31 March 2020
£'000		£'000
	Finance lease debtor (net present value of minimum lease payments):	
1	- current (not later than one year)	1
3,812	- non-current (later than one year)	3,811
20,128	Unearned finance income	19,874
23,941	**Gross investment in the lease**	**23,686**

Note 24: Leases (continued)

These amounts will be received over the following periods

2018/19			2019/20	
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
22,667	3,809	Later than 5 years	22,412	3,808
23,941	**3,813**		**23,686**	**3,812**

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 2019/20, £0.159m contingent rents were receivable by the Council (£0.230m in 2018/19).

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:

2018/19	Amendment	2018/19 Restated*		2019/20
£'000	£'000	£'000		£'000
13,947	(10,491)	3,456	Not later than 1 year	3,212
29,158	(16,819)	12,339	Later than 1 year and not later than 5 years	11,044
26,532	(1,414)	25,118	Later than 5 years	20,027
69,637	**(28,724)**	**40,913**		**34,283**

** Review of the council's operating leases identified one finance lease which had been recognised as both a finance and an operating lease in the disclosure note for 2018-19.*

This was subsequently corrected in 2019-20, resulting in a prior period adjustment of £29m. This does not impact any of the primary statements.

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 2019/20, £0.314m contingent rents were receivable by the Council (£0.512m in 2018/19), the significant variance here being as a result of several rent reviews taking place in 2019/20.

Note 25: Private Finance Initiative and Similar Contracts

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

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

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:

2018/19					2019/20			
Lammas (Note 2)	Grouped	Frederick Bremer	Total		Lammas	Grouped	Frederick Bremer	Total
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
23,687	**136,430**	**45,520**	**205,637**	**Opening balance**	**-**	**135,740**	**45,190**	**180,930**
-	33	-	33	In-year capital expenditure	-	-	-	-
-	912	641	1,553	Lifecycle works	-	1,093	656	1,749
(841)	(1,117)	(413)	(2,371)	Depreciation	-	(1,127)	(416)	(1,543)
-	(518)	(558)	(1,076)	Revaluation gains/(loss)	-	-	(1,893)	(1,893)
(22,846)	-	-	(22,846)	Derecognition	-	-	-	-
-	**135,740**	**45,190**	**180,930**	**Closing balance**	**-**	**135,706**	**43,537**	**179,243**

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.

2018/19					2019/20			
Service cost	Repayment of liability	Interest	Total		Service cost	Repayment of liability	Interest	Total
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
(9,278)	(2,095)	(3,597)	(14,970)	within 1 year	(9,339)	(2,283)	(3,404)	(15,026)
(36,965)	(12,005)	(12,123)	(61,093)	within 2-5 years	(37,373)	(12,559)	(11,024)	(60,956)
(44,069)	(13,295)	(9,395)	(66,759)	within 6-10 years	(42,956)	(12,813)	(8,374)	(64,143)
(42,151)	(13,642)	(4,113)	(59,906)	within 11-15 years	(39,446)	(13,590)	(3,004)	(56,040)
(12,853)	(4,568)	(229)	(17,650)	within 16-20 years	(6,895)	(2,265)	(54)	(9,214)
(145,316)	**(45,605)**	**(29,457)**	**(220,378)**	**Closing balance**	**(136,009)**	**(43,510)**	**(25,860)**	**(205,379)**

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.

2018/19		2019/20
£'000		£'000
(51,302)	**Balance at 1 April**	**(45,605)**
3,483	Restatement of opening balance [Note 3]	-
(47,819)	**Balance b/f**	**(45,605)**
2,214	Repayment	2,095
(45,605)	**Balance at 31 March**	**(43,510)**

Note 3 *- the balance of the liability was restated in 2018/19 following a detailed review of the PFI schemes by the Council's external auditors, Ernst and Young LLP. The impact of the restatement was to reduce the overall liability at 1 April 2018 by £3.483m. This adjustment is matched by an equal and opposite entry in the Capital Adjustment Account.*

Note 26: Fair value of assets and liabilities

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

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;

(c) fair values of financial instruments and non-financial assets

(d) 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	None
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
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 2020	Carrying Value						Fair Value			
	Financial and non-financial assets			Financial liabilities			Level			
	Fair value through profit and loss	Fair value through other comprehensive income	Assets at amortised cost	Liabilities at amortised cost	Liabilities at FVOCI	Total	1	2	3	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets										
Assets at amortised cost:										
Investments	-	-	40,180	-	-	40,180	40,180	-	-	40,180
Finance lease	-	-	3,812	-	-	3,812	-	8,872	-	8,872
Debtors	-	-	44,834	-	-	44,834	43,292	91	-	43,383
Cash and cash equivalents	-	-	36,837	-	-	36,837	36,837	-	-	36,837
Fair value through other comprehensive income	-	-	-	-	-	-	-			-
Total financial assets	**-**	**-**	**125,663**	**-**	**-**	**125,663**	**120,309**	**8,963**	**-**	**129,272**
Non-financial assets										
Investment property	7,815	-	-	-	-	7,815	-	-	7,815	7,815
Surplus assets	8,701	-	-	-	-	8,701	-	-	8,701	8,701
Assets held for sale	-	-	-	-	-	-	-	-	-	-
Total financial and non-financial assets	**16,516**	**-**	**125,663**	**-**	**-**	**142,179**	**120,309**	**8,963**	**16,516**	**145,788**
Financial liabilities										
Liabilities at amortised cost:										
Loans outstanding	-	-	-	(291,279)	-	(291,279)	-	(534,519)	-	(534,519)
PFI contracts	-	-	-	(43,510)	-	(43,510)	-	(61,244)	-	(61,244)
Finance leases	-	-	-	(3,905)	-	(3,905)	-	(10,787)	-	(10,787)
Creditors	-	-	-	(53,481)	-	(53,481)	(53,481)	-	-	(53,481)
Bank overdraft	-	-	-	(11,534)	-	(11,534)	(11,534)	-	-	(11,534)
Fair value through other comprehensive income	-	-	-	-	(3,456)	(3,456)	-	-	(3,456)	(3,456)
Total financial liabilities	**-**	**-**	**-**	**(403,709)**	**(3,456)**	**(407,165)**	**(65,015)**	**(606,550)**	**(3,456)**	**(675,021)**

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

31 March 2019	Carrying Value						Fair Value			
	Financial and non-financial assets			Financial liabilities		Total	Level			Total
	Fair value through profit and loss	Fair value through other comprehensive income	Loans and receivables	Liabilities at amortised cost	Liabilities at FVOCI		1	2	3	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets										
Assets at amortised cost:										
Investments	-	-	27,128	-	-	27,128	27,128	-	-	27,128
Finance lease	-	-	3,813	-	-	3,813	-	9,589	-	9,589
Debtors	-	-	34,238	-	-	34,238	33,117	115	-	33,232
Cash and cash equivalents	-	-	26,253	-	-	26,253	26,253	-	-	26,253
Fair value through other comprehensive income	-	2	-	-	-	2	-	-	2	2
Total financial assets	**-**	**2**	**91,432**	**-**	**-**	**91,434**	**86,498**	**9,704**	**2**	**96,204**
Non-financial assets										
Investment property	8,069	-	-	-	-	8,069	-	-	8,069	8,069
Surplus assets	5,449	-	-	-	-	5,449	-	-	5,449	5,449
Assets held for sale	2,968	-	-	-	-	2,968	-	-	2,968	2,968
Total financial and non-financial assets	**16,486**	**2**	**91,432**	**-**	**-**	**107,920**	**86,498**	**9,704**	**16,488**	**112,690**
Financial liabilities										
Liabilities at amortised cost:										
Loans outstanding	-	-	-	(254,869)	-	(254,869)	-	(429,210)	-	(429,210)
PFI contracts	-	-	-	(45,605)	-	(45,605)	-	(66,944)	-	(66,944)
Finance leases	-	-	-	(3,905)	-	(3,905)	-	(11,576)	-	(11,576)
Creditors	-	-	-	(62,570)	-	(62,570)	(62,570)	-	-	(62,570)
Bank overdraft	-	-	-	(7,876)	-	(7,876)	(7,876)	-	-	(7,876)
Fair value through other comprehensive income	-	-	-	-	(2,888)	(2,888)	-	-	(2,888)	(2,888)
Total financial liabilities	**-**	**-**	**-**	**(374,825)**	**(2,888)**	**(377,713)**	**(70,446)**	**(507,730)**	**(2,888)**	**(581,064)**

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

Sensitivity of assets valued at level 3

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

Description of asset	Assessed valuation range	Value at 31 March 2020 £'000	Valuation Increase £'000	Valuation Decrease £'000
Financial assets at FVOCI	+10%/-10%	-	-	-
Financial liabilities at FVOCI	+10%/-10%	(3,456)	(3,802)	(3,110)
Investment property, surplus assets and assets held for sale	+16.9%/-12.9%	16,516	19,307	14,385
Total		**13,060**	**15,505**	**11,275**

Description of asset	Assessed valuation range	Value at 31 March 2019 £'000	Valuation Increase £'000	Valuation Decrease £'000
Financial assets at FVOCI	+10%/-10%	2	2	2
Financial liabilities at FVOCI	+10%/-10%	(2,888)	(3,376)	(2,599)
Investment property, surplus assets and assets held for sale	+16.9%/-12.9%	16,486	19,272	14,359
Total		**13,600**	**15,898**	**11,762**

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

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

Note 1 - the transfer out reflects the reclassification of assets which no longer meet the assets held for sale criteria. £2.925m was reclassified to surplus assets and the remaining £0.43m to Operational Assets

2018/19	1 April 2018	Transfers into Level 3 (Note 2)	Transfers out of Level 3	Purchases	Sales	Unrealised gains/ (losses)	Realised gains/ (losses)	31 March 2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets at FVOCI (Note 3)	-	-	-	-	-	2	-	2
Financial liabilities at FVOCI (Note 4)	-	11	-	-	-	(2,899)	-	(2,888)
Investment property	7,784	-	-	23	-	262	-	8,069
Surplus assets	5,186	-	-	-	-	263	-	5,449
Assets held for sale	3,704	-	-	-	(787)	51	-	2,968
Total	**16,674**	**11**	**-**	**23**	**(787)**	**(2,321)**	**-**	**13,600**

Note 2 - the Council has established a number of companies over the past few years. Upon the introduction of IFRS9 the Council has recognised these companies at fair value through other comprehensive income (FVOCI), which has meant recognising the nominal value of the companies as a transfer in to Level 3.

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.

2018/19			2019/20	
Short-term	Long-term		Short-term	Long-term
£'000	£'000		£'000	£'000
19,487	-	Central government bodies	17,337	-
24,851	-	Other local authorities	9,350	-
2,270	-	NHS bodies	2,178	-
40,262	4,934	Other entities and individuals	61,203	5,355
86,870	**4,934**	**Total**	**90,068**	**5,355**

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

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 2020.

2018/19		2019/20
Short-term		Short-term
£'000		£'000
(11,332)	Central government bodies	(18,096)
(850)	Other local authorities	(980)
(1,744)	NHS bodies	(3,362)
(73,075)	Other entities and individuals	(76,837)
(87,001)	**Total**	**(99,275)**

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 1 April 2019	(219)	(3,808)	(2,657)	(6,684)
Amounts used	219	7,398	17	7,634
Additional provisions	-	(6,252)	-	(6,252)
Balance at 31 March 2020	**-**	**(2,662)**	**(2,640)**	**(5,302)**

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 2018/19, actual payments occurred until 2019/20. There were no additional provisions for exit packages in 2019/20.

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 able to retain 48% of Non-Domestic Rates (NNDR) collectable; 25% is payable to Central Government and 27% to the Greater London Authority (GLA). For 2018/19 these were 64% retained by LBWF and 36% GLA.

Other

Other provisions include contractual claims that arise in respect of disputes arising in 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 2019	(6,486)	(5,442)	-	(11,928)
Amounts used	1,163	-	-	1,163
Additional provisions	(1,495)	(299)	(59)	(1,853)
Balance at 31 March 2020	**(6,818)**	**(5,741)**	**(59)**	**(12,618)**

Insurance provision

The insurance balance at 31 March 2020 has increased marginally to £6.818 million from the previous year. This represents the estimated value of potential liabilities incurred to 31 March 2020, identified by a report from JLT Specialty Ltd, which analysed the Council's self-insurance funds. The Council takes out insurance on:- employers' liability, vehicles, business interruption, fidelity guarantee, public liability, official's indemnity, personal accident, engineering, the Gallery collection and property. These do not have a significant impact on the balance held in the provision or the reserve. The Council is active in risk management, identifying areas of particular risk and taking management steps with a view to reducing possible future claims and losses. With the exception of damage caused by terrorism, there are no material risks which are not covered by either direct insurance or self insurance via the provision.

Note 29: Provisions (continued)

Thames Water

A provision has been set up for the possible repayment of water rates to tenants following the case of Jones v London Borough of Southwark in the High Court in 2016, the provision increased by £299k to £5.741 million.

School Breakfast Club

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

Note 30: Unusable Reserves

2018/19		2019/20
£'000		£'000
(866,598)	Revaluation reserve	(878,896)
(938,673)	Capital adjustment account	(978,857)
(372)	Deferred capital receipts	(345)
18,247	Financial instruments adjustment account	17,662
2,897	Financial Instruments Reserve	3,467
619,267	Pension reserve	677,247
(2,641)	Collection Fund adjustment account	(3,677)
3,287	Accumulated absence account	4,138
(1,164,586)	**Total**	**(1,159,261)**

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.

2018/19		2019/20
£'000		£'000
(886,512)	**Balance at 1 April**	**(866,598)**
(9,532)	Revaluation of assets	(15,976)
25,167	Accumulated gains on assets sold or scrapped	481
4,279	Adjustment to depreciation on revalued assets	3,197
(866,598)	**Balance at 31 March**	**(878,896)**

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.

2018/19		2019/20
£'000		£'000
(920,457)	**Balance at 1 April**	**(938,673)**
	Reversal of items debited and credited to the Comprehensive Income and Expenditure Statement	
49,698	Depreciation and impairment of non current assets	39,503
15,748	Revenue expenditure funded from capital under statute	15,776
44,483	Current value of asset disposals	8,681
(4,279)	Adjustment to depreciation on revalued assets	(3,197)
(25,167)	Accumulated gains on assets sold or scrapped	(482)
80,483	**Net written out amount of the cost of non-current assets consumed in the year**	**60,281**
	Capital financing applied in year	
(17,569)	Capital receipts	(18,383)
(10,846)	Major repairs reserve	(10,587)
(21,743)	Capital grants and contributions	(37,345)
(30,528)	Capital grants unapplied	(21,415)
(7,980)	Minimum revenue provision	(7,951)
(9,760)	Direct revenue financing	(5,038)
(98,426)	**Capital financing applied in year**	**(100,719)**
	Other movements	
(262)	Increase/(decrease) in value of investment properties	254
(11)	Profit/Loss on Council Investment	-
(273)		**254**
(938,673)	**Balance at 31 March**	**(978,857)**

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.

2018/19		2019/20
£'000		£'000
17,298	**Balance at 1 April**	**18,247**
1,534	Repayment of premia on Market Loan	-
(585)	Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	(585)
18,247	**Balance at 31 March**	**17,662**

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).

2018/19		2019/20
£'000		£'000
-	**Balance at 1 April**	**2,897**
-	Revaluation gain on assets	-
2,897	Impairment of assets	570
2,897	**Balance at 31 March**	**3,467**

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.

2018/19		2019/20
£'000		£'000
564,306	**Balance at 1 April**	**619,267**
31,252	Actuarial gains/(losses) on pensions assets & liabilities	31,803
53,643	Reversal of items relating to retirement benefits debited or credited to the (Surplus)/deficit on provision of services in the Comprehensive Income & Expenditure Statement	55,178
(29,934)	Employer's pensions contributions & direct payments to pensioners payable in the year	(29,001)
619,267	**Balance at 31 March**	**677,247**

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.

2018/19				2019/20		
Council Tax	NNDR	Total		Council Tax	NNDR	Total
£'000	£'000	£'000		£'000	£'000	£'000
(3,457)	**(1,856)**	**(5,313)**	**Balance at 1 April**	**(2,489)**	**(152)**	**(2,641)**
968	1,704	2,672	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	681	(1,717)	(1,036)
(2,489)	**(152)**	**(2,641)**	**Balance at 31 March**	**(1,808)**	**(1,869)**	**(3,677)**

Note 30g: Accumulated Absence Account

2018/19		2019/20
£'000		£'000
3,771	**Balance at 1 April**	**3,287**
(3,771)	Settlement or cancellation of accrual made at the end of preceding year	(3,287)
3,287	Amounts accrued at the end of the current year	4,138
3,287	**Balance at 31 March**	**4,138**

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 11,221 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 2019/20, the Council paid £14.742 million (this includes £4.686 million teachers' contributions) to Teachers' Pensions in respect of teachers' retirement benefits (£13.433 million in 2018/19, which included £4.973 million teachers' contributions). The employers contribution rate increased in September 2019 to 23.68% from 16.48%. Employer contributions to the Teachers' Pensions Scheme in 2020/21 are estimated to be £11.565 million (£10.056 million outturn in 2019/20). There were no contributions remaining payable at year end.

The **NHS Pension Scheme** is administered by the NHS Business Services Agency (NHSBSA). The scheme is unfunded and the NHSBSA uses a notional fund as the basis for calculating the employers' contribution rate paid by participating employer organisations. Valuations of the notional fund are undertaken every four years. The Council is one employer out of 8,290 employers in the NHS Pension Scheme.

The scheme provides a final salary-based pension based on service to 2015 and a career average revalued earning based pension for service since 2015. In 2019/20, the Council paid £12,000 (this includes £6,000 staff contributions) to the NHS Pension Scheme in respect of ex-PCT staff member contributions (£19,000 in 2018/19, including £7,000 staff contributions). The employers contribution rate was increased to 20.6% of pensionable pay on 1 April 2019 (14.3% in 2018/19).

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 60% 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 2016 triennial valuation, the Council paid normal contributions at 14.7% (14.7% in 2018/19) of pensionable pay plus contributions of £22.1 million towards recovering the deficit. In April 2017, the Council made a prepayment of pension fund contributions of £55.5 million to the pension fund for all the deficit contributions and an estimate of the normal contributions for the three years 2017/18 to 2019/20. This generated a cash saving of £3.7 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 60% 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 2019/20 which relate to two primary schools which converted to academies on 1 April 2019 (settlements in 2018/19 relate to three 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.

2018/19				2019/20			
LGPS	Unfunded discretionary benefits	Total		LGPS	Unfunded discretionary benefits	Total	
£'000	£'000	£'000		£'000	£'000	£'000	*Notes*
			Comprehensive Income and Expenditure Statement				
			Cost of services:				
29,062	-	29,062	Current service cost	33,866	-	33,866	*(i)*
13,356	-	13,356	Past service cost	6,219	-	6,219	
(3,298)	-	(3,298)	Losses/(gains) on curtailments and settlements	96	-	96	
			Other operating expenditure:	-			
974	-	974	Pension Administration expenses	705	-	705	
			Financing and investment income and expenditure:				
12,872	677	13,549	Interest cost	13,681	611	14,292	*(ii)*
52,966	**677**	**53,643**	**Total Post employment benefit charged to the (surplus)/deficit on provision of services**	**54,567**	**611**	**55,178**	
			Other Post employment benefit charged to the Comprehensive Income and Expenditure Statement				*(iv)*
			Remeasurement of the net defined benefit liability comprising:				
(32,315)	-	(32,315)	- Return on plan assets, excluding the amount included in the net interest expense	76,281	-	76,281	*(iii)*
-	-	-	- Experience (gain)/loss	12,638	252	12,890	
62,681	886	63,567	- Actuarial (gains)/losses arising from changes in financial assumptions	(24,721)	(277)	(24,998)	
-	-	-	- Actuarial (gains)/losses arising from changes in demographic assumptions	(31,948)	(422)	(32,370)	
83,332	**1,563**	**84,895**	**Total Post employment benefit charged to the Comprehensive Income and Expenditure Statement**	**86,817**	**164**	**86,981**	
			Movement in Reserves Statement				
(52,966)	(677)	(53,643)	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)	(54,567)	(611)	(55,178)	
			Actual amount charged against the General Fund balance for pensions in the year:				
27,850	**2,084**	**29,934**	**Employers' contributions payable to scheme**	**26,851**	**2,150**	**29,001**	*(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

2018/19				2019/20		
LGPS	Unfunded discretionary benefits	Total		LGPS	Unfunded discretionary benefits	Total
£'000	£'000	£'000		£'000	£'000	£'000
(1,263,841)	**(27,039)**	**(1,290,880)**	**Opening balance at 1 April**	**(1,366,471)**	**(26,518)**	**(1,392,989)**
(29,062)	-	(29,062)	Current service cost	(33,866)	-	(33,866)
(32,425)	(677)	(33,102)	Interest on pension liabilities	(32,411)	(611)	(33,022)
(6,460)	-	(6,460)	Member contributions	(6,854)	-	(6,854)
(10,411)	-	(10,411)	Past service cost (gain)	(6,219)	-	(6,219)
			Remeasurement gain/(loss):			
(62,681)	(886)	(63,567)	- Actuarial gains/(losses) arising from changes in demographic assumptions	31,948	422	32,370
-	-	-	- Actuarial gains/(losses) arising from changes in financial assumptions	24,721	277	24,998
-	-	-	- Experience gain/(loss)	(12,638)	(252)	(12,890)
37,546	2,084	39,630	Estimated benefits paid	37,695	2,150	39,845
(2,945)	-	(2,945)	Curtailments	(772)	-	(772)
3,808	-	3,808	Settlements	1,424	-	1,424
(1,366,471)	**(26,518)**	**(1,392,989)**	**Closing balance at 31 March**	**(1,363,443)**	**(24,532)**	**(1,387,975)**
			Reconciliation of fair value of the scheme assets			
726,574	**-**	**726,574**	**Opening balance at 1 April**	**773,722**	**-**	**773,722**
19,553	-	19,553	Interest on plan assets	18,730	-	18,730
			Remeasurement gain/(loss):			
32,315	-	32,315	- the return on plan assets, excluding the amount included in the net interest expense	(76,281)	-	(76,281)
(974)	-	(974)	Administration expenses	(705)	-	(705)
27,850	2,084	29,934	Employer contributions	26,851	2,150	29,001
(510)	-	(510)	(Loss) on settlement	(748)	-	(748)
6,460	-	6,460	Contributions by scheme participants	6,854	-	6,854
(37,546)	(2,084)	(39,630)	Benefits paid	(37,695)	(2,150)	(39,845)
773,722	**-**	**773,722**	**Closing balance at 31 March**	**710,728**	**-**	**710,728**

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

Note 31: Defined Benefit Pension Schemes (continued)

Pensions Assets and Liabilities recognised in the Balance Sheet

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

2018/19				2019/20		
LGPS	Unfunded discretionary benefits	Total		LGPS	Unfunded discretionary benefits	Total
£'000	£'000	£'000		£'000	£'000	£'000
(1,366,471)	(26,518)	(1,392,989)	Present value of defined benefit obligation	(1,363,443)	(24,532)	(1,387,975)
773,722	-	773,722	Fair value of employer assets	710,728	-	710,728
(592,749)	**(26,518)**	**(619,267)**	**(Deficit)/gain in the scheme**	**(652,715)**	**(24,532)**	**(677,247)**

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:

2018/19			2019/20	
£'000	%		£'000	%
507,561	66%	Equities	549,393	77%
85,883	11%	Bonds	-	0%
69,635	9%	Property	69,651	10%
17,796	2%	Cash/liquidity	7,818	1%
92,847	12%	Other	83,866	12%
773,722	**100%**		**710,728**	**100%**

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The 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:

2018/19		2019/20
LBWF		LBWF
%		%
2.2	Rate of inflation (CPI)	2.1
3.7	Rate of increase in salaries *	3.6
2.3	Rate of increase in pensions	2.2
2.4	Rate for discount scheme liabilities	2.4

** 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 2040 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	25.1
Longevity at 65 for future pensioners (in 20 years' time)	24.2	27

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)	(37,788)	37,788
Rate of inflation (increase or decrease by 0.1%)	(19,796)	19,796
Rate of increase in salaries (increase or decrease by 0.1%)	(1,577)	1,577
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	19,518	(19,518)
Estimated investment return (increase or decrease by 1%)	7,177	(7,177)

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 Sargeant 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 Chief Secretary to the Treasury announced on 15 July 2019 that the rulings would apply to all public service pension schemes including the LGPS. The 2019/20 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 £27.617 million to the scheme in 2020/21.

Note 32: Cash Flow Statement - Operating Activities

2018/19		2019/20
£'000		£'000
(50,912)	**Net surplus or (deficit) on the provision of services**	**12,448**
	Adjustments for non-cash movements:	
49,697	Depreciation, impairments and downward revaluation	39,502
(4,489)	Net increase/decrease in creditors, debtors and inventories	6,449
23,709	Pensions liability	26,177
44,483	Carrying amount of non-current assets sold	8,681
6,178	Other non-cash items	(398)
119,578		**80,411**
	Adjustments for items that are investing or financing activities:	
-	Capital grants	-
10,000	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	(10,162)
(11,804)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(55,821)
(41,883)	Any other items for which the cash effects are investing or financing cash flows	-
(43,687)		**(65,983)**
24,979	**Net cash flows from operating activities**	**26,876**

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

The cash flows for operating activities include the following items:

2018/19 £'000		2019/20 £'000
1,190	Interest received	1,064
(16,528)	Interest paid	(17,511)

Note 33: Cash Flow Statement - Investing Activities

2018/19 £'000		2019/20 £'000
(88,072)	Purchase of property, plant and equipment, investment property and intangible assets	(107,034)
(475,507)	Purchase of short-term and long-term investments	(336,157)
-	Other payments for investing activities	(649)
12,141	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	10,189
487,713	Proceeds from short-term and long-term investments	323,169
58,787	Other receipts from investing activities (capital grants)	62,596
(4,938)	**Net cash flows from investing activities**	**(47,886)**

Note 34: Cash Flow Statement - Financing Activities

2018/19 £'000		2019/20 £'000
73,202	Cash receipts of short-term and long-term borrowings	82,034
(3,584)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(2,096)
(90,979)	Repayments of short-term and long-term borrowing	(45,302)
-	Other payments from financing activities	-
(21,361)	**Net cash flows from financing activities**	**34,636**

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 2019/20 is shown in **Note 10**.

The following Members held positions of control or significant influence in related parties to the Council during 2019/20:

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 (£9.2 million in 2019/20).

Councillor Simon Miller was a Director of NPS (London) Ltd, who manage the Council's building consultancy function. In 2019/20, the Council paid NPS (London) Ltd £6.3 million in fees.

Chief Officers

During 2019/20 chief officers declared an interest in the following:

	Chief Officers
Director of NPS London Ltd (Simon Miller)	1
Board Members of Waltham Forest Clinical Commissioning Group (Linzi Roberts-Egan* and Joseph McDonnell)	2

* left the Council during September 2019 and was replaced by Heather Flinders as a Board Member

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 2020	Principal activities	Transactions with the Council 2019/20
Sixty Bricks Ltd (10593957)	100% shareholding (100 £1 shares)	£1.4m deficit at 31 March 2020	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 £1.45m was outstanding at 31 March 2020. Interest of £49,000 was charged on the loan during 2019/20, the Council also charged 60 Bricks £0.3m for reimbursement of expenses incurred on its behalf.
More Homes Waltham Forest LLP (OC421986)	50/50 Joint Venture with Mears Housing Management (Holdings) Limited.	£1.7m deficit at 31 March 2020	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)	£136,000 deficit at 31 March 2020	Provides a variety of services on a commercial basis including house clearance, gardening, handyperson and pest control.	The company owes the Council £146,000 at 31 March 2020.
Waltham Forest Trading Ltd (10912348)	100% shareholding (100 £1 shares)	£100 retained earnings at 31 March 2020	Currently dormant	Nil.
Walthamstow Scene Ltd (9112012)	100% shareholding (100 £1 shares)	£1 retained earnings at 31 March 2020	Currently dormant	Nil.
NPS London Limited (06078945)	20% shareholding (two £1 shares)	£3.7m deficit at 31 March 2020	Property consultancy (the Council is the company's principal customer)	Sales to the Council were £6m in 2019/20, purchases from the Council were £13,000 in 2019/20. Net debtor balances due to the company from the Council were £0.4m at 31 March 2020.
Waltham Forest Local Education Partnership (LEP) Limited (06009180)	10% shareholder, owning 5,500 £1 shares	£54,000 deficit at 31 December 2020	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	£3.6m deficit at 31 December 2019	Design, refurbishment and construction of educational facilities in the Borough under the Government's Private Finance Initiative (PFI)	£5,000 interest paid to London Borough of Waltham Forest in 2019/20.
BY Education (Waltham Forest) Holdings Limited (06009403)	10% shareholder, owning 5,000 £1 shares	£50,000 retained earnings at 31 December 2019	Design, refurbishment and construction of educational facilities in the Borough under the Government's Private Finance Initiative (PFI).	Nil.

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 Resources on 6th November 2023. There have been no events since 31 March 2020 and up to the date when these accounts were authorised that require any adjustment to these accounts.

Note 39: Highways Infrastructure Assets

Movements on balances

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

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

	2018-19	2019-20
	£'000	£'000
Net book value (modified historical cost)		
at 1 April	103,960	110,392
Additions	14,506	10,519
Derecognition	-	-
Depreciation	(8,075)	(8,769)
Impairment	-	-
Other movements in cost	1	-
Net book value at 31 March	**110,392**	**112,142**

	31-Mar-19	31-Mar-20
	£'000	£'000
Infrastructure assets	110,392	112,142
Other PPE assets	2,066,157	2,139,884
Total PPE Assets	**2,176,549**	**2,252,026**

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

SECTION – 4

SUPPLEMENTARY FINANCIAL STATEMENTS

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.

2018/19	Expenditure	2019/20	
£'000		£'000	Note
8,496	Repairs and maintenance	9,136	
23,233	Supervision and management	23,068	
478	Rents, rates, taxes and other charges	404	
18,878	Depreciation and impairment of non current assets	7,086	5
137	Debt management costs	114	
1,162	Transfer to/from Provision	299	
1,482	Increase/(decrease) in the provision for bad debts	(558)	
53,866	**Total expenditure**	**39,549**	
	Income		
(53,305)	Dwelling rents	(53,937)	
(495)	Non-dwelling rents	(477)	
(6,453)	Charges for service and facilities	(6,463)	
(2,053)	Contributions towards expenditure	(733)	
(62,306)	**Total income**	**(61,610)**	
(8,440)	**Net cost or (income) of HRA services as included in the whole authority Comprehensive Income and Expenditure Statement**	**(22,061)**	
158	HRA services share of Corporate and Democratic Core	158	
(8,282)	**Net cost of HRA Services**	**(21,903)**	
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
(7,236)	(Gain) or loss on sale of HRA non current assets	(1,481)	
9,643	Interest payable and similar charges	9,469	
(185)	HRA interest and investment income	(209)	
618	Pension Liability, interest cost & expected return on pension asset	880	
(971)	Capital grants and contributions receivable	(15,419)	
(6,413)	**(Surplus) or deficit for the year on HRA Services**	**(28,663)**	

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.

2018/19 £'000	Expenditure	2019/20 £'000	Note
(4,455)	**Balance on the HRA as at 1 April**	**(5,016)**	
(6,413)	(Surplus)/deficit for the year on the HRA Income and Expenditure Statement	(28,663)	
	Adjustments between accounting basis and funding basis:		
41	Amount by which finance costs chargeable in accordance with the Code are different from finance costs chargeable in year under statutory requirements	40	
(18,878)	Depreciation & impairments	(7,086)	
7,236	(Gain)/loss on HRA disposals	1,481	
(703)	Net charges for pensions	(1,536)	
971	Use of capital grants to finance capital expenditure	15,419	
6,448	Capital expenditure charged to HRA balance	1,271	
(9)	Accumulated absences adjustment	(25)	
10,846	Transfer to the Major Repairs Reserve	10,587	
(461)	**Net (increase) or decrease before transfers to or from reserves**	**(8,512)**	
(100)	Transfers to or (from) earmarked reserves	6,200	
(561)	**(Increase) or decrease in year on the HRA**	**(2,312)**	
(5,016)	**HRA Balance at 31 March**	**(7,328)**	

Housing Revenue Account Notes

Note 1: Housing Stock

As at 31 March 2020 the Council was responsible for managing a housing stock of 9,991 dwelling units. At 31 March 2020, the stock was made up as follows:

2018/19 Restated	Type of accommodation	2019/20
1,479	Low rise flats	4,656
3,411	Medium rise flats	-
972	High rise flats	978
3,735	Houses and bungalows	3,755
458	Sheltered accommodation	463
25	Multi occupied	139
10,080	**Total**	**9,991**

The change in stock can be summarised as follows:

2018/19 Restated		2019/20
10,015	Stock at 1 April	10,080
(31)	Right to Buy sales	(44)
-	Demolitions	(152)
80	New Build	85
16	Additions	3
10,080	**Stock at 31 March**	**9,972**

Note 1: Housing Stock (continued)

The total Balance Sheet value of the Council's HRA assets at 1st April 2019 was £902m (restated) and at 31st March 2020 was £908m, analysed as follows:

2018/19 £'000	Expenditure	2019/20 £'000
	Operational assets	
846,989	Council dwellings	859,687
43,772	Assets under construction	40,651
906	Land	3,069
10,546	Other property	4,950
902,213		**908,357**
	Non-operational assets	
189	Surplus assets	-
902,402	**Total asset value**	**908,357**

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 £3,373m (£3,323m at 31 March 2019). 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 2019/20, the Council incurred £41.1m capital expenditure on land, houses and other properties within the HRA (2018/19: £25.2m). The detail of expenditure and the methods of financing are detailed below:

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

2018/19	Total expenditure	Sources of funding				
		Major Repairs Reserve	Revenue contributions	Capital receipts	Grants/ contributions	Total financing
	£'000	£'000	£'000	£'000	£'000	£'000
Council dwellings	13,373	9,377	2,051	974	971	**13,373**
Assets under construction	11,842	1,469	4,175	3,556	2,642	**11,842**
Balance as at 31 March	**25,215**	**10,846**	**6,226**	**4,530**	**3,613**	**25,215**

Note 4: Capital receipts

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

2018/19		2019/20
9,614	Council dwellings	9,361
664	Other property	288
10,278		**9,649**

Additionally, the Council accrued £345k in 2019/20 from preserved right to buy sales under a stock transfer agreement with London & Quadrant Housing Trust.

Note 5: Depreciation and impairment

During 2019/20 the value of the council dwellings stock increased from £846.990m to £859.689m. After taking account of additions and disposals in the year this resulted in a revaluation gain of £9.987m. Of this £6.447m in respect of the land component of council dwellings was charged to the revaluation reserve, and there was a revaluation gain charged to the HRA Income and Expenditure Account of £3.540m in respect of the building component of council dwellings, reversing previous years revaluation losses charged to the HRA Income and Expenditure Account.

During 2018/19 the value of the council dwellings stock reduced from £857.922m to £846.990m. After taking account of additions and disposals in the year this resulted in an impairment of £14.779m. Of this £2.455m in respect of the land component of council dwellings was charged to the revaluation reserve, a revaluation gain in respect of dwellings of £3.725 originally recognised was reversed to the revaluation reserve and there was an impairment charge to the HRA Income and Expenditure Account of £8.599m in respect of the building component of council dwellings , because there is no revaluation reserve credit balance in respect of the buildings component.

2018/19 £'000	Expenditure	2019/20 £'000
	Depreciation	
10,533	Council dwellings	10,588
122	Other property	123
10,655		**10,711**
	Impairment	
8,599	Council dwellings	(3,540)
(376)	Other property	(85)
8,223		**(3,625)**
18,878	**Total depreciation and impairment**	**7,086**

Note 6: Rent Arrears

2018/19		2019/20
	Rent arrears comprise:	
5,045	Dwellings rents	4,952
438	Other charges/adjustments	355
5,483		**5,307**
(5,063)	Less: Bad debts provisions	(4,068)
420		**1,239**

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 48% of Non-Domestic Rates (NNDR) collectable; 25% is payable to Central Government and 27% to the Greater London Authority (GLA). All subsequent surpluses and deficits are shared between the Council and these preceptors in the same proportions.

2018/19				2019/20			
Business Rates	**Council Tax**	**Total**		**Business Rates**	**Council Tax**	**Total**	
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**	***Notes***
			Income				
-	124,486	124,486	Council Tax receivable	-	132,765	132,765	
62,589	-	62,589	Business Rates receivable	66,359	-	66,359	
3,876	-	3,876	Transitional Protection Payments	1,920	-	1,920	
1,507	-	1,507	Business Rate Supplement	1,517	-	1,517	
67,972	**124,486**	**192,458**	**Total income**	**69,796**	**132,765**	**202,561**	
			Expenditure				
			Apportionment of prior year surplus/deficit				
1,781	2,643	4,424	- Council	50	2,472	2,522	
1,774	588	2,362	- GLA	79	551	630	
2,380	-	2,380	- Central Government	83	-	83	
			Precepts				
42,703	98,813	141,516	- Council	31,005	104,497	135,502	
24,021	22,013	46,034	- GLA	17,440	24,386	41,826	
-	-	-	- Central Government	16,148	-	16,148	
			Business Rate Supplement				*3*
1,501	-	1,501	- Payment to levying authority (GLA)	1,511	-	1,511	
6	-	6	- Administrative costs	6	-	6	
			Charges to Collection Fund				
-	-	-	- Write offs	-	-	-	
263	-	263	- Increase/(decrease) in bad debt provision	122	1,673	1,795	
(933)	1,612	679	- Increase/(decrease) in appeals provision	(405)	-	(405)	
292	-	292	- Cost of collection allowance	285	-	285	
73,788	**125,669**	**199,457**	**Total expenditure**	**66,325**	**133,578**	**199,903**	
5,816	1,183	6,999	(Increase)/decrease in fund balance for the year	(3,470)	813	(2,657)	
(6,187)	(4,226)	(10,413)	Fund balance brought forward	(371)	(3,043)	(3,414)	
(371)	**(3,043)**	**(3,414)**	**(Surplus)/deficit balance carried forward**	**(3,841)**	**(2,230)**	**(6,071)**	*4*

Notes to the Collection Fund

Note 1: Council tax

The Council's tax base for 2019/20 - 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	3,422	6 / 9	2,281	1,129
B	22,783	7 / 9	17,720	1,328
C	29,567	8 / 9	26,282	1,506
D	19,329	9 / 9	19,329	1,693
E	7,299	11 / 9	8,921	2,070
F	1,664	13 / 9	2,404	2,447
G	397	15 / 9	661	2,823
H	19	18 / 9	38	3,388
Total	**84,480**		**77,636**	
Less adjustment for collection rates and anticipated changes in valuations and exemptions during the year			(1,553)	
Council Tax Base			**76,083**	

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 2020 was £178.688 million (this compares to the 31 March 2019 value of £177.996 million). The national non-domestic multiplier for the year was 50.4 pence for each pound of rateable value (49.3 pence in the pound in 2018/19). The small business non-domestic rating multiplier was 49.1 pence for each pound of rateable value (48.0 pence in the pound in 2018/19).

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 2019/20 the balance in the Fund relating to Non-Domestic Rates increased by £3,470k to a £3,841k surplus. In respect of Council Tax there was an in-year deficit of £813k (£1.183 million deficit in 2018/19).

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, £3.563 million will be paid in 2020/21 with the deficit balance forming part of the 2021/22 balance, which will be repaid in 2021/22. Similarly, £0.158 million will be paid to Rates preceptors in 2020/21, leaving a deficit payable in 2021/22.

Share of Surplus/(Deficit)

	2020/21	2021/22	Total
	£'000	£'000	£'000
Council Tax:			
London Borough of Waltham Forest	(2,889)	1,082	(1,807)
Greater London Authority	(674)	251	(423)
	(3,563)	**1,333**	**(2,230)**
Non-Domestic Rates:			
London Borough of Waltham Forest	(101)	(1,768)	(1,869)
Greater London Authority	(57)	(994)	(1,051)
Central Government	-	(921)	(921)
	(158)	**(3,683)**	**(3,841)**

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

SECTION – 5

NOTES TO THE PENSION FUND

Pension Fund Account

2018/19 £'000		2019/20 £'000	Note
	Dealings with members, employers and others directly involved in the scheme		
(31,005)	Contributions receivable	(30,606)	*7*
(4,515)	Transfers in from Other Pension Funds	(6,735)	*8*
(35,520)		**(37,341)**	
	Benefits payable:		
44,010	Benefits payable	46,538	*9*
4,746	Payments to and on account of leavers	5,950	*10*
48,756		**52,488**	
13,236	**Net withdrawals from dealings with members**	**15,147**	
10,264	Management Expenses	10,221	*11*
23,500	**Net withdrawals including fund management expenses**	**25,368**	
	Return on investments		
(8,846)	Investment income	(12,117)	*12*
(64,454)	Profit and losses on disposal of investments and changes in value of investments	54,311	*14a*
(73,300)	**Net return on investments**	**42,194**	
(49,800)	**Net (increase)/decrease in the net assets available for benefits during the year**	67,562	
(880,268)	**Opening net assets of the scheme**	(930,068)	
(930,068)	**Closing net assets of the scheme**	**(862,506)**	

Net Assets Statement

2018/19 £'000		2019/20 £'000	Note
150	Long term investments	150	14a
922,292	Investment assets	855,266	14a
(90)	Investment liabilities	(135)	14a
922,352	**Net investment assets**	**855,281**	
8,196	Current Assets	9,366	20
(480)	Current Liabilities	(2,141)	21
930,068	**Net assets of the scheme available to fund benefits at the period end**	**862,506**	

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. The London Borough is the reporting entity for this Pension Fund.

a) General

The scheme is governed by the Public Services Pensions Act 2013. The fund is administered in accordance with the following secondary 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 administered by the London Borough of Waltham Forest Council 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, which is a Committee of the London Borough of Waltham Forest Council.

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 2020 and 31 March 2019:

31 March 2019		31 March 2020
56	Number of employers with active members	61
	Number of employees in scheme:	
4,073	London Borough of Waltham Forest	4,463
2,208	Other employers	2,469
6,281	**Total**	**6,932**
	Number of pensioners:	
6,797	London Borough of Waltham Forest	6,861
715	Other employers	818
7,512	**Total**	**7,679**
	Number of Deferred members:	
7,492	London Borough of Waltham Forest	7,506
2,167	Other employers	2,380
9,659	**Total**	**9,886**
23,452	**Total number of members in the scheme**	**24,497**

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 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2020. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2019. Currently, employer contribution rates range from 7.5% to 22% of pensionable pay. New employer rates will be payable from 1 April 2020.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensions 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. Accrued pension is updated annually in line with the Consumer Prices Index.

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.

Note 2: Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2019/20 financial year and its financial position at 31 March 2020. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) which is based upon International Financial Reporting Standards (IFRS,) as amended for the UK public sector.

2.1 Going Concern

The accounts are prepared on a going concern basis and this is assessed by the management of London Borough of Waltham Forest using four key factors as follows:

Investment returns and Net Asset Values

Cash flow forecasts and liquidity

Membership trends

Funding levels and delivery of agreed recovery plans

Each is considered in turn below:

Net assets increased by 16.6% during the period 31 March 2020 to June 2023.

Over the 12 months to 31 March 2021, the fund returned 17.5%, underperforming against the benchmark of 23.6% by 6.1%

Over the 12 months to 31 March 2022, the fund returned 0.5%, underperforming against the benchmark of 8.6% by 8.1%

Over the 12 months to 31 March 2023, the fund returned -3.5%, underperforming against the benchmark of 2.1% by 5.6%

The fund is working on its Strategy asset allocation to ensure that future returns meet expectations of the funding Strategy.

In the three financial years to 31 March 2023, the number of employing bodies increased from 61 to 62 and current membership increased from 6,932 to 7,087.

Cash flows remains robust. Excluding cash held for investment purposes the Fund held cash of £24.1m at 31 March 2023, an increase of £20.4m compared to 31 March 2020 of £3.7m.

In addition, the Fund holds 70% of its investment portfolio in liquid assets which could be realised within 3 months if required. Cash flow forecasts confirm that the Fund can meet its obligations to pay pensions until up to 12 months from the authorisation of these accounts without the need to sell investments.

The Pension Performance as at 30 June 23 was not on target to meet its overall strategic target. The strategic performance target of the fund to recover its deficit is the Consumer Price Index 3.1% + 1.85% (4.95%) set in the Funding Strategy following the 2022 triennial valuation. The Fund's 3-year return was 1.9% p.a. as at 30 June 2023.

The Fund was assessed as 81% funded as at 31 March 2022, a slight improvement on the funding level of 80% at 31 March 2019. Plans are in place to recover the deficit over a period of 14.7 years based on a strategic performance. For the reasons set out above, the Administering Authority is satisfied that the London Borough of Waltham Forest Pension Fund is a going concern and the financial statements for 2019/20 have been prepared on this basis accordingly. The statement of accounts summarises the fund's transactions for the 2019/20 financial year and its financial position at 31 March 2020.

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 nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The pension fund has opted to disclose this information in **Note 17**.

2.2 Accounting Standards Issued but Not Adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code), the Council is required to disclose the impact that an accounting change arising from a new standard would have on the current year's accounts if it had applied in the year. The two key changes to accounting standards are:

IFRS 16 Leases: will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities. Implementation of the standard has been deferred until 1st April 2022. This will have no impact on the Fund's accounts.

Note 2: Basis of Preparation (continued)

2.2 Accounting Standards Issued but Not Adopted (continued)

IAS19 Employee Benefits will require the remeasurement of the net pension asset or liability following plan amendments, curtailments and settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 1st April 2020 and no prediction could be made of the possible accounting impact at the time these accounts were prepared.

In addition there some minor amendments as follows, none of which would have impacted upon the Pension Fund:

- Amendments to IFRS 28 *Investments in Associates and Joint Ventures* ;
- Amendments to IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements* ;
- Amendments to IAS23 *Borrowing Costs* .

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 for all schemes which rise accordingly with 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 amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

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

(i) Interest income

Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument at the date of acquisition or origination.

Note 3: Summary of Significant Accounting Policies (continued)

(ii) Dividend income

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.

(iii) Distributions from pooled funds

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.

(iv) Movement in the net market value of investments

Changes in the net market value of investments (including investment properties) are recognised as income 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 staff costs of the pensions administration team are charged directly to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

Oversight and governance 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.

Note 3: Summary of Significant Accounting Policies (continued)

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 charged to the fund.

Net Assets Statement

g) Financial assets at fair value

Investment assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of assets are recognised the fund account.

The values of investments as shown in the net assets statement have been determined at fair value 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).

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.

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

Financial assets classed as amortised cost 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.

k) Financial liabilities

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.

Note 3: Summary of Significant Accounting Policies (continued)

l) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of 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 17**.

m) Additional Voluntary Contributions

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 20**.

n) 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 in circumstances where a provision would be made, but it is not possible to measure the value of the financial obligation reliably at the balance sheet date.

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 Fund liability

The net pension fund liability is re-calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in **Note 17**. Actuarial re-valuations are used to set future contribution rates and underpin the fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

Note 5: Assumptions Made About the Future and Other Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported accounts. 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. The items in the net asset statement for which there is a significant risk of material adjustment the following year are as follows:

Actuarial present value of promised retirement benefits

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied. For instance:

Change in assumption - year ended 31st March 2020	Approx. % change in liabilities	Approx. monetary value
0.5% increase in the discount rate assumption results in a decrease in the value of the pension liabilities of	7% reduction	£117m reduction
0.25% increase in assumed earnings inflation increases the value of liabilities by	<1% increase	£3m increase
One-year increase in assumed life expectancy increases the value of the liability by	3% increase	£44m increase

COVID-19 IMPACT

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.

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

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

The Pension Fund’s latest actuarial valuation, as at 31 March 2019, showed it to be 80% funded – a significant increase from the position 3 years prior of 70%. The impact of the Corona Virus pandemic on investment markets has affected the value of the Fund to 31 March 2020. The Fund’s investment return for 2019/20 was -5.4%, -10.6%, less than the actuary’s target return for the Fund of +5.2% pa. However, the Fund still has the remaining 3 years of the actuarial period to achieve the target return, and beyond this has agreed a 17 year recovery period in its Funding Strategy Statement should this be necessary to make good an increase in the funding deficit at the next actuarial valuation.

The actuarial valuation includes the Rates and Adjustment certificate detailing the contributions to the Pension Fund that participating employers are expected to make. It remains the Fund’s expectation that these will be paid as planned. To date no employer, has enquired about deferring their contribution payments because of the Corona Virus pandemic.

The vast majority of employers in the pension scheme (93.2% of the Fund by active membership are scheduled bodies excluding Further and Higher Education employers) have secure public sector funding, and therefore there should be no doubt in their ability to continue to make their pension contributions. In addition, following the latest triennial valuation, the Pension Fund has allowed employers to pay their contributions in advance for either 1 or 3 years, giving the Fund the added security of having already received at least 34% of 2020/21 employer contributions in pre-payments, and 34% of the contributions due for the next 3 years.

Note 5: Assumptions Made About the Future and Other Sources of Estimation Uncertainty (continued)

Following the latest actuarial valuation and schedule of employer contribution prepayments, the Pension Fund has reviewed its cashflow forecast. The Fund should have sufficient cash for over 12 months (excluding the receipt of any employer contributions paid in advance on 1 April 2021) to meet its obligations to pay pensions without selling any investments. Should investments be required to be sold as a result of faster than anticipated investment in alternative investments or employers being unable to pay their contributions (which is not expected) the Pension Fund would have ready access to cash as 60% of the Fund could be sold at short notice.

Note 6: Events After the Reporting Period

The statement of accounts was authorised for issue by the Director of Resources on 6th November 2023. There have been no events since 31 March 2020 and up to the date when these accounts were authorised that require any adjustment to these accounts.

Note 7: Contributions Receivable

By category

2018/19	Category	2019/20
£'000		£'000
	Employers:	
(15,097)	Normal Contributions	(15,539)
(668)	Deficit recovery contributions	(654)
(6,250)	Augmentation contributions	(5,037)
(22,015)		**(21,230)**
(8,990)	Employees' contributions	(9,376)
(31,005)	**Total**	**(30,606)**

Note 7: Contributions Receivable (continued)

By authority

2018/19 £'000	Authority	2019/20 £'000
(15,843)	Administering authority	(10,917)
(14,038)	Scheduled bodies	(18,585)
(1,124)	Admitted bodies	(1,104)
(31,005)	**Total**	**(30,606)**

Note 8: Transfers in from Other Pension Funds

By category

2018/19 £'000	Authority	2019/20 £'000
(4,515)	Individual Transfers	(6,735)
(4,515)	**Total**	**(6,735)**

Note 9: Benefits Payable

By category

2018/19 £'000	Category	2019/20 £'000
35,735	Pensions	37,775
7,406	Commutation and lump sum retirement benefits	8,027
869	Lump sum death benefits	736
44,010	**Total**	**46,538**

By authority

2018/19 £'000	Authority	2019/20 £'000
39,890	Administering authority	41,331
2,749	Scheduled bodies	3,712
1,371	Admitted bodies	1,495
44,010	**Total**	**46,538**

Note 10: Payments to and on Account of Leavers

2018/19 £'000	Authority	2019/20 £'000
206	Refunds to members leaving service	236
4,540	Individual transfers	5,714
4,746	**Total**	**5,950**

Note 11: Management Expenses

2018/19 £'000	Authority	2019/20 £'000
1,016	Administration Expense	1,240
292	Oversight and Governance*	334
8,956	Investment management expenses (note 11a)	8,647
10,264	**Total**	**10,221**

* Included in Oversight and Governance above are external audit fees for the pension fund of £16k (£16k for 2018/19). Audit fees for 2019/20 are expected to be higher than anticipated.

Note 11a: Investment Management Expenses

2018/19 £'000	Authority	2019/20 £'000
24	Custody fees	22
1,401	Transaction Costs	516
7,159	Management fees	7,130
372	Performance related fees	979
8,956	**Total**	**8,647**

Note 12: Investment Income

2018/19 £'000	Authority	2019/20 £'000
(3,986)	Income from equities	(6,412)
(4,796)	Pooled investments - unit trust and other managed funds	(5,699)
29	Interest on cash deposits	24
(93)	Other	(30)
(8,846)	**Total**	**(12,117)**

Note 13: Top Investment Holdings

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

Fund Manager	Market Value at 31/03/20 £'000	Percentage %
Axa Framlington	165,385	19.17%
Legal & General IM	155,935	18.08%
CIV2 Global Equities Alpha Growth	148,222	17.19%
CIV2 Global Equities Focus	127,770	14.81%
CIV2 Global Equities Emerging Markets	69,062	8.01%
Capital Dynamics	46,368	5.38%
Global Infrastructure Partners II	52,173	6.04%
	764,915	**88.68%**

Note 13a: Reconciliation of Movements in Investment and Derivatives

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

Movements in Investment Assets 2018/19	Market Value 1 Apr 2018	Purchases	Sales	Change in market value	Market Value 31 Mar 2019
	£'000	£'000	£'000	£'000	£'000
Pooled vehicles:-					
UK Impact Ventures	2,507	1,393	(171)	(94)	3,635
London CIV	150	-	-	-	150
Hedge Funds	6,989	-	(7,377)	542	154
Futures	-	73,104	(76,516)	3,412	-
Infrastructure	84,594	11,033	(5,702)	19,779	109,704
Pooled vehicle - Fixed interest securities	99,581	-	(716)	3,671	102,536
Equities	566,331	328,985	(323,542)	33,726	605,500
Unit trusts - Property	81,089	3,778	(5,034)	3,418	83,251
	841,241	**418,293**	**(419,058)**	**64,454**	**904,930**
Cash and money market instruments	19,032	-	-	-	17,382
Investment debtors at 31 March	25	-	-	-	130
Investment creditors at 31 March	(453)	-	-	-	(90)
Total	**859,845**	**418,293**	**(419,058)**	**64,454**	**922,352**

Note 13b: Analysis of Investment Assets

Market Value 2018/19 £'000	Investments	Market Value 2019/20 £'000
	Equity	
150	UK - unquoted	**150**
	Pooled investments	
325,634	CIV2 - Global equities quoted	**345,054**
	Other pooled investments	
279,866	Equities UK quoted	321,320
28,040	Pooled property unit trust UK quoted	27,383
54,579	Pooled property limited partnerships UK unquoted	56,787
362,485		**405,490**
	Other externally managed funds	
632	Property overseas unquoted	275
102,536	Fixed interest securities global quoted	-
154	Hedge Funds global unquoted	119
109,704	Infrastructure global unquoted	98,541
3,635	Social Impact UK unquoted	3,505
216,661		**102,440**
17,382	Cash and money market instruments	2,170
17,382		**2,170**
922,312	**Total Investment assets**	**855,304**

Note 13c: Investments Analysed by Fund Manager

2018/19 Market value £'000	%		Description	2019/20 Market value £'000	%
		Investments managed by the London CIV			
325,634	35.31	London CIV2	Global Equities	345,054	40.34
150	0.02	London CIV	Collective Vehicle	150	0.02
325,784	**35.33**	**Total managed by the London CIV asset pool**		**345,204**	**40.36**
		Investments managed outside the London CIV			
279,866	30.34	AXA Framlington IM	Global Equities	165,385	19.34
-	-	JO Hambro CM	Equity protection	155,935	18.23
62,094	6.73	Wellington Management Multi Sector Credit	Global Credit	-	-
49,736	5.39	Capital Dynamics	Pooled Infrastructure	46,368	5.42
59,968	6.50	Global Infrastructure Partners II	Pooled Infrastructure	52,173	6.10
40,442	4.38	Wellington Management - GTR	Global bonds	-	-
34,170	3.70	Darwin Leisure Property Fund	UK property	36,319	4.25
28,040	3.04	UBS Global Asset Management	UK property	27,383	3.20
20,303	2.20	Invesco - PRS	UK property	20,452	2.39
-	-	Markham Rae	UK property	-	-
632	0.08	DTZ Investment Management	Overseas property	275	0.03
3,635	0.39	Impact Ventures UK	Pooled Social Impact	3,505	0.41
106	0.01	RREEF Limited	UK property	16	0.00
154	0.02	Blue Crest	Hedge Fund	119	0.01
579,146	**62.78**	**Total managed outside the London CIV asset pool**		**507,930**	**59.39**
17,382	1.89	Cash		2,170	0.25
922,312	**100.00**	**Total Fund Value**		**855,304**	**100.00**

Purchases and sales of Investments

During the year, the fund purchased investment assets totalling £194 million (£420.0 million in 2018/19) and sold investment assets at a value of £191 million (£420.1 million in 2018/19). The purchases and sales movement in futures derivatives in 2018/19, as stated above in note 13a, was to manage out of market exposure during the transition period.

During the year a total of £1.7 million was drawn down as part of commitments to the Global Infrastructure Partners Infrastructure Funds, there were no drawdowns to Capital Dynamics Clean energy Funds and £0.6 million to Impact Ventures UK fund. Purchases also included £59.6m in assets managed by the London CIV and acquisition of a new mandate in equity protection managed by Legal and General of £130.0m. Purchases of £3.9 million were made to cash and cash equivalents to Money Market Funds. The sale of investments comprised the returned capital/divestment from wind up of assets, from Capital Dynamics Clean Energy £0.7 million, Global Infrastructure Partners Funds £4.7 million, The fund disposed £79.0m of pooled equity assets managed by AXA Investment Managers and wholly disinvested assets of £102m in the pooled fixed interest mandate managed by Wellington Management Fund. Sale transactions in cash and cash equivalents from Money Market Funds was £16.9m. All other purchases and sales relate to transactions made by the Investment Managers within the portfolios under their management.

Note 14: Fair Value

Basis of Valuation

Description of asset	Valuation hierarchy	Basis of Valuation	Observable and unobservable inputs	Key Sensitivities affecting Valuation
Cash balances, money market funds and other assets and liabilities held at amortised cost	Level 1	Unquoted financial instruments with an expected maturity of less than 2 months. Fair Value represents the carrying value of the asset or liability	Not Required	Not Required
UK (Pooled) Equities and Global (Pooled equities)	Level 1	Published bid market price ruling on the final day of the accounting period	Not Required	Not Required
Global Bonds	Level 1	Published bid market price ruling on the final day of the accounting period	Not Required	Not Required
Pooled property unit trust	Level 2	Closing single price where single price published	Evaluated price feeds	Not Required
Pooled property limited partnerships	Level 3	Adjusted for net capital current	NAV-based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts
Infrastructure	Level 3	Fair Value	NAV-based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts
Hedge Funds	Level 3	Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts
Social Impact Fund	Level 3	Fair Value	NAV-based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts
Unquoted Investment in London CIV	Level 3	This unquoted investment is carried at cost. Cost in this instance has been determined as the best assessment of Fair Value given that no market for this asset currently exists.	Price Paid	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

Note 14a: Sensitivity of Level 3 Investments

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 2020 and 31 March 2019.

2019/20 Level 3 Assets	Potential variation on fair value Valuation Range + / -	Values at 31 March 2020 £'000	Potential value on Increase £'000	Potential value on Decrease £'000
Financial Assets				
Property	1.20%	57,062	57,747	56,377
Hedge Funds	8.30%	119	129	109
Infrastructure	8.30%	98,541	106,720	90,362
Social Impact Funds	8.30%	3,505	3,796	3,214
CIV - Unquoted equity	8.30%	150	162	138
Total Financial Assets		**159,377**	**168,554**	**150,200**

2018/19 Level 3 Assets	Potential variation on fair value Valuation Range + / -	Values at 31 March 2019 £'000	Potential value on Increase £'000	Potential value on Decrease £'000
Financial Assets				
Property	1.40%	55,211	55,984	54,438
Infrastructure	10.20%	109,704	120,894	98,514
Hedge Funds	10.20%	154	170	138
Social Impact Funds	10.20%	3,635	4,006	3,264
CIV - Unquoted equity	10.20%	150	165	135
Total Financial Assets		**168,854**	**181,219**	**156,489**

Note 14b: Fair Value Hierarchy

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

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

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

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

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

2019/20	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
UK & Global pooled equities	510,439	155,935	-	666,374
Global bonds	-	-	-	-
Cash and money market funds	5,844	-	-	5,844
Other assets and liabilities held at amortised cost	3,528	-	-	3,528
Pooled property unit trust	-	27,383	-	27,383
Pooled property limited partnerships	-	-	57,062	57,062
Infrastructure	-	-	98,541	98,541
Hedge funds	-	-	119	119
social impact	-	-	3,505	3,505
CIV - unquoted equities	-	-	150	150
Total	**519,811**	**183,318**	**159,377**	**862,506**

2018/19	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
UK & Global pooled equities	605,500	-	-	605,500
Global bonds	102,536	-	-	102,536
Cash and money market funds	20,231	-	-	20,231
Other assets and liabilities held at amortised cost	4,907	-	-	4,907
Pooled property unit trust	-	28,040	-	28,040
Pooled property limited partnerships	-	-	55,211	55,211
Infrastructure	-	-	109,704	109,704
Hedge funds	-	-	154	154
social impact	-	-	3,635	3,635
CIV - unquoted equities	-	-	150	150
Total	**733,174**	**28,040**	**168,854**	**930,068**

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

Reconciliation of Fair Value Measurements within level 3

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

2018/19	Value as 1 Apr	Purchases	Sales	Unrealised gains/losses	Realised gains/losses	Value at 31 March
	£'000	£'000	£'000	£'000	£'000	£'000
Property	53,917	-	(413)	1,655	52	55,211
Infrastructure	84,594	11,033	(5,702)	19,200	579	109,704
Hedge funds	6,989	-	(7,377)	(564)	1,106	154
Social impact	2,507	1,393	(171)	(94)	-	3,635
CIV - unquoted equity	150	-	-	-	-	150
Total	**148,157**	**12,426**	**(13,663)**	**20,197**	**1,737**	**168,854**

Unrealised and realised gains and losses are recognised in the profit and losses on disposal and changes in the market value of investments line of the fund account.

Note 15a: Classification of Financial Instruments

	2018/19			2019/20		
	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets						
UK impact ventures	3,635	-	-	3,505	-	-
London CIV	150	-	-	150	-	-
Hedge funds	154	-	-	119	-	-
Infrastructure	109,704	-	-	98,541	-	-
Bonds	102,536	-	-	-	-	-
Equities	605,500	-	-	666,374	-	-
Property	83,251	-	-	84,445	-	-
Cash and money market instruments	-	17,382	-	-	2,170	-
Cash	-	2,849	-	-	3,674	-
Debtors	-	130	-	-	112	-
Financial assets total	**904,930**	**20,361**	**-**	**853,134**	**5,956**	**-**
Financial liabilities						
Creditors	-	-	(90)	-	-	(135)
Financial liabilities total	**-**	**-**	**(90)**	**-**	**-**	**(135)**
Net financial assets	**904,930**	**20,361**	**(90)**	**853,134**	**5,956**	**(135)**
Grand total		**925,201**			**858,955**	

Note 15b: Net Gains and Losses on Financial Instruments

2018/19	Investments	2019/20
£'000		£'000
	Financial Assets	
64,454	Designated at fair value through profit and loss	(54,311)
64,454	**Total**	**(54,311)**

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:

(i). the exposure of the fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels.

(ii). 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)

Other price risk - sensitivity analysis

In consultation with the fund's performance advisers, the fund has determined that the following movements in market price risk are reasonably possible for the 2019/20 reporting period, assuming that all other variables, in particular foreign exchange rates and interest rates remain the same:

Asset Type	Value at 31 March 2020	Percentage Change	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
Equities	666,374	13.30	755,002	577,746
Cash	2,171	0.70	2,186	2,156
Property	84,445	1.20	85,458	83,432
Alternatives	102,315	8.30	110,807	93,823
Total assets available to pay benefits	**855,305**	**8.20**	**925,440**	**785,170**

Asset Type	Value at 31 March 2019	Percentage Change	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
UK equities	279,866	12.40	314,569	245,163
Overseas equities	325,634	11.10	361,779	289,489
Global bonds	102,536	1.90	104,484	100,588
Cash	17,382	0.40	17,452	17,312
Property	83,251	1.40	84,417	82,085
Alternatives	113,643	10.20	125,235	102,051
Total assets available to pay benefits	**922,312**	**6.20**	**1,007,936**	**836,688**

Interest rate risk

The fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risk, which represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The fund's interest rate risk is routinely monitored by the pension fund and its investment advisers in accordance with the fund's investment strategy.

Interest rate - risk sensitivity analysis

The fund recognises that interest rates can vary and can affect both income to the fund and the carrying value of fund assets, both of which affect the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the fund's risk management strategy. 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 and experience suggests that such movements are likely.

Given the minimum exposure of the funds asset at present no further analysis has been provided as this would be of minimal benefit.

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 reporting period, assuming that all other variables, in particular market price risk and interest rates remain the same:

Asset Type	Value at 31 March 2020	Percentage Change	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
Overseas Equities	666,351	7.30	714,995	617,707
Overseas pooled property investments	31,245	7.30	33,526	28,964
Overseas Alternatives	37,801	7.30	40,561	35,042
Total assets available to pay benefits	**735,397**		**789,082**	**681,713**

Credit risk

Credit risk represents the risk that the counterparty to a financial transaction will fail to discharge an obligation and cause the fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities. The selection of high-quality counterparts, brokers and financial institutions minimises credit risk that may occur through the failure of third parties to settle transactions in a timely manner. The fund has also set limits as to the maximum sum placed on deposit with individual financial institutions. In addition, the pension fund invests a percentage of its funds in the money markets to provide liquidity on cash balances. Money market funds chosen are in line with the Council's Treasury Management Strategy and all have a AAA rating from leading ratings agency, as shown below. The pension fund bank account is also held in line with Council's selection for its main bank account provider.

Liquidity risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The pension fund therefore takes steps to ensure that it always has adequate cash resources to meet its commitments. The fund's cash holding under its treasury management arrangements as at 31 March 2020 was £5.9m (31 March 2019 £20.2m).

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 2020, the value of liquid assets was £668.5 million, which represented 78.2% of the total fund assets (31 March 2019 £725.4 million, which represented 78.8% of the 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 have a refinancing risk as part of this investment strategy.

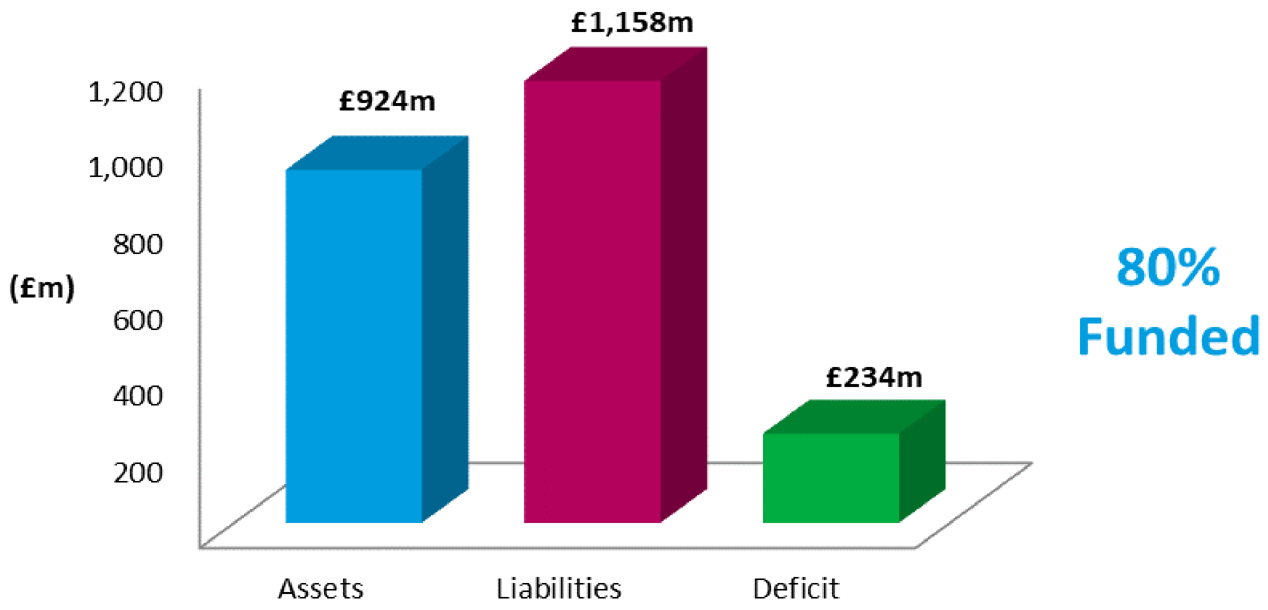
Note 17: Funding Arrangements

Accounts for the Year Ended 31 March 2020 - Statement by the Consulting Actuary

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

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.



The valuation also showed that a Primary contribution rate of 15.6% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the FSS is to achieve and maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall.

Note 17: Funding Arrangements (continued)

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation 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 in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this varies year on year.

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

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.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The 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:

	For past service liabilities (Solvency Funding Target)	For future service liabilities (Primary rate of contribution)
Rate of return on investments (discount rate)	4.35% per annum	4.9% per annum
Rate of pay increases (long term)*	3.9% per annum	3.9% per annum
Rate of increases in pensions in payment (in excess of GMP)	2.4% per annum	2.4% per annum

** allowance was made for lower short-term increases to reflect public sector pay restraint over a 4 year period.*

The 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.

The McCloud Judgement

The "McCloud judgment" refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. The Government announced in 2019 that this needs to be remedied for all public sector schemes including the LGPS. This is likely to result in increased costs for some employers. This remedy is not yet agreed but guidance issued requires that each Fund sets out its policy on addressing the implications.

In line with guidance issued by the LGPS Scheme Advisory Board, the above funding level and Primary contribution rate do not include an allowance for the estimated cost of the McCloud judgment. However, at the overall Fund level we estimate that the cost of the judgment could be an increase in past service solvency liabilities of broadly £7 million and an increase in the Primary Contribution rate of 0.3% of Pensionable Pay per annum. To the extent that employers have opted to pay additional contributions over 2020/23 in relation to the McCloud judgment, these emerge in the Secondary Contribution Rate figures quoted above.

Note 17: Funding Arrangements (continued)

Impact of Covid 19

The valuation results and employer contributions above were assessed as at 31 March 2019. In 2020 we have so far seen significant volatility and uncertainty in markets around the world in relation to the COVID-19 pandemic. This potentially has far-reaching consequences in terms of funding and risk, which will need to be kept under review. We believe that it is important to take stock of the situation as opposed to make immediate decisions in what is an unprecedented set of events. Our view is that employer contributions should not be revisited but the position should be kept under review by the Administering Authority who will monitor the development of the situation and keep all stakeholders informed of any potential implications so that the outcome can be managed effectively.

Note 17a: Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2020 (the 31 March 2019 assumptions are included for comparison):

	31 March 2019	31 March 2020
Rate of return on investments (discount rate)	2.4% per annum	2.4% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.2% per annum	2.1% per annum
Rate of pay increases*	3.7% per annum	3.6% per annum
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	2.3% per annum	2.2% per annum

** This is the long-term assumption. An allowance corresponding to that made at the latest formal actuarial valuation for short-term public sector pay restraint was also included.*

The demographic assumptions are the same as those used for funding purposes, with the 31 March 2020 assumptions being updated to reflect the assumptions adopted for the 2019 actuarial valuation. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2020.

Corporate bond yields were similar at the start and end of year resulting in the same discount rate of 2.4% p.a. being used for IAS 26 purposes at the year-end as for last year. The expected long-term rate of CPI inflation decreased during the year, from 2.2% p.a. to 2.1%, which served to decrease the liabilities slightly over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2019 was estimated as £1,590 million excluding the potential impact of the McCloud Judgment.

Interest over the year increased the liabilities by c£39 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£36million (this includes any increase in IAS 26 liabilities arising as a result of early retirements/augmentations and the potential impact of GMP Indexation and the McCloud Judgment – see comments elsewhere in this statement). There was also a decrease in liabilities of £35 million due to "actuarial gains" (i.e. the effects of the changes in the actuarial assumptions used, referred to above, and the incorporation of the 31 March 2019 actuarial valuation results into the IAS26 figures).

The net effect of all the above is that the estimated total IAS 26 value of the Fund's promised retirement benefits as at 31 March 2020 is therefore £1,630 million.

Note 17a: Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26 (continued)

GMP Indexation

At present, the public service schemes are required to provide full CPI pension increases on GMP benefits for members who reach State Pension Age between 6 April 2016 and 5 April 2021. The UK Government may well extend this at some point in the future to include members reaching State Pension Age from 6 April 2021 onwards, which would give rise to a further cost to the LGPS and its employers. If the Fund were required to index-link GMP benefits in respect of those members who reach their State Pension Age after April 2021, then we estimate that this would increase the Fund liabilities by about £5 million on IAS26 assumptions, and we have included this amount within the final IAS26 liability figure above.

John Livesey
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
July 2020

James Hunter
Fellow of the Institute and Faculty of Actuaries

Note 18: Current Asset

Analysis of debtors outstanding at 31 March 2020:

2018/19 £'000		2019/20 £'000
	Other entities and individuals:-	
2,849	Cash not forming part of investment balances	3,674
5,347	Pension contributions	5,692
8,196		**9,366**

Note 19: Current Liabilities

Analysis of creditors outstanding at 31 March 2020:

2018/19 £'000		2019/20 £'000
	Other entities and individuals:-	
(454)	Due to the administering authority	(1,500)
(26)	Other entities and individuals	(641)
(480)		**(2,141)**

Note 20: Additional Voluntary Contributions

During 2019/20, members paid £17,037 contributions to their personal AVCs (£27,245 in 2018/19) and the value of their investments was £675,005 at 31 March 2020 (£689,799 at 31 March 2019). In accordance with regulation 4 (1) (b) of the LGPS (Management and Investment of Funds) Regulations 2016, AVCs are not included in the Pension Fund accounts.

Note 21: Related Party Transactions

There is a strong relationship between the Council and the Pension Fund. The Pension Fund is administered by the Council for which it charged £683,600 in 2019/20 (£687,900 in 2018/19).

Key management personnel

Members of the Pension Fund committee cannot be apportioned on a reasonable basis and are therefore disclosed in full in the Council's accounts, please refer to **Notes 10**, **31** and **35** of the Council's accounts. The Strategic Director Finance and Governance holds a key position in the financial management of the Fund, the financial value of this relationship (in accordance with IAS24) is, short term benefits £55,500 in 2019/20 (£48,000 in 2018/19), post-employment benefits £71,851 in 2019/20 (£70,224 in 2018/19).

Note 21: Related Party Transactions (continued)

Governance

There is 1 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.

Note 22: Contingent Liabilities and Contractual Commitments

Infrastructure funds

The fund has outstanding commitments in relation to its three infrastructure funds and a Social Impact Fund. As at 31 March 2020 there were £11.098 million of infrastructure commitments outstanding (£11.962 million as at 31 March 2019). The Social Impact fund had outstanding commitments of £0.5 million as at 31 March 2020 (£1.4 million as at 31 March 2019). These commitments are drawn down in tranches over time as and when the managers request them. All commitments to the funds property investments have been fully funded. These outstanding commitments are not required to be included in the Pension Fund accounts.

Note 23: Further Information

Copies of the Pension Fund Annual Accounts, Annual Report, Investment Strategy Statement, Funding Strategy Statement, Pension Fund Valuation 2016 are published on the Council's website:

http://www.walthamforest.gov.uk

SECTION – 6

ANNUAL GOVERNANCE STATEMENT

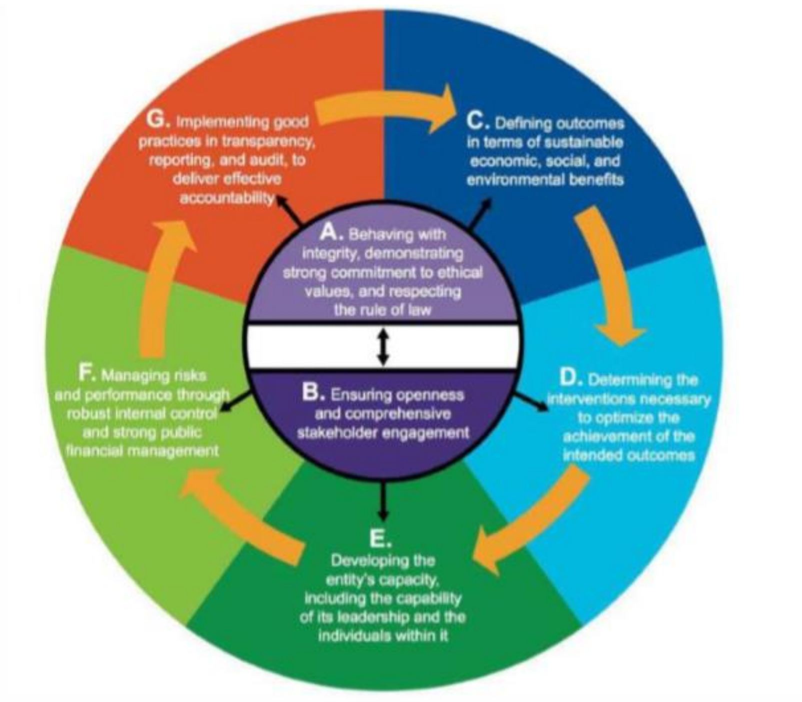
ANNUAL GOVERNANCE STATEMENT - YEAR ENDED 31 MARCH 2020

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 2019/20, 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 financial challenges, the Council continues to deliver against its core priorities. and Waltham Forest has had an impressive year, being London Borough of Culture in 2019 and voted 2019 Council of the Year at the Municipal Journal awards. But rapid change due to the COVID-19 pandemic and other challenges is inevitable over the coming months.

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

- its business is conducted in accordance with the law and proper standards
- 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

Councillor 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 2019/20 are set out below together with the Council's response:

Corona Virus

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

Brexit

Uncertainty over the outcome of negotiations with the EU following Brexit could impact the Council's delivery and business model. In order to mitigate the potential impact, a Brexit working group has been established with responsibility for overseeing a number of works streams including workforce and supply chain issues, business continuity and capital projects

Government savings targets

The Council needs to deliver £8.5m savings over the next two years. Plans to implement these savings are in place and include the use of "spend to save" initiatives. 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 for further details:

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

Housing Services

Financial claim from the Council's former repairs and maintenance contractor, coupled with an ongoing court case in respect of water rates charges for local authority tenants, could combine to have a detrimental impact on the Housing Revenue Account. The Council has engaged specialist advisors to assist in resolving these two legal issues.

Asylum seekers

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

Last year's annual governance statement also highlighted the changes necessary to comply with the 2018 General Data Protection Regulations (GDPR). A comprehensive review of Information Governance arrangements, IT policies and staffing levels has taken place during 2019/20 to ensure the Council meets these new requirements. A new Information Governance Board has been established and all staff now receive mandatory training on GDPR.

4. Review of effectiveness

The governance framework described in Appendix A has been in place throughout 20192/0 and maintained up to the date of the approval of the Statement of Accounts. Key governance processes during 2019/20 comprised the following:

Audit and Governance Committee	• Regular reports on risk management, Internal Audit coverage, Treasury Management and counter-fraud work. • Annual report to consider Ombudsman referrals and complaints. • Considered GDPR changes and fire risk assessments (following Grenfell). • Reviewed and updated the Council's Constitution, Contract Procedure Rules and counter-fraud policies.
Scrutiny Committees	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. Topics reviewed include housing and library services, the Local Plan and performance and budget monitoring. The scrutiny function was reviewed by the Association of Democratic Services Officers (ADSO) in June and July 2019 and reported to Management Board in September 2019 with a Scrutiny Action plan of 11 recommendations. Which are being taken forward by the Constitutional Working Group.
Internal Audit coverage	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. Topics reviewed include housing and library services, the Local Plan and performance and budget monitoring.
Antifraud work	The anti-fraud team carried out a 440-day programme of both reactive and proactive work focussing primarily on social housing and council tax fraud, identifying savings for the Council in excess of £5.8m in 2019/20.
Risk Management	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. Strategic risks are reported to Governance Board, Management Board and Audit and Governance Committee quarterly. Operational risk registers are reported to relevant Directorate Management Teams monthly, and programme and project risk registers are reported to the relevant management team.
Group companies and partnerships	Risk management arrangements described above also apply to Group companies and partnerships and include the following areas: • Risks associated with failure of partner organisation to meet contractual obligations • Shared service arrangements and accountability • Procurement • Contract management and monitoring arrangements • A governance review of the two LATCs was undertaken in 19/20 by external consultants' Mutual ventures and an action plan identified a number of recommendations which are being taken forward by the Monitoring Officer
Performance Management	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: • Comparisons to other London boroughs • Trends and Direction of Travel • Whether performance is above, below, or close to target • Remedial action where performance is a cause for concern • The Council's Corporate Performance Framework has been reviewed and new reporting arrangements are being put in place for 2020/21.
Complaints investigation	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 an LGA led independent Peer Review in 2018/19. This concluded that the Council was in '*a relatively strong financial position…that other authorities would envy*'.

The 2018/19 external audit has identified several financial reporting issues, mainly in relation to asset valuations, capital financing and IAS 19 accounting. Work is underway to resolve these and facilitate a smoother audit in future years.

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 2019/20. Where weaknesses have been identified, these have either been addressed or are in the process of being addressed by management.

Referrals and Complaints

77 complaints against the Council were received by the Ombudsman during the period 1 April 2018 to 31 March 2019. 21 complaints (27%) were upheld. There were also 3 whistleblowing complaints made during 2019/20, two related to schools and 1 to an internal member of staff. All were investigated with the Monitoring Officer taking such as action as necessary. The Council uses feedback from these investigations to improve delivery of Council services. There were seven member complaints investigated by the Monitoring Officer in consultation with the Council's statutory independent person. Three complaints were upheld in relation to not dealing with correspondence, but the matters were then dealt with and no further action was taken. No breaches were found in relation to the other 4 complaints although in relation to one of these cases the member concerned was suspended by his party for a month and sent on equalities training. None of the matters needed to be referred to the Audit and Governance subcommittee.

5. Conclusion

The Council has concluded that there is a robust governance framework in place which has operated effectively during 2019/20. Looking forwards, the Council will address the matters raised in this Report and take prompt action to address any other weaknesses identified.

Linzi Roberts-Egan

Chief Executive

Councillor Grace Williams

Leader of the Council

APPENDIX A – THE CIPFA/SOLACE FRAMEWORK IN PRACTICE

A. Behaving with Integrity

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

B. Open and comprehensive stakeholder engagement

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

C. Defining economic, social and environmental outcomes

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

https://members.walthamforest.gov.uk/sites/default/files/creating_futures_strategy.pdf

D. Achieving intended outcomes

A corporate performance management framework is in place to ensure a consistent approach to monitoring and managing the performance of services across the Council. Key performance indicators and related targets are reviewed and updated annually with progress made against these indicators reported to members and management teams on a quarterly basis. There is a clear 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 and risk management processes include Group companies and partnership arrangements. Risk registers are reviewed monthly by officers and quarterly by elected members.

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

GLOSSARY OF FINANCIAL TERMS

ACCRUALS

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

ACTUARY

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

ACTUARIAL VALUATION

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

AMORTISATION

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

BAD DEBT PROVISION

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

BAND PROPORTIONS

(Also known as VALUATION BANDS)

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

BILLING AUTHORITY

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

BUDGET

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

BUSINESS RATE RETENTION

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

CAPITAL EXPENDITURE

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

CARRYING AMOUNT/CARRYING VALUE

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

GLOSSARY OF FINANCIAL TERM (continued)

CASH EQUIVALENTS

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

CODE

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

COLLECTION FUND

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

COMMUNITY ASSETS

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

COMPONENTISATION

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

CONSUMER PRICE INDEX (CPI)

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

CONTINGENT ASSET

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

CONTINGENT LIABILITY

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

COUNCIL TAX

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

COUNCIL TAX BASE

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

CREDITORS

Amounts of money owed by the Council for goods or services received.

GLOSSARY OF FINANCIAL TERM (continued)

DEBTORS

Amounts of money owed to the Council for goods or services provided.

DEDICATED SCHOOLS GRANT (DSG)

A ring-fenced grant from the Department for Education paid to Local Education Authorities for the Education of Children and Young Adults up to the age of 25.

DEPRECIATION

A provision made in the accounts to reflect the cost of consuming assets during the year, e.g. a vehicle purchased for £30,000 with a life of five years would depreciate on a straight-line basis at the rate of £6,000 per annum. Depreciation forms part of the ‘capital charges’ made to service revenue accounts and is covered by International Accounting Standard (IAS) 16.

DIRECT REVENUE FINANCING

Funding of capital expenditure directly from revenue budgets.

EARMARKED RESERVES

Amounts set aside for a specific purpose to meet future commitments or potential liabilities, for which it is not appropriate to establish a provision.

EXIT PACKAGES

The cost to the Council of early termination of staff employment before normal retirement age.

EXTERNAL AUDITOR

The Public Sector Audit Appointments Limited (**PSAA**)appoints the external auditor. The current auditor is Ernst Young.

FAIR VALUE

Fair Value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no motive in their negotiations other than to secure a fair price.

FINANCE LEASE

A contractual agreement for the use of an asset, where in substance the risks and rewards associated with ownership reside with the user of the asset (lessee) rather than the owner (lessor).

FINANCIAL YEAR

The local authority financial year starts on 1 April and ends the following 31 March.

GENERAL FUND

This is the main revenue account of the Council. It includes the cost of all services provided which are paid from Government grants, generated income, NNDR retention and borough’s share of Council Tax. It excludes the HRA. By law, it includes the cost of services provided by other bodies who charge a levy to the Council.

GLOSSARY OF FINANCIAL TERM (continued)

HERITAGE ASSETS

Assets held and maintained principally for their contribution to knowledge and culture. e.g. War memorials and museum stocks.

HOUSING REVENUE ACCOUNT (HRA)

An account which includes expenditure and income arising from the provision of rented dwellings. It is, in effect, a landlord account. Statute provides for this account to be separate from the General Fund and any surplus or deficit must be retained within the HRA. No costs may be charged to Council Tax nor can Housing Rent income be used to support General Fund expenditure.

IMPAIRMENT

This is where the value of an asset falls below the carrying value in the accounts and so to reflect the commercial reality of the situation a charge is made in the running costs.

INFRASTRUCTURE ASSETS

Non-current assets that are unable to be readily disposed of, the expenditure on which is recoverable only by continued use of the asset created. Examples are highways and footpaths.

INTANGIBLE ASSETS

Assets which do not have a physical form but provide an economic benefit for a period of more than one year; e.g. software licences.

INTERNATIONAL FINANCIAL REPORTING INTERPRETATION COMMITTEE (IFRIC)

The body which set financial reporting guidelines based on International Financial Reporting Standards. Since 2009/10, the treatment of PFI was based on the adoption of IFRIC standard 12. IFRIC standard 4 is followed in determining whether an arrangement contains a lease

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Local authorities are required to adopt the International Financial Reporting Standards (IFRS); a code of practice based on an internationally agreed set of financial rules. These dictate a level of analysis and disclosure that allows readers of the Statement of Accounts to gain a clearer understanding of the Council’s financial position and activities.

INVENTORIES

Materials or supplies to be used in the production process or in providing services; for this Council, the fuel transport store.

LEVIES

The Council is statutorily required to pay levies to a number of national, London-wide and local bodies. Examples are the North London Waste Authority and the Lee Valley Regional Park Authority.

MINIMUM REVENUE PROVISION (MRP)

A statutory amount, that has to be charged to revenue, to provide for the redemption of debt.

NATIONAL NON-DOMESTIC RATE (NNDR)

More commonly known as ‘business rates’, these are collected by billing authorities from all non-residential buildings. The poundage level is set by the Treasury. Amounts payable are based on rateable values multiplied by this poundage level.

GLOSSARY OF FINANCIAL TERM (continued)

NEW HOMES BONUS

New Homes Bonus is a Government scheme aimed at encouraging local authorities to grant planning permissions for building new houses and bringing long-term empty properties back into use. The non ring-fenced grant is based on the number of properties.

NET BOOK VALUE

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value, less the cumulative amounts provided for depreciation.

NON-CURRENT ASSETS

Assets which yield a benefit to the Council for a period of more than one year.

OPERATIONAL ASSETS

Fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or a discretionary responsibility.

NON-OPERATIONAL ASSETS

Fixed assets held by a Council, but not directly occupied, used or consumed in the delivery of services; for example, investment properties and assets surplus to requirements held pending sale or redevelopment.

OUTTURN

This is the actual level of expenditure and income for the financial year.

PENSION FUNDS

For the Local Government Pension Scheme, the funds that invest employers' and employees' pension contributions in order to provide pensions for employees on their retirement and pensions for employees' dependants in the event of death of an employee.

PENSION STRAIN

The cost to the Council of reimbursing the Pension Fund should it agree to employees aged 55 and over drawing their pension before normal retirement age.

PRIVATE FINANCE INITIATIVE (PFI)

PFI offers a form of Public-Private Partnership in which local authorities do not buy assets but rather pay for the use of assets held by the private sector.

PRECEPT

This is the method by which a precepting authority (Greater London Authority in London) obtains income from the billing authority to cover its net expenditure. This is calculated after deducting its own Revenue Support Grant. The precept levied by the precepting authority is incorporated within the Council Tax charge. The Council pays the amount demanded over an agreed time scale.

PROPERTY, PLANT AND EQUIPMENT (PPE)

Covers all tangible (physical) assets used in the delivery of services, for rental to others, or for administrative purposes, that are used for more than one year.

GLOSSARY OF FINANCIAL TERM (continued)

PROVISION

Amount set aside for liabilities and losses, which are certain or very likely to occur but where the exact amount or timing of the payment is uncertain.

PRUDENTIAL CODE

The Prudential Code frees authorities to set their own borrowing limits having regard to affordability. In order to demonstrate this has been done, and enable adherence to be monitored, authorities are required to adopt a number of appropriate 'Prudential Indicators'.

PUBLIC WORKS LOAN BOARD (PWLB)

A government agency, part of the Debt Management Office which lends money to public bodies for capital purposes. The majority of borrowers are local authorities. Monies are drawn from the National Loans Fund and rates of interest are determined by the Treasury.

PUPIL PREMIUM GRANT

This is based on Free School Meals (FSM) eligibility data as at January each year. It is ring-fenced to schools in the same way as DSG.

RATEABLE VALUE

The Valuation Office Agency (part of HM Revenue and Customs) assesses the rateable value of non-domestic properties. Business rate bills are set by multiplying the rateable value by the NNDR poundage set by the Government for the year. Domestic properties do not have rateable values; instead they are assigned to one of the eight valuation bands for Council Tax.

RELEVANT POPULATION

The population of the London Borough of Waltham Forest, as determined by the Secretary of State, is used to determine the Council's share of Revenue Support Grant.

RETAIL PRICE INDEX (RPI)

The measure of inflation used prior to the adoption of CPI by the Government.

REVALUATION

Recognises increases or decreases in the value of non-current assets that are not matched by expenditure on the asset; gains or losses are accounted for through the revaluation reserve.

REVENUE EXPENDITURE

The regular day to day running costs a Council incurs to provide services.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Expenditure which is legitimately financed from capital resources, but which does not result in, or remain matched with tangible assets.

REVENUE SUPPORT GRANT (RSG)

The general grant paid by the Government to local authorities to help finance their services.

GLOSSARY OF FINANCIAL TERM (continued)

SURPLUS ASSETS

Assets not being used in the delivery of services that do not qualify as being 'held for sale' under accounting guidance.

SOFT LOANS

Funds received and advanced at less than market rates.

UNSUPPORTED BORROWING

Local authorities can set their own borrowing levels based upon their capital need and their ability to pay for the borrowing, costs are not supported by the Government so services need to ensure they can fund the repayment costs. The borrowing may also be referred to as Prudential Borrowing.

USABLE CAPITAL RECEIPTS

This represents the amount of capital receipts available to finance capital expenditure in future years, or to provide for the repayment of debt.

ABBREVIATIONS USED IN THE ACCOUNTS:

BRS – Business Rate Supplement
CCG – Clinical Commissioning Group
CIPFA – Chartered Institute of Public Finance and Accountancy
CIES – Comprehensive Income and Expenditure Statement
CPI – Consumer Price Index
DSG – Dedicated Schools Grant
EIP – Equal Interest and Principal
EIR – Effective Interest Rate
FRS – Financial Reporting Standard
HRA – Housing Revenue Account
IAS – International Accounting Standards
ISB – Individual Schools Budget
IFRS – International Financial Reporting Standards
MiRS – Movement in Reserves Statement
MRR – Major Repairs Reserve
NELFT – North East London Foundation Trust
NNDR – National Non-Domestic Rates
NPS – Norfolk Property Services
PFI – Private Finance Initiative
PPE – Property, Plant and Equipment
PWLB – Public Works Loan Board
REFCUS – Revenue Expenditure Funded From Capital Under Statute
RICS – Royal Institution of Chartered Surveyors
RPI – Retail Price Index
RSG – Revenue Support Grant
RTB – Right to Buy